THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in West China Cement Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of West China Cement Limited nor shall there be any sale, purchase or subscription for securities of West China Cement Limited in any jurisdiction in which such offer, solicitation or sale would be unlawful absent the filing of a registration statement or the availability of an applicable exemption from registration or other waiver. This circular is not for release, publication or distribution in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

西部水泥

WEST CHINA CEMENT LIMITED
中國西部水泥有限公司

(Incorporated in Jersey with limited liability, with registered number 94796)

(Stock Code: 2233)

(1) MAJOR AND CONNECTED TRANSACTION OF THE COMPANY IN RELATION TO THE ACQUISITION OF TARGET COMPANIES
(2) PROPOSED GRANT OF SPECIFIC MANDATE OF THE COMPANY TO ALLOT AND ISSUE THE CONSIDERATION SHARES
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to Conch Cement

Optima Capital Limited

Financial Adviser to the Company

NOMURA

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

A letter from the Board is set out on pages 6 to 28 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on pages 29 to 30 of this circular. A letter from Guotai Junan Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 31 to 61 of this circular.

A notice convening the EGM to be held at on Tuesday, 19 January 2016 at 10:00 a.m. at Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong, is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed herein.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and, in any event, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

31 December 2015

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Acquisition Agreement"	the share purchase agreement entered into on 27 November 2015 among Grand Winner, the Company and Conch Cement in respect of the Transaction as amended by the Supplemental Agreement
"Acquisition Completion"	completion of the Transaction
"Asia Gain"	Asia Gain Investments limited, a company incorporated under the laws of the British Virgin Islands and wholly-owned by Mr. Zhang
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Baoji FHS"	Baoji Zhongxi Fenghuangshan Cement Co., Ltd.* (寶雞眾喜鳳凰山水泥有限公司), a company incorporated in the PRC and wholly-owned by Conch Cement as at the date of this circular
"Baoji JLH"	Baoji Zhongxi Jilinhe Cement Co., Ltd.* (寶雞市眾喜金陵河水泥有限公司), a company incorporated in the PRC and wholly-owned by Conch Cement as at the date of this circular
"Board"	the board of directors of the Company
"Business Day"	a day (other than Saturday, Sunday, public holiday and any day on which a typhoon signal 8 or above is hoisted or a black rainstorm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.) on which banks in Hong Kong are open for general banking business
"Company"	West China Cement Limited, a company incorporated in Jersey with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 2233)
"Completion Date"	the date falling on the third Business Day after the conditions precedent under the Acquisition Agreement have been fulfilled or waived and the date on which the Acquisition Completion takes place, unless otherwise agreed by all the parties to the Acquisition Agreement in accordance with the terms in the Acquisition Agreement

"Conch Cement"	Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司), a joint stock limited company incorporated in the PRC, the H-shares of which are listed on the main board of the Stock Exchange (stock code: 914) and the A-shares of which are listed on the Shanghai Stock Exchange (stock code: 600585)
"Conch International" or "Offeror"	Conch International Holdings (HK) Limited (海螺國際控股(香港)有限公司), a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Conch Cement
"connected persons"	has the same meaning ascribed thereto under the Listing Rules
"Consideration"	the aggregate consideration of HK$4,593,882,600 payable by Grand Winner for the acquisition of the Target Companies pursuant to the Acquisition Agreement
"Consideration Shares"	the new Shares to be allotted and issued by the Company to Conch International or its wholly-owned subsidiary designated in writing by Conch Cement as payment of the Consideration
"core connected persons"	has the same meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to, among others, consider and if thought fit, approve the Transaction and the transactions contemplated under the Acquisition Agreement
"Enlarged Group"	the Group upon the Acquisition Completion
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
"Grand Winner"	Grand Winner Holdings Limited (華雄控股有限公司), a company incorporated under the laws of the British Virgin Islands and wholly-owned by the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent committee of the Board, comprising two of the independent non-executive directors, namely, Mr. Lee Kong Wai, Conway and Mr. Tam King Ching, Kenny, who are not interested in the Transaction, to be established by the Company to advise the Independent Shareholders on the Acquisition Agreement and the Transaction
"Independent Financial Adviser"	Guotai Junan Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction
"Independent Shareholders"	Shareholder(s) other than (i) Conch International, its associates and parties acting in concert with any of them; and (ii) those who are interested in or involved in the Transaction and/or the Offers who are required to abstain from voting at the EGM pursuant to the Listing Rules and the Takeovers Code
"Issue Price"	the issue price of HK$1.35 per Consideration Share
"Joint Announcements"	the joint announcements of the Company, Conch Cement and the Offeror dated 27 November 2015 and 29 December 2015 relating to the Acquisition Agreement and the Transaction
"Latest Practicable Date"	being 28 December 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Letters of Undertaking"	the letters of undertaking to be executed by certain Shareholders and Optionholders of the Company pursuant to the terms of the Acquisition Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	5:00 p.m. (Hong Kong time) on 30 June 2016 or such later date as the parties to the Acquisition Agreement may agree
"Mr. Ma"	Mr. Ma Zhaoyang (馬朝陽), a non-executive director and an indirect shareholder of the Company holding about 4.1% shares in the Company as of the date of this circular
"Mr. Zhang"	Mr. Zhang Jimin (張繼民), a controlling shareholder and executive director of the Company

"Offer Share(s)"	Share(s) not already owned or agreed to be acquired by the Offeror or parties acting in concert with it
"Offeror"	Conch International
"Offers"	the Share Offer and the Option Offer
"Optima Capital"	Optima Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to Conch Cement and the Offeror
"Option Offer"	the mandatory unconditional cash offer to be made by Optima Capital on behalf of the Offeror for the cancellation of all outstanding Share Options in accordance with the Takeovers Code
"Option Share(s)"	Share(s) to be issued upon exercise of the outstanding Share Option(s)
"Optionholder(s)"	holder(s) of the Share Options
"PRC"	the People's Republic of China
"Pre-Announcement Last Trading Day"	19 November 2015, being the last trading day of the Shares before the issue of the Joint Announcement dated 27 November 2015
"Qianxian Cement"	Qianxian Conch Cement Co., Ltd.* (乾縣海螺水泥有限責任公司), a company incorporated in the PRC and wholly-owned by Conch Cement as at the date of this circular
"Qianyang Cement"	Qianyang Conch Cement Co., Ltd.* (千陽海螺水泥有限責任公司), a company incorporated in the PRC and wholly-owned by Conch Cement as at the date of this circular
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Offer"	the mandatory unconditional cash offer to be made by Optima Capital on behalf of the Offeror to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and in accordance with the Takeovers Code

"Share Offer Price"	the price at which the Share Offer will be made, being HK$1.69 per Offer Share
"Share Option Scheme"	the share option scheme adopted by the Company on 31 March 2010
"Share Option(s)"	the outstanding share option(s) granted by the Company pursuant to the Share Option Scheme
"Share(s)"	ordinary share(s) with a nominal value of £0.002 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Specific Mandate"	the specific mandate proposed to be sought at the EGM to authorize the directors of the Company to allot and issue the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the same meaning as defined in the Listing Rules
"Supplemental Agreement"	a supplemental agreement dated 28 December 2015 entered into by and among Grand Winner, the Company and Conch Cement to amend certain terms and conditions of the Acquisition Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Companies"	Baoji FHS, Baoji JLH, Qianxian Cement and Qianyang Cement
"trading day"	has the meaning ascribed to it in the Listing Rules
"Transaction"	the proposed acquisition by Grand Winner or its wholly-owned subsidiary of the entire equity interests in each of the Target Companies pursuant to the terms and conditions of the Acquisition Agreement
"US$"	United States Dollars, the lawful currency of the United States
"%"	means per cent
"£"	pound sterling, the legal currency of the United Kingdom
"*"	for reference only

西部水泥

WEST CHINA CEMENT LIMITED
中國西部水泥有限公司

(Incorporated in Jersey with limited liability, with registered number 94796)

(Stock Code: 2233)

Executive Directors:
Mr. Zhang Jimin *(Chairman)*
Dr. Ma Weiping *(Chief Executive Officer)*

Non-executive Directors:
Mr. Ma Zhaoyang
Mr. Qin Hongji
Ms. Liu Yan

Independent Non-executive Directors:
Mr. Lee Kong Wai, Conway
Mr. Wong Kun Kau
Mr. Tam King Ching, Kenny

Registered Office:
47 Esplanade
St Helier
Jersey JE1 0BD

Place of Business in Hong Kong:
10/F, Wharf T&T Centre
Harbour City
7 Canton Road
Tsim Sha Tsui
Hong Kong

31 December 2015

To: the Shareholders of the Company

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION OF THE COMPANY IN RELATION TO THE ACQUISITION OF TARGET COMPANIES (2) PROPOSED GRANT OF SPECIFIC MANDATE OF THE COMPANY TO ALLOT AND ISSUE THE CONSIDERATION SHARES AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the Joint Announcements. On 27 November 2015, Grand Winner, the Company and Conch Cement entered into an Acquisition Agreement, pursuant to which Grand Winner has conditionally agreed to acquire, or procure its wholly-owned subsidiary to acquire, and Conch Cement has conditionally agreed to sell, the entire equity interests in each of (i) Baoji FHS at the consideration of HK$1,465,434,792, (ii) Baoji JLH at the consideration of HK$698,575,918, (iii) Qianxian Cement at the consideration of HK$1,314,287,866, and (iv) Qianyang Cement at the consideration of HK$1,115,584,024, the aggregate consideration of the Target Companies being HK$4,593,882,600, which shall be satisfied by the issue of 3,402,876,000 Consideration Shares by the Company at the Issue Price of HK$1.35 per Consideration Share. On 28 December 2015, Grand Winner, the Company and Conch Cement entered into the Supplemental Agreement to amend and supplement certain terms and conditions in the Acquisition Agreement.

The purpose of this circular is to provide you with, among other things, (i) further details regarding the Transaction; (ii) financial and other information of the Target Companies; (iii) financial and other information of the Group; (iv) pro forma financial information of the Enlarged Group; (v) the recommendation from the Independent Board Committee and the advice of the independent financial adviser on the Transaction; (vi) notice of the EGM; and (vii) other information as required under the Listing Rules.

2. THE TRANSACTION

A. Acquisition Agreement

The principal terms of the Acquisition Agreement are as follows:

Date: 27 November 2015

Parties:
(i) Grand Winner, as the purchaser;

(ii) the Company; and

(iii) Conch Cement, as the seller.

Assets to be acquired:

Pursuant to the Acquisition Agreement, Grand Winner has conditionally agreed to acquire or procure its wholly-owned subsidiary to acquire, and Conch Cement has conditionally agreed to sell, the entire equity interests in each of the Target Companies.

The Target Companies consist of four PRC companies, all of which are principally engaged in the manufacture and sale of cement in Shaanxi Province of PRC.

Upon the Acquisition Completion, the Target Companies will become wholly-owned subsidiaries of the Company.

Consideration:

The Consideration for the Transaction shall be HK$4,593,882,600, which has been agreed based on normal commercial terms after arm's length negotiation among Grand Winner, the Company and Conch Cement, having taking into account, among others, the financial performances and business prospects of the Target Companies.

In particular, the total Consideration is primarily determined based on a price-to-book ratio of approximately 1.9 and the aggregate net asset of the Target Companies as at 30 June 2015 as adjusted to reflect the capitalization of amounts due to Conch Cement, with reference to the price-to-book ratios of comparable companies in the market and taking into account the following factors: (i) the strategic value and synergy to be realized upon integration of the Target Companies into the Group; (ii) the overall business prospects in Shaanxi Province upon such integration; (iii) stronger bargaining power on the supply side resulting from such integration; and (iv) alignment of interests between the Company and Conch Cement as the Company's shareholder, all of which will contribute to a more stable market in Shaanxi Province cement industry. The determination of the Consideration was not made on the basis of the capital value of the Target Companies.

The individual amount of consideration for the acquisition of each Target Company is determined by allocating the total Consideration among the Target Companies having considered their adjusted net asset value. The proportions of the total Consideration are close to the corresponding proportion of the aggregate adjusted net asset value.

The Consideration shall be satisfied by way of allotment and issue of 3,402,876,000 Consideration Shares, to be credited as fully-paid up at the Issue Price of HK$1.35 per Consideration Share by the Company to Conch International or its wholly-owned subsidiary designated in writing by Conch Cement.

Conditions Precedent:

Acquisition Completion is subject to the following conditions being satisfied or waived:

(i) the obtaining of written confirmations from the Stock Exchange (if applicable) and/or the SFC that they have no further comments on the Joint Announcement dated 27 November 2015 and on the transactions contemplated under the Acquisition Agreement; and the uploading of the Joint Announcement dated 27 November 2015 on the website of the Stock Exchange;

(ii) no party to the Acquisition Agreement having received any indication from the Stock Exchange or the SFC, prior to the Acquisition Completion, that the completion and the terms of and the transactions contemplated under the Acquisition Agreement will lead to the listing of the Shares on the Stock Exchange to be withdrawn or to be objected to (including without limitation any declaration that the Shares will not be regarded as suitable for listing), whether or not conditions will or may be attached thereto;

(iii) the passing by the Independent Shareholders of the relevant resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares) at the EGM, pursuant to the terms of the Company's constitutional documents and the requirements under the Listing Rules and the Takeovers Code;

(iv) the Company having obtained all written waivers from the relevant creditors if the Acquisition Completion will lead to Conch Cement and/or Conch International becoming a controlling shareholder of the Company (or Mr. Zhang or Asia Gain ceasing to be a controlling shareholder of the Company) and any early-repayment obligation under any indebtedness (including notes) of the Group has arisen as a result of such event;

(v) the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consideration Shares (and if any conditions are attached to such grant and permission, such conditions being reasonably acceptable to Conch Cement);

(vi) all necessary approvals, consents and permits from the applicable PRC state-owned assets supervision authorities and commerce authorities in relation to the sale and purchase of the Target Companies (and other transactions contemplated under the Acquisition Agreement) shall have been obtained; and Conch Cement shall have completed all necessary offshore investment filing and registration procedures with the applicable PRC development and reform authorities, commerce authorities, and administration of foreign exchange authorities;

(vii) the receipt of a PRC legal opinion by Conch Cement confirming that all necessary approvals, consents, permits or no-objection letters (including confirmation documents under any anti-trust related laws and regulations) from the applicable PRC state-owned assets supervision authorities and commerce authorities in relation to the sale and purchase of the Target Companies (and other transactions contemplated under the Acquisition Agreement) have been obtained;

(viii) the receipt of a Jersey legal opinion by Conch Cement confirming that no approval, consent or permit is required to be obtained from any Jersey governmental authorities in relation to any transaction contemplated under the Acquisition Agreement in the form and content satisfactory to Conch Cement;

(ix) the receipt of a PRC legal opinion by the Company (for itself and on behalf of Grand Winner) confirming that all necessary approvals, consents, permits or no-objection letters (including confirmation documents under any anti-trust related laws and regulations) from the applicable PRC state-owned assets supervision authorities and commerce authorities in relation to the sale and purchase of the Target Companies (and other transactions contemplated under the Acquisition Agreement) have been obtained in the form and content satisfactory to Grand Winner and the Company;

(x) the Company is not being subjected to any liquidation, winding-up or similar proceedings in Jersey, Hong Kong or PRC;

(xi) Conch Cement not being subjected to any liquidation, winding-up or similar proceedings in Hong Kong or PRC;

(xii) Grand Winner not being subjected to any liquidation, winding-up or similar proceedings in Hong Kong or PRC;

(xiii) all Target Companies not being subjected to any liquidation, winding-up or similar proceedings in Hong Kong or PRC;

(xiv) no party to the Acquisition Agreement having received any indication from the Stock Exchange, prior to the Acquisition Completion, that the Acquisition Completion, any terms of the Acquisition Agreement or any other transactions contemplated under the Acquisition Agreement will be deemed a reverse takeover (as defined under the Listing Rules) by the Stock Exchange;

(xv) no event or circumstance since the date of the Acquisition Agreement that has a material and adverse effect on the Company having occurred on or prior to the Completion Date and all representations and warranties given by the Company having remained true and accurate in all material respects and not misleading since the date of the Acquisition Agreement and until the Completion Date;

(xvi) no event or circumstance since the date of the Acquisition Agreement that has a material and adverse effect on Conch Cement having occurred on or prior to the Completion Date and all representations and warranties given by Conch Cement having remained true and accurate in all material respects and not misleading since the date of the Acquisition Agreement and until the Completion Date;

(xvii) directors of Conch Cement having approved the Acquisition Agreement and all transactions contemplated thereunder in accordance with its constitutional documents;

(xviii) the shareholders of each of the Target Companies having approved the Acquisition Agreement and all transactions contemplated thereunder;

(xix) the Company having obtained all Letters of Undertaking and delivered to Conch Cement in accordance with the terms of the Acquisition Agreement;

(xx) on the basis that Mr. Zhang and Asia Gain will not be regarded by the Stock Exchange and the SFC as being required to abstain from voting as shareholder of the Company at the EGM in respect of the transactions contemplated under the Acquisition Agreement as a result of having signed a letter of guarantee, the Company to obtain and deliver to Conch Cement the letters of guarantee from Mr. Zhang and Asia Gain three (3) Business Days prior to the Completion Date; and

(xxi) the Company having obtained all resignation letters from the resigning directors in accordance with the terms of the Acquisition Agreement and delivered to Conch Cement.

The Company (for itself and on behalf of Grand Winner) may waive conditions (ix), (xi), (xiii), and (xvi) above; and Conch Cement may waive conditions (vii), (viii), (x), (xii), (xv) and (xix) (only as to timing for such condition (xix)) above. In addition, pursuant to the Supplemental Agreement, the parties to the Acquisition Agreement mutually agreed that condition (xx) above shall be deleted from the Acquisition Agreement. As at the Latest Practicable Date, conditions (i), (xvii) and (xviii) have been satisfied, condition (xx) is no longer applicable, and all other conditions have not been satisfied or waived.

If any of the conditions is not satisfied or waived at or before the Long Stop Date, the Acquisition Agreement shall cease and determine and no party shall have any obligations and liabilities thereunder unless otherwise specified therein and no party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies save for any antecedent breaches of the terms thereof.

Completion:

Upon fulfillment and/or waiver, as applicable, of all the conditions precedents set out above, the Acquisition Completion shall take place on the Completion Date.

Board of directors of the Company:

Pursuant to the terms of the Acquisition Agreement, the Company shall, after the date of the Acquisition Agreement and subject to constitutional documents of and the best interest of the Company, the Listing Rules, the Takeovers Code, the laws of Jersey and the receipt of the consent of such nominees and in accordance with the current constitutional procedure of the Company (including but not limited to the approval of the nomination committee of the Board), procure the appointment of any Conch Cement nominated directors as directors of the Company, provided that the effective dates of such appointments shall be the later of (i) the Completion Date; and (ii) the earliest permitted date pursuant to the Takeovers Code if the offer document is not despatched prior to the Completion Date.

Upon the issuance of a written notice from Conch Cement at least seven (7) Business Days prior to the Completion Date to specify the resigning directors, at the Acquisition Completion, the Company shall procure the delivery of resignation letters in the agreed form set out in the Acquisition Agreement signed by each resigning director to Conch Cement. The effective date of such resignation shall be the earliest permitted date under the Takeovers Code, the Listing Rules, the constitutional documents of and the laws and regulations applicable to the Company.

Letters of Undertaking:

Pursuant to the Acquisition Agreement, the Company undertook the following:

(i) in respect of Mr. Zhang and Asia Gain: to obtain the signed Letters of Undertaking no later than one day prior to the publication of the Joint Announcement dated 27 November 2015 and to deliver the signed Letters of Undertaking to Conch Cement within one Business Day following the publication of the Joint Announcement dated 27 November 2015, to the effect that, commencing on the date of execution of such Letters of Undertaking and ending on the earlier of (x) the lapse of the Offers; and (y) closing date of the Offers (the "**Restricted Period**"), it/he will not, and will procure the companies controlled by each of it/him respectively not to, (a) purchase any Shares, unless having obtained prior written consent of Conch Cement and the Company; (b) sell or agree to sell any Shares held by such person or entity nor, for the avoidance of doubt, accept the Share Offer on any Shares held by such person or entity on the date of execution of the Letters of Undertaking or otherwise make any such Shares available for acceptance of the Share Offer; (c) accept the Option Offer on any Share Options held by such person or entity on the date of execution of the Letters of Undertaking which are not exercised during the Restricted Period or otherwise make any such Share Options available for acceptance of the Option Offer; and (d) accept the Share Offer on any Shares which have been issued to such person or entity during the Restricted Period following the exercise of any Share Options or otherwise make any such Shares available for acceptance of the Share Offer, except that: pursuant to the Supplemental Agreement, the Letter of Undertaking to be executed by Mr. Zhang and Asia Gain has been amended to the effect that Asia Gain (and Mr. Zhang will procure Asia Gain to do so) will be allowed and has undertaken to dispose of a total of 159,762,080 Shares after the EGM and no later than five (5) business days before the Acquisition Completion to independent third party(ies) who are not core connected persons of the Company (the "**Public Float Placement**") for the purpose of maintaining the public float of the Company upon the Acquisition Completion pursuant to the requirements of the Listing Rules and such Letter of Undertaking shall be delivered to Conch Cement no later than the day on which bulk printing of this circular commences;

(ii) in respect of Ms. Zhang Lili, the daughter of Mr. Zhang, Mr. Ma and Dr. Ma Weiping: to obtain the signed Letters of Undertaking no later than one day prior to the publication of the Joint Announcement dated 27 November 2015 and to deliver the signed Letters of Undertaking to Conch Cement within one (1) Business Day following the publication of the Joint Announcement dated 27 November 2015, to the effect that, during the Restricted Period, he/she will not, and will procure the companies controlled by each of him/her respectively not to, (a) sell or agree to sell any Shares held by such person or entity nor, for the avoidance of doubt, accept the Share Offer on any Shares held by such person or entity on the date of execution of the Letters of Undertaking or otherwise make any such Shares available for acceptance of the Share Offer; (b) accept the Option Offer on any Share Options held by such person or entity on the date of execution of the Letters of Undertaking which are not exercised during the Restricted Period or otherwise make any such Share Options available for acceptance of the Option Offer; and (c) accept the Share Offer on any Shares which have been issued to such person or entity during the Restricted Period following the exercise of any Share Options or otherwise make any such Shares available for acceptance of the Share Offer;

(iii) in respect of those Optionholders listed in the Acquisition Agreement who in aggregate hold not less than 80% (after deduction of the number of Share Options held by Mr. Zhang, Mr. Ma and Dr. Ma Weiping) of all Share Options granted: to deliver the signed Letters of Undertaking to Conch Cement no later than the earlier of: (i) 29 February 2016; and (ii) three (3) Business Days prior to Completion Date to the effect that, during the Restricted Period, it/he/she will not, and will procure the companies controlled by each of it/him/her respectively not to, (a) sell or agree to sell any Shares held by such person or entity nor, for the avoidance of doubt, accept the Share Offer on any Shares held by such person or entity on the date of execution of the Letters of Undertaking or otherwise make any such Shares available for acceptance of the Share Offer; (b) accept the Option Offer on any Share Options held by such person or entity on the date of execution of the Letters of Undertaking which are not exercised during the Restricted Period or otherwise make any such Share Options available for acceptance of the Option Offer; and (c) accept the Share Offer on any Shares which have been issued to such person or entity during the Restricted Period following the exercise of any Share Options or otherwise make any such Shares available for acceptance of the Share Offer; and

(iv) on the basis that Mr. Zhang and Asia Gain will not be regarded by the Stock Exchange and the SFC as being required to abstain from voting as a Shareholder of the Company at the EGM in respect of the transactions contemplated under the Acquisition Agreement as a result of having signed a letter of guarantee to Conch Cement to irrevocably and unconditionally guarantee the timely and continued performance of the Company's and Grand Winner's obligations and undertakings under the Acquisition Agreement and to undertake to compensate Conch Cement of any loss suffered by Conch Cement in connection with any breach of the Acquisition Agreement by the Company and Grand Winner, deliver the aforementioned letters of guarantee signed by Mr. Zhang and Asia Gain to Conch Cement three (3) Business Days prior to the Completion Date. As pursuant to the Supplemental Agreement the parties to the Acquisition Agreement mutually agreed to amend the Acquisition Agreement to the effect that the Company shall not be required to deliver the aforementioned letters of guarantee signed by Mr. Zhang and Asia Gain, the undertaking under this paragraph is no longer applicable.

As at the date of this circular, each of (i) Mr. Zhang; (ii) Asia Gain; (iii) Ms. Zhang Lili, the daughter of Mr. Zhang; (iv) Mr. Ma and (v) Dr. Ma Weiping has already executed such Letters of Undertaking.

As at the Latest Practicable Date, the Shares and Share Options directly or indirectly held by Mr. Zhang, Asia Gain, Ms. Zhang Lili, Mr. Ma and Dr. Ma Weiping are as follows:

Shareholder	**Number of Shares held by it/him/her and companies controlled by it/him/her**
Mr. Zhang and Asia Gain *(Note 1)*	1,756,469,900
Ms. Zhang Lili *(Note 2)*	229,072,000
Mr. Ma *(Note 3)*	221,587,950
Dr. Ma Weiping	Nil
Total	2,207,129,850

Notes:

1. Represents the 1,756,469,900 Shares owned by Asia Gain, a company beneficially and wholly- owned by Mr. Zhang.

2. Represents the 229,072,000 Shares owned by Central Glory Holdings Limited, a company beneficially and wholly-owned by Ms. Zhang Lili.

3. Represents the sum of the 213,679,950 Shares owned by Techno Faith Investments Limited and 7,908,000 Shares owned by Red Day Limited, both of which are wholly-owned by Mr. Ma Zhaoyang.

Optionholder	Number of Shares for which it/he/she is entitled to subscribe	Exercise price per Share *(HK$)*
Mr. Zhang	3,700,000	0.91
	3,000,000	1.25
	3,400,000	1.45
Asia Gain	Nil	
Ms. Zhang Lili	Nil	
Mr. Ma	1,000,000	0.91
	487,500	1.25
	700,000	1.45
	75,000	3.41
Dr. Ma Weiping	1,000,000	0.91
	487,500	1.25
	8,000,000	1.45
Total	21,850,000	

Assuming the Letters of Undertaking as described in paragraph (iii) above are obtained, the number of Option Shares that may be issued upon exercise of outstanding Share Options held by parties giving the Letters of Undertaking as described in paragraph (iii) above shall be not less than 65,800,000.

The Supplemental Agreement

It is noted that:

1. following the issuance of the Consideration Shares and assuming that no further Shares are issued or repurchased before the Acquisition Completion and taking into account the possibility of Share Options held by core connected persons (as defined under the Listing Rules) of the Company being exercised, the public float of the Company will fall below 25% upon the Acquisition Completion and the number of Shares held by the public (as defined under the Listing Rules) upon the Acquisition Completion may be lower than what is required under Rule 8.08(1)(a) of the Listing Rules by up to a maximum of 159,762,080 Shares; and

2. in order to avoid the uncertainty regarding whether Mr. Zhang and Asia Gain would be regarded by the Stock Exchange as being required to abstain from voting as a Shareholder of the Company at the EGM in respect of the transactions contemplated under the Acquisition Agreement if they were to execute the letters of guarantee (the "**Letters of Guarantee**") as disclosed in paragraph (iv) on page 13–14 of this circular to guarantee, among other things, the timely and continued performance of the Company's and Grand Winner's obligations and undertakings under the

Acquisition Agreement, as well as the additional time which may be required to resolve such uncertainty, the parties to the Acquisition Agreement considered it desirable to remove the relevant condition precedent to the Acquisition Completion and the relevant obligation on the Company which requires the delivery of the Letters of Guarantee (as detailed below).

In the light of the above, on 28 December 2015, Grand Winner, the Company and Conch Cement entered into the Supplemental Agreement to amend and supplement certain terms and conditions in the Acquisition Agreement. The material terms of the Supplemental Agreement are as follows.

Pursuant to the Supplemental Agreement,

(i) the condition precedent to the Acquisition Completion as disclosed in paragraph (xx) on page 10 of this circular is deleted from the Acquisition Agreement;

(ii) the Company shall no longer be required to deliver the Letters of Guarantee, and Conch Cement no longer has the right to obtain the Letters of Guarantee;

(iii) the form of the Letter of Undertaking to be executed by Mr. Zhang and Asia Gain as disclosed on page 12 of this circular has been amended to the effect that Asia Gain (and Mr. Zhang will procure Asia Gain to do so) will be allowed and has undertaken to dispose of a total of 159,762,080 Shares after the EGM and no later than five (5) business days before the Acquisition Completion to independent third party(ies) who are not core connected persons of the Company (i.e. the Public Float Placement) for the purpose of maintaining the public float of the Company upon the Acquisition Completion pursuant to the requirements of the Listing Rules;

(iv) upon receipt by Conch Cement of the new Letter of Undertaking executed by Mr. Zhang and Asia Gain in the form as described in paragraph (iii) above (the "**New Letter of Undertaking**") pursuant to the Supplemental Agreement, (a) Conch Cement shall return the Letters of Undertaking previously executed by Mr. Zhang and Asia Gain and received by Conch Cement (the "**Old Letters of Undertaking**") to the Company, and (b) Conch Cement, the Company and Grand Winner agree that the Old Letters of Undertaking shall no longer be valid; and

(v) the Company undertook to deliver to Conch Cement the New Letter of Undertaking no later than the day on which bulk printing of this circular commences.

As at the Latest Practicable Date, Mr. Zhang and Asia Gain have already executed the New Letter of Undertaking which has been received by Conch Cement.

B. Information on the Target Companies, the Company, Conch International and Conch Cement

Information on the Target Companies

The Target Companies consist of four PRC companies, Baoji FHS, Baoji JLH, Qianxian Cement and Qianyang Cement. The table below sets forth the production capacity of the clinker production line, ancillary cement grinding system and the residual heat electricity generation unit of each of the Target Companies:

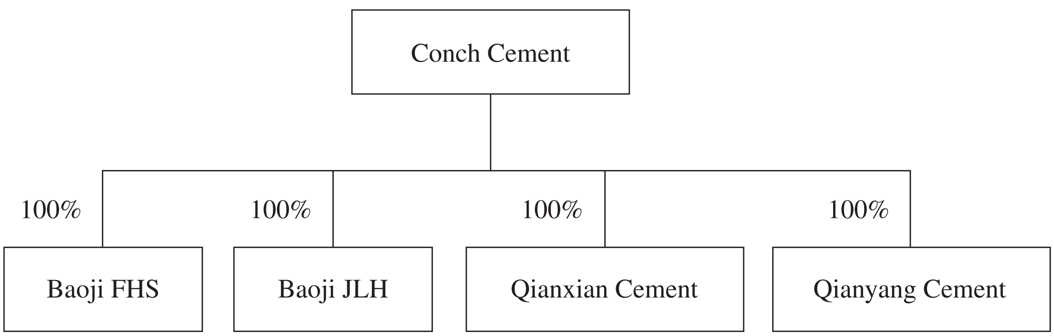
	Baoji FHS	**Baoji JLH**	**Qianxian Cement**	**Qianyang Cement**
Clinker production line *(tonnes per day)*	4,500	4,500	4,500	4,500
Ancillary cement grinding system *(tonnes per annum)*	3.8 million	2.2 million	2.2 million	2.2 million
Residual heat electricity generation unit	a 8MW unit	a 9MW unit	a 9MW unit	a 9MW unit

Based on the unaudited accounts of the Target Companies as 30 June 2015, the value of the property interests of each Target Company and the percentage of the respective total asset of each Target Company represented by such property interests, the assets of the Target Companies do not comprise solely or mainly of property interests. Accordingly, no property valuation report in respect of the property(ies) of the Target Companies is included in this circular pursuant to Rule 14A.70(7) and Rule 5.02 of the Listing Rules.

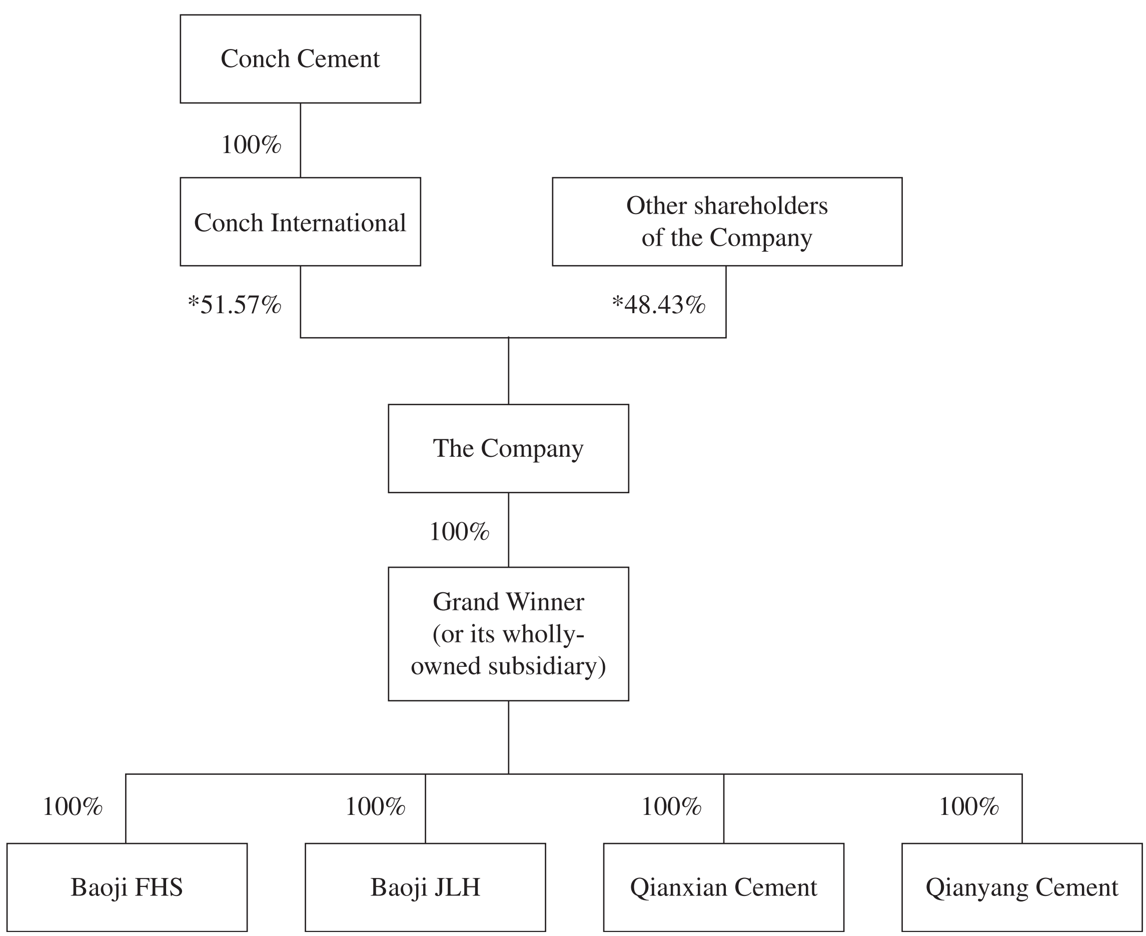
Set out below is the shareholding structure of the Target Companies, as at the date of this circular and immediately after the Acquisition Completion:

As at the date of this circular

As at the date of this circular, each of the Target Companies is wholly-owned by Conch Cement.



Immediately after Acquisition Completion



* *Assuming that no other Shares are issued or repurchased before the Acquisition Completion*

Information on Baoji FHS

Baoji FHS is a domestic company established in the PRC in 2009, which is principally engaged in the manufacture and sale of cement in the Qishan County, Baoji City, Shaanxi Province of the PRC and is wholly owned by Conch Cement as at the Latest Practicable Date. The current business license held by Baoji FHS is valid until 2019.

In October 2015, the registered capital of Baoji FHS was increased from RMB108,800,000 to RMB928,800,000 by virtue of the capitalization of Baoji FHS's payable due to Conch Cement in the aggregate amount of RMB820,000,000.

The audited financial figures of Baoji FHS prepared in accordance with International Financial Reporting Standards ("IFRSs") are as follows:

	For the six months ended 30 June 2015	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	990,074	976,966	1,099,209
Total liabilities	1,211,156	1,192,856	1,200,161
Net liabilities	(221,082)	(215,890)	(100,952)
Revenue	141,578	478,419	567,647
Net loss before tax	(6,037)	(8,140)	(211,522)
Net loss after tax	(5,192)	(81,938)	(154,627)

Information on Baoji JLH

Baoji JLH is a domestic company established in the PRC in 2008, which is principally engaged in the manufacture and sale of cement in the Xiangong Town, Chencang District, Baoji City, Shaanxi Province of the PRC and is wholly owned by Conch Cement as at the Latest Practicable Date. The current business license held by Baoji JLH is valid until 2018.

In October 2015, the registered capital of Baoji JLH was increased from RMB112,376,000 to RMB372,376,000 by virtue of the capitalization of Baoji JLH's payable due to Conch Cement in the aggregate amount of RMB260,000,000.

The audited financial figures of Baoji JLH prepared in accordance with IFRSs are as follows:

	For the six months ended 30 June 2015 *RMB'000*	For the year ended 31 December 2014 *RMB'000*	For the year ended 31 December 2013 *RMB'000*
Total assets	515,310	506,672	534,345
Total liabilities	478,964	474,123	508,572
Net assets	36,346	32,549	25,773
Revenue	114,588	279,773	300,728
Net profit before tax	4,944	8,020	32,713
Net profit after tax	3,797	6,776	27,761

Information on Qianxian Cement

Qianxian Cement is a domestic company established in the PRC in 2009, which is principally engaged in the manufacture and sale of cement in the Yangyu Town, Qian County, Xianyang City, Shaanxi Province of the PRC and is wholly owned by Conch Cement as at the Latest Practicable Date. The current business license held by Qianxian Cement does not have an expiry date.

In October 2015, the registered capital of Qianxian Cement was increased from RMB200,000,000 to RMB560,000,000 by virtue of the capitalization of Qianxian Cement's payable due to Conch Cement in the aggregate amount of RMB360,000,000.

The audited financial figures of Qianxian Cement prepared in accordance with IFRSs are as follows:

	For the six months ended 30 June 2015 *RMB'000*	For the year ended 31 December 2014 *RMB'000*	For the year ended 31 December 2013 *RMB'000*
Total assets	942,743	949,606	1,027,506
Total liabilities	735,416	744,576	803,958
Net assets	207,327	205,030	223,548
Revenue	106,900	311,687	191,973
Net profit before tax	2,782	20,743	30,091
Net profit after tax	2,297	17,482	25,548

Information on Qianyang Cement

Qianyang Cement is a domestic company established in the PRC in 2009, which is principally engaged in the manufacture and sale of cement in the Shuigou Town, Qianyang County, Shaanxi Province of the PRC and is wholly owned by Conch Cement as at the Latest Practicable Date. The current business license held by Qianyang Cement is valid until 2059.

In October 2015, the registered capital of Qianyang Cement was increased from RMB270,000,000 to RMB490,000,000 by virtue of the capitalization of Qianyang Cement's payable due to Conch Cement in the aggregate amount of RMB220,000,000.

The audited financial figures of Qianyang Cement prepared in accordance with IFRSs are as follows:

	For the six months ended 30 June 2015	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	856,069	851,703	909,943
Total liabilities	578,327	566,935	611,289
Net assets	277,742	284,768	298,654
Revenue	143,981	339,764	350,837
Net profit before tax	11,725	39,985	41,127
Net profit after tax	9,974	34,114	34,983

Information on the Company

The Company, together with its subsidiaries, is principally engaged in the production and sale of cement in the western part of the PRC.

As of 30 June 2015, the Company's cement production capacity amounted to 27 million tonnes/year.

In September 2014, the Company issued US$400 million 6.5% senior notes due September 2019, which are secured by pledges of stock in certain subsidiaries of the Company.

The table below sets out the financial entrustment undertaken by the Company:

Name of Bank	**Name of financial product**	**Amount** *(RMB million)*	**Estimated annualized return rate**	**Term**	**Period**
Xi'an Bank	Jinsilu Prudent Series (For Specific Corporations) Wealth Management — Wenlibao* (金絲路穩健系列(公司定向)理財產品 — 穩利寶)	250	5.1%	1 year	From 24 September 2015 to 23 September 2016
Agricultural Bank of China Pu Cheng branch	Anxin*Lingdong* 75 days* (安心*靈動*75天)	100	4.6%	75 days	From 13 October 2015 to 28 December 2015
Xi'an Bank	Xinliying (For Specific Corporations) Series 2015 No. 45* (鑫利盈(公司定向)2015第45期)	80	4.95%	71 days	From 16 October 2015 to 26 December 2015

Set out below are the financial information of the Company as extracted from its 2013 and 2014 annual reports and its 2015 interim report respectively:

	For the 6 months ended/As at 30 June 2015 (unaudited) *RMB'000*	**For the year ended/As at 31 December 2014** (audited) *RMB'000*	**For the year ended/As at 31 December 2013** (audited) *RMB'000*
Total assets	12,138,076	10,768,012	10,664,709
Total liabilities	5,930,896	5,751,513	5,579,451
Net assets	6,207,180	5,016,499	5,085,258
Revenue	1,690,841	3,883,385	4,167,843
Net profits before tax and extraordinary items	35,768	135,036	475,082
Net profits after tax and extraordinary items *(Note)*	3,166	39,490	382,270

Note: No extraordinary items have been recorded in each of the periods indicated above.

Information on Conch International and Conch Cement

Conch International is incorporated in Hong Kong with limited liability and is an investment holding company. Prior to the date of the Acquisition Agreement, Conch International has not conducted any business (other than holdings of Shares in the Company and other overseas companies) since its incorporation. Conch International is wholly-owned by Conch Cement. Conch Cement is a leading PRC cement manufacturer and seller based in Anhui Province. Conch Cement is a joint stock limited company incorporated in the PRC, the H-shares of which are listed on the main board of the Stock Exchange (stock code: 914) and the A-shares of which are listed on the Shanghai Stock Exchange.

C. Effects of the Transaction on shareholding structure of the Company

The shareholding structure of the Company as at the Latest Practicable Date and immediately after the Acquisition Completion is summarised as follows:

Shareholders	As at the Latest Practicable Date		Immediately after the Acquisition Completion (assuming that no other Shares are issued or repurchased before the Acquisition Completion other than issue of the Consideration Shares)		Immediately after the Acquisition Completion (assuming that all the Share Options held by core connected persons of the Company are exercised, no other Share Options are exercised, and no other Shares are issued or repurchased before the Acquisition Completion other than issue of the Consideration Shares and the Option Shares)	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
The Offeror and parties acting concert with it Conch International *(Note 1)*	1,147,565,970	21.2	4,550,441,970	51.6	4,550,441,970	51.1
Sub-total	1,147,565,970	21.2	4,550,441,970	51.6	4,550,441,970	51.1
Asia Gain and Mr. Zhang *(Note 2)*	1,756,469,900	32.4	1,596,707,820	18.1	1,606,807,820	18.0
Central Glory Holdings Limited *(Note 3)*	229,072,000	4.2	229,072,000	2.6	229,072,000	2.6
Techno Faith Investments Limited and Mr. Ma *(Note 4)*	213,679,950	3.9	213,679,950	2.4	215,942,450	2.4
Red Day Limited *(Note 4)*	7,908,000	0.2	7,908,000	0.1	7,908,000	0.1
Other core connected persons of the Company	—	—	—	—	67,450,000	0.8
Alliance Bernstein, L.P.	271,122,000	5.0	271,122,000	3.1	271,122,000	3.0
Other public Shareholders	1,794,990,000	33.1	1,954,752,080	22.1	1,954,752,080	22.0
Total	5,420,807,820	100.0	8,823,683,820	100.00	8,903,496,320	100.0

Notes:

(1) Conch International is a wholly-owned subsidiary of Conch Cement.

(2) Asia Gain is beneficially and wholly-owned by Mr. Zhang, an executive Director and therefore a core connected person of the Company. Asia Gain has undertaken to dispose of a total of 159,762,080 Shares after the EGM and no later than five (5) business days before the Acquisition Completion pursuant to the Public Float Placement. Mr. Zhang currently held Share Options which entitle him to subscribe for 10,100,000 Option Shares.

(3) Central Glory Holdings Limited is beneficially and wholly-owned by Ms. Zhang Lili, the daughter of Mr. Zhang.

(4) Techno Faith Investments Limited and Red Day Limited are beneficially and wholly-owned by Mr. Ma, a non-executive Director and therefore a core connected person of the Company. Mr. Ma currently held Share Options which entitle him to subscribe for 2,262,500 Option Shares.

Asia Gain has undertaken to dispose of a total of 159,762,080 Shares after the EGM and no later than five (5) business days before the Acquisition Completion to independent third party(ies) who are not core connected persons of the Company (i.e. the Public Float Placement) for the purpose of maintaining the public float of the Company upon the Acquisition Completion. In connection to this, the Company, Grand Winner and Conch Cement have agreed in the Supplemental Agreement, that Conch Cement (1) shall return the Letters of Undertaking previously executed by Mr. Zhang and Asia Gain and delivered to Conch Cement, and (2) will require each of Mr. Zhang and Asia Gain to execute a revised form of Letter of Undertaking, which will allow Asia Gain to dispose of the 159,762,080 Shares under the Public Float Placement to independent third parties for the purpose of maintaining the public float of the Company. As illustrated in the summary of the Company's shareholding structure above, the Company's public float will be maintained at no less than 25% immediately after the Acquisition Completion pursuant to the Public Float Placement.

Separate announcement(s) will be published by the Company in relation to the arrangement and status of the Public Float Placement.

D. Effect of the Transaction on the assets and liabilities of the Group

Upon the Acquisition Completion, the Target Companies will become part of the Group and their financial results will be consolidated into the financial results of the Company. The unaudited pro forma financial information of the Enlarged Group is set out in Appendix IV to this circular. The unaudited consolidated total assets and total liabilities of the Group as at 30 June 2015, as extracted from the 2015 interim report of the Company, were approximately RMB12,138.076 million and RMB5,930.896 million, respectively. Based on the unaudited pro forma financial information of the Enlarged Group is set out in Appendix IV to this circular and after taking into account the effects of the Transaction, assuming the Acquisition Completion took place on 30 June 2015, the total assets and total liabilities of the Enlarged Group would have increased to approximately RMB15,591.621 million and RMB7,201.301 million, respectively.

The actual effect on earnings or losses of the Company will depend on future financial performance of the Target Companies.

E. Reasons for and benefits of the Transaction

The directors of the Company (other than Mr. Lee Kong Wai, Conway and Mr. Tam King Ching, Kenny, the independent non-executive directors whose view is expressed in the letter from the Independent Board Committee set out on pages 29 and 30 of this circular, Mr. Qin Hongji and Ms. Liu Yan, non-executive directors who are employees of Conch Cement, and Mr. Wong Kun Kau, an independent non-executive director who is also an independent non-executive director of Conch Cement) are of the view that the Target Companies, which are located in central Shaanxi, the PRC, will combine with the Company's cement production capacities in Southern and Central Shaanxi to further strengthen the Group's cement production efficiency and technological advantages in Shaanxi Province in the PRC. Such consolidation will help to achieve the resolution of the fragmented nature of the supply side of Shaanxi cement industry, and will contribute to a more stable market and improvement to production capacity for that region, which in turn will benefit the Group.

Accordingly, the directors of the Company (other than those listed in the preceding paragraph who have abstained from voting on the relevant board resolutions of the Company for the reasons set out above) consider that the terms of the Transaction under the Acquisition Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

F. Listing Rules Implications

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction exceeds 25% but all are less than 100% for the Company, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

As of the date of this circular, Conch International, a wholly-owned subsidiary of Conch Cement, is a substantial shareholder of the Company. Accordingly, Conch International and Conch Cement are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules. Accordingly, the Transaction constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Conch International and its associates will abstain from voting in respect of the resolutions(s) approving the Transaction at the EGM.

Ms. Liu Yan, a non-executive director of the Company, is currently the head of finance department of Conch Cement. Mr. Qin Hongji, a non-executive director of the Company, is currently the regional head of Conch Cement in Shangan, and general manager of Pingliang Conch Cement Co., Ltd and Linxia Conch Cement Co., Ltd, both of which are wholly-owned subsidiaries of Conch Cement. Accordingly, each of Ms. Liu Yan and Mr. Qin Hongji was considered to have a material interest in the Transaction by virtue of their employment at Conch Cement and had abstained from voting on the board resolution(s) of the Company approving the Transaction as contemplated under the Acquisition Agreement. Mr. Wong Kun Kau, an independent non-executive director of the

Company, is also an independent non-executive director of Conch Cement, and had abstained from voting on the board resolution(s) of the Company approving the Transaction as contemplated under the Acquisition Agreement.

3. PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE CONSIDERATION SHARES

As the Consideration will be satisfied by way of the Company issuing the Consideration Shares, the Company will seek the grant of the Specific Mandate from the Independent Shareholders at the EGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with all the Shares then in issue. Upon the Acquisition Completion, the Company will become an indirect non-wholly owned subsidiary of Conch Cement, and Asia Gain will cease to be the controlling shareholder of the Company.

The Consideration Shares will be issued at the Issue Price of HK$1.35 per Share, which represents:

(i) a discount of approximately 6.90% to the closing price of HK$1.45 per Share as quoted on the Stock Exchange on the Pre-Announcement Last Trading Day;

(ii) a discount of approximately 5.59% to the average closing price of HK$1.43 per Share for the last five trading days up to and including the Pre-Announcement Last Trading Day;

(iii) a discount of approximately 6.25% to the average closing price of HK$1.44 per Share for the last ten trading days up to and including the Pre-Announcement Last Trading Day; and

(iv) a premium of approximately 2.27% over the average closing price of HK$1.32 per Share for the last thirty trading days up to and including the Pre-Announcement Last Trading Day.

When allotted and issued at Acquisition Completion (and assuming no outstanding Share Options having been exercised), the Consideration Shares will represent approximately:

(i) 62.77% of the existing issued share capital of the Company as at the Latest Practicable Date; and

(ii) 38.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Issue Price has been agreed based on normal commercial terms after arm's length negotiation among Grand Winner, the Company and Conch Cement after taking into account, among others, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions. In particular, in determining the Issue Price, the parties have taken into account the average closing price of the Shares of different time periods before the Pre-Announcement Last Trading Day, including that for the last 30 trading days up to and including the Pre-Announcement Last Trading Day of HK$1.32 and the net asset per

Share of the Company as at 31 December 2014, which was approximately HK$1.35 per Share. The Directors, having also considered the volatility in the trading prices of the Shares during the last 12 months preceding the Pre-Announcement Last Trading Day, the strategic value and synergy to be realized as a result of the Transaction, the financial performance of the Target Companies and their potential contribution to the Company, which will increase the value of Shares of the Company in the long run, consider that the Issue Price is fair and reasonable and in the interest of the Company and its Shareholders.

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares.

4. POSSIBLE MANDATORY UNCONDITIONAL CASH OFFERS

As at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 1,147,565,970 Shares, representing approximately 21.17% of the total issued share capital of the Company. Upon the Acquisition Completion, the Offeror and parties acting in concert with it will be interested in 4,550,441,970 Shares, representing approximately 51.57% (assuming no outstanding Share Options having been exercised), approximately 51.00% (assuming all in-the-money Share Options based on the Share Offer Price having been exercised) and approximately 50.97% (assuming all the outstanding Share Options having been exercised) of the enlarged issued share capital of the Company. Subject to the Acquisition Completion, the Offeror will therefore be required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares which are not already owned or agreed to be acquired by it and parties acting in concert with it and under Rule 13.1 of the Takeovers Code to make an appropriate offer for the Share Options. Details of the terms and information related to the Offers are set out in Part VII to Part XI of the Joint Announcement dated 27 November 2015 and the Joint Announcement dated 29 December 2015.

5. EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. Ordinary resolutions will be proposed at the EGM to consider, and if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate by way of poll.

At the EGM, Conch Cement and its associates will abstain from voting on the resolutions approving the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should the Shareholders so wish.

An announcement will be made by the Company after the EGM regarding the results of the EGM pursuant to the requirements of the Listing Rules.

As completion of the Acquisition Agreement and the transactions contemplated thereunder is subject to the satisfaction of the conditions precedent, the Transaction may or may not be completed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

6. CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining and determining the entitlement of Shareholders to attend and vote at the EGM, the transfer books and register of members of the Company will be closed from 18 January 2016 to 19 January 2016, both days inclusive, during which period no transfer of Shares in the Company will be effected. In order to qualify for the right to attend and vote at the EGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 15 January 2016 for registration of transfer.

7. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 29 and 30 of this circular and the letter of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 31 to 61 of this circular in connection with Acquisition Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The directors consider that the Acquisition Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

Your attention is drawn to additional information set out in the appendices to this circular.

By order of the Board
West China Cement Limited
Zhang Jimin
Chairman

西部水泥

WEST CHINA CEMENT LIMITED
中 國 西 部 水 泥 有 限 公 司

(Incorporated in Jersey with limited liability, with registered number 94796)

(Stock Code: 2233)

31 December 2015

To the Independent Shareholders

(1) MAJOR AND CONNECTED TRANSACTION OF THE COMPANY IN RELATION TO THE ACQUISITION OF TARGET COMPANIES AND (2) PROPOSED GRANT OF SPECIFIC MANDATE OF THE COMPANY TO ALLOT AND ISSUE THE CONSIDERATION SHARES

Dear Sir or Madam,

We refer to the circular of the Company dated 31 December 2015 (the "**Circular**") to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the Acquisition Agreement, the Supplemental Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned. Guotai Junan Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder.

Your attention is drawn to the "Letter from the Board" set out on pages 6 to 28 of the Circular which contains, inter alia, information about the Acquisition Agreement, the Supplemental Agreement and the transactions contemplated thereunder, and the "Letter from the Independent Financial Adviser" set out on pages 31 to 61 of the Circular which contains its advice in respect of the Acquisition Agreement, the Supplemental Agreement and the transactions contemplated thereunder together with the principal factors taken into consideration in arriving at such.

Having considered the terms of the Acquisition Agreement, the Supplemental Agreement and the transactions contemplated thereunder and having taken into account the factors and reasons considered by and the advice of the independent financial adviser of the Company as stated in their letter dated 31 December 2015, we consider that (i) the entering into of the Acquisition Agreement, the Supplemental Agreement and the transactions contemplated thereunder is not in the ordinary course of business of the Company but is on normal commercial terms; (ii) the terms of the Acquisition Agreement, the Supplemental Agreement and the transactions contemplated thereunder are fair and reasonable so far as the interests of the Independent Shareholders are concerned; (iii) the entering into of the Acquisition Agreement, the Supplemental Agreement and the transactions contemplated thereunder is in the interests of the Company and the Independent Shareholders as a whole; and (iv) the Specific Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to ratify and approve and the Acquisition Agreement, the Supplemental Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Lee Kong Wai, Conway **Mr. Tam King Ching, Kenny**
Independent Non-executive Directors of the Company

The following is the full text of the letter of advice from Guotai Junan Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition, which has been prepared for the purpose of incorporation into this circular.

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

31 December 2015

To the Independent Board Committee and
the Independent Shareholders of West China Cement

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee of the Company and the Independent Shareholders of the Company in relation to the transactions (the "**Transactions**") contemplated under the Acquisition Agreement, details of which are set out in the letter from the Board (the "**Letter from the Board**") as contained in the Circular issued by the Board to the Shareholders dated 31 December 2015 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As of the Latest Practicable Date, Conch International, a wholly-owned subsidiary of Conch Cement, is a substantial shareholder of the Company. Accordingly, Conch Cement and Conch International are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules. Accordingly, the Transaction constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

In formulating our opinion, we have reviewed, amongst other things, the 2015 interim report and 2014 annual report of the Company, the accountants' reports on each of the Target Companies, the management discussion and analysis on the Target Companies, and the unaudited pro forma financial statement of the Enlarged Group (the "**Pro Forma Financial Information**") as set out in the appendices to this Circular. We have also discussed with the Company regarding the business of the Company and the prospects of the Target Companies as well as the Enlarged Group.

We have relied on the statements, information, opinions and representations expressed to us by the directors and the management of the Company. We have assumed that all such statements, information, opinions and representations expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the Latest Practicable Date. We have also assumed that all the opinions and representations have been reasonably made by the directors and the management of the Company after due and careful enquiry. We have also sought and obtained confirmation from the directors and the management of the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truthfulness or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Company and its subsidiaries, and Conch Cement and its subsidiaries, nor have we carried out any independent verification of the information supplied.

SUMMARY OF THE TERMS OF THE TRANSACTION

1. Assets to be acquired

On 27 November 2015, Grand Winner, the Company and Conch Cement entered into the Acquisition Agreement, pursuant to which Grand Winner has conditionally agreed to acquire, or procure its wholly-owned subsidiary to acquire, and Conch Cement has conditionally agreed to sell, the entire equity interests in each of Baoji FHS at the consideration of HK$1,465,434,792, (ii) Baoji JLH at the consideration of HK$698,575,918, (iii) Qianxian Cement at the consideration of HK$1,314,287,866, and (iv) Qianyang Cement at the consideration of HK$1,115,584,024. The aggregate consideration of the Target Companies amounts to HK$4,593,882,600, and shall be satisfied by the issue of 3,402,876,000 Consideration Shares by the Company at the Issue Price of HK$1.35 per Consideration Share. On 29 December 2015, Grand Winner, the Company and Conch Cement entered into the Supplemental Agreement to amend and supplement certain terms and conditions in the Acquisition Agreement.

2. Conditions precedent

The Acquisition Completion is subject to a number of conditions being satisfied or waived on or before the Long Stop Date. The more significant ones from the Independent Shareholders' perspective are highlighted as below:

- the passing by the Independent Shareholders of the relevant resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares) at the EGM, pursuant to the terms of the Company's constitutional documents and the requirements under the Listing Rules and the Takeovers Code;

- all necessary approvals, consents and permits from the applicable PRC state-owned assets supervision authorities and commerce authorities in relation to the sale and purchase of the Target Companies (and other transactions contemplated under the Acquisition Agreement) shall have been obtained; and Conch Cement shall have completed all necessary offshore investment filing and registration procedures with the applicable PRC development and reform authorities, commerce authorities, and administration of foreign exchange authorities;

- the receipt of a PRC legal opinion by Conch Cement confirming that all necessary approvals, consents, permits or no-objection letters (including confirmation documents under any anti-trust related laws and regulations) from the applicable PRC state-owned assets supervision authorities and commerce authorities in relation to the sale and purchase of the Target Companies (and other transactions contemplated under the Acquisition Agreement) have been obtained;

- the receipt of a PRC legal opinion by the Company (for itself and on behalf of Grand Winner) confirming that all necessary approvals, consents, permits or no-objection letters (including confirmation documents under any anti-trust related laws and regulations) from the applicable PRC state-owned assets supervision authorities and commerce authorities in relation to the sale and purchase of the Target Companies (and other transactions contemplated under the Acquisition Agreement) have been obtained in the form and content satisfactory to Grand Winner and the Company;

- no event or circumstance since the date of the Acquisition Agreement that has a material and adverse effect on the Company having occurred on or prior to the Completion Date and all representations and warranties given by the Company having remained true and accurate in all material respects and not misleading since the date of the Acquisition Agreement and until the Completion Date; and

- no event or circumstance since the date of the Acquisition Agreement that has a material and adverse effect on Conch Cement having occurred on or prior to the Completion Date and all representations and warranties given by Conch Cement having remained true and accurate in all material respects and not misleading since the date of the Acquisition Agreement and until the Completion Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee of the Company and the Independent Shareholders of the Company, we have taken into account the principal factors and reasons set out below:

1. Overview of the PRC cement production industry

Overview

In general, cement is considered as a standard product, and since products from different producers can generally be interchangeable, price is the most important marketing parameter. And because there are a large number of production cement plants in China, competition, and especially price competition amongst the market players is fierce. Besides, transportation cost causes significant impact to cement producers as it would affect the delivery cost of raw materials and finished goods and therefore is generally sold economically within a 300 kilometre radius of a cement plant. The production and sale of cement is regional in nature, and the absence of dominant industrial leaders created a fragmented market.

Government influence

The cement industry has traditionally been subject to government control at the policy level in terms of production method and volume, product mix and environmental protection. Currently, the PRC government has been continuously imposing a series of policies to consolidate the cement industry as well as to promote the more environmentally friendly production techniques like New Suspension Preheater technology (the "NSP technology") such as in October 2013, the State Council issued the Guidance Opinion on Resolving the Excessive Overcapacity Issue (《關於化解產能嚴重過剩矛盾的指導意見》), which proposed to strictly prohibit the construction of new cement capacity and eliminate obsolete capacity. The Emission Standard for Air Pollutants of the Cement Industry (水泥工業大氣污染物排放標準) became effective in 2014, is regarded as the strictest environmental protection standard in the cement industry and it is aimed to accelerate the elimination of obsolete production capacity and promote the reorganization and consolidation in the cement industry.

Demand factors

Demands for cement and clinker products are sensitive to the level of construction activities in China. The growth of fixed asset investment ("FAI") has led to a significant increase in the demand for building materials, including cement. From 2009 to 2013, China's FAI increased from RMB22,459.9 billion to RMB44,707.4 billion, according to China Statistical Yearbook, representing a CAGR of 18.8%. China's cement consumption during the last decade also experienced a notable expansion driven by building and civil engineering construction activities.

However, the FAI growth rates of Shaanxi Province as a whole has recorded a significant fall off, the FAI growth rate in the first half of 2015 was approximately 6% year on year as compared with 17.8% for the whole of 2014. The drop in FAI growth has also led to falls in demand for cement products in the Central Shaanxi Province area of between 10% and 20%. On the other hand, the PRC government has been promoting the Silk Road Economic Belt Development Policies which in turn are expected to stimulate economic development, construction of infrastructure and thus FAI in Shaanxi Province. According to the management of the Company, the Group will participate in various infrastructure projects including Mengxi-Huazhong railway project, Shanyang project and Xi'an railway station reconstruction project in 2016.

Current situation: weak market demand and intensive price competition

Apart from the decrease in FAI as stated above, we noted from the recent financial reports of the listed companies which engaged the cement production business in the PRC (the "Comparable Companies") that almost all of them encountered a substantial deterioration in financial performance in 2015 and their commentary in the relevant public documents generally centred on fierce price competition, low ASP, oversupply and shrunken demand. For instance, for the nine months ended 30 September 2015 as compared to the same period of 2014, Conch Cement recorded a decrease in net profit attributable to the shareholders of approximately 25.3%; Asia Cement (China) Holdings Corporate (stock code: 743) recorded a loss attributable to shareholders of RMB264.0 million as compared to a net profit attributable to shareholders of RMB530.6 million last year; China Resources Cement Holdings Ltd. (stock code: 1313) recorded a decrease in net profit attributable to the shareholders of 60.6%; and China National Building Material Co. Ltd (stock code: 3323) recorded a decrease in net profit attributable to the shareholders of 79.3%. The aforesaid are major industry players, and their financial reports generally reflect a deteriorating financial results in 2015, as well as a difficult and challenging competitive landscape and operating environment. From the financial reports of these companies, we also note the call in the industry for self-controlling supply and avoidance of cut-throat price competition through, for examples, self-disciplining, achieving consensus and market consolidation.

2. Background of the Company and Conch Cement

2.1 Overview of existing business of the Group and Conch Cement

The Group is a cement producer based primarily in the Shaanxi Province in the PRC with a leading market position in Eastern and Southern Shaanxi Province and a growing presence in Xinjiang Province and Guizhou Province. The cement produced and sold by the Group is primarily used in the construction of infrastructure projects such as highways, bridges, railway and roads, as well as residential buildings. According to the Company's 2015 Interim Report, the Group's cement production capacity as at 30 June 2015 amounted to 27.0 million tonnes per year.

Conch Cement is a leading PRC cement manufacturer and seller based in Anhui Province. Its H-shares are listed on the main board of the Stock Exchange (stock code: 914) and its A-shares are listed on the Shanghai Stock Exchange (stock code: 600585). According to the 2015 interim report of Conch Cement, as at 30 June 2015, the clinker, cement and aggregate production capacity of Conch Cement reached 227 million tonnes, 285 million tonnes and 19.9 million tonnes respectively.

2.2 Business and financial results of the Group

The following table summarises the financial performance of the Group for the six months ended 30 June 2015 ("1H 2015"), the financial years ended 31 December 2013 ("FY2013") and 2014 ("FY2014") respectively, as extracted from the relevant interim report and annual reports of the Company:

	For the six months ended 30 June	**For the year ended 31 December**	
	2015	**2014**	**2013**
	(unaudited)	*(audited)*	*(audited)*
	RMB (million)	*RMB (million)*	*RMB (million)*
Revenue	1,690.8	3,883.4	4,167.8
Gross profit	216.0	598.1	729.3
Gross profit margin	12.8%	15.4%	17.5%
EBITDA	483.5	996.9	1,193.2
Profit before tax	35.8	135.0	475.1
Profit attributable to the owners of the Company	2.4	35.9	378.3
Basic earnings per share	0.1 cents	0.8 cents	8.3 cents

	As at 30 June	**As at 31 December**	
	2015	**2014**	**2013**
	(unaudited)	*(audited)*	*(audited)*
	RMB (million)	*RMB (million)*	*RMB (million)*
Total assets	12,138.1	10,768.0	10,664.7
Total liabilities	5,930.9	5,751.5	5,579.5
Non-controlling interests	46.4	45.6	41.1
Equity attributable to the owners of the Company	6,160.8	4,970.9	5,044.2
Net assets per share	115 cents	111 cents	112 cents
Gearing ratio *(Note)*	35.3%	68.0%	67.0%
Total cement and clinker sales volume (million tonnes)	7.95	17.7	18.2
Total production capacity (million tonnes)	27.0	23.7	23.7

Note: calculated based on net debt over equity

The revenue decreased by 15.4% from RMB1,997.7 million for the six months ended 30 June 2014 ("1H 2014") to RMB1,690.8 million during 1H 2015, as a result of total sales volume (including cement and clinker) fell to 7.95 million tonnes during 1H 2015 compared to the 8.36 million tonnes sold in 1H 2014 and the drop in cement average selling price (the "ASP") for 1H 2015 to RMB208 per ton as compared with RMB239 per tonnes in 1H 2014.

The revenue of the Group decreased by 6.8% from RMB4,167.8 million in FY2013 to RMB3,883.4 million in FY2014, as a result of (i) overall cement and clinkers sales volume have contracted marginally; (ii) competitive pricing and weak ASP in Central Shaanxi Province; (iii) the sales of cements and clinkers in Xinjiang Yili Plant and Guiyang Huaxi Plant have been capitalised and not included in the Consolidated Profit and Loss accounts during their test production stage with the absence of relevant operating licenses, net of the strong performance benefited from the success of core market strategy in Southern Shaanxi Province led by strong demand derived from infrastructure construction market.

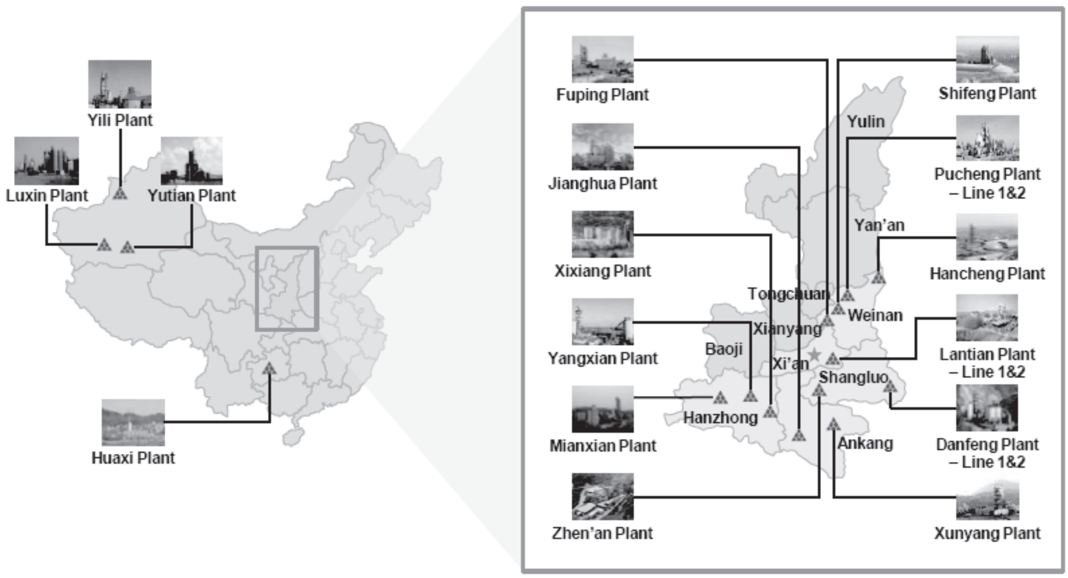
During 1H 2015, gross profit decreased by 43.9% compared with the corresponding period in 2014 and gross profit margin decreased from 19.3% during 1H 2014 to 12.8% during 1H 2015. Such significant decrease was mainly due to the decrease in ASP in the second half of 2014 and result of the reasons analysed above. Gross profit decreased by 18.0%, from RMB729.3 million in FY2013 to RMB598.1 million in FY2014 and gross profit margin decreased from 17.5% in FY2013 to 15.4% in FY2014 due to the decrease in ASP dragged down by the pricing volatility in the Central Shaanxi market. During 1H 2015, profit attributable to the owners of the Company decreased by 98.5% as compared to 1H 2014, mainly due to the significant falls in the overall cement ASP as compared to 1H 2014, leading to poor operational performance.

During FY2014, profit attributable to the owners of the Company decreased by 90.5% as compared to FY2013, mainly due to (i) the payment of an early redemption premium of RMB92.2 million on the redemption of the 2016 Senior Notes; (ii) recognition of unrealised exchange losses of RMB5.3 million relating to the Group's Senior Notes as compared with a foreign exchange gain of RMB72.8 million for FY2013, as a result of the weakness of the RMB against the USD during FY2014; and (iii) the poor operational performance in the second half of 2014.

Both net assets per share and gearing ratio were relatively stable for FY2013 and FY2014. Subsequent to the completion of Anhui Conch subscription of new shares in the Company on 26 June 2015, the Group received net proceeds of approximately HK$1.51 billion and the net assets per share was increased and gearing ratio were largely decreased.

In April 2015, the Group completed the construction and full commissioning of the Xinjiang Yili Cement Plant and the Guiyang Huaxi Cement Plant, which contribute an additional 3.3 million tonnes production capacity. As a result, the Group's production capacity reached 27.0 million tonnes as at 30 June 2015.

Currently, the Group's major operations and investment projects are located in the Shaanxi, Xinjiang and Guizhou Provinces. Set out below are the particulars of current production plants of the Group:



Plant	Effective % of ownership	Location	Product	Annual Capacity *(million tonnes)*
Fuping Plant	100%	Shaanxi	Cement	2.0
Jianghua Plant	100%	Shaanxi	Cement	1.1
Xixiang Plant	100%	Shaanxi	Cement	1.1
Yangxian Plant	100%	Shaanxi	Cement	1.1
Mianxian Plant	100%	Shaanxi	Cement	1.1
Zhen'an Plant	100%	Shaanxi	Cement	0.7
Shifeng Plant	100%	Shaanxi	Cement	2.0
Pucheng Plant — Line 1&2	100%	Shaanxi	Cement	2.5
Hancheng Plant	100%	Shaanxi	Cement	2.0
Lantian Plant Line 1&2 and Lantian Grinding Mill	100%	Shaanxi	Cement	2.9
Danfeng Plant Line 1&2	100%	Shaanxi	Cement	2.6
Xunyang Plant	100%	Shaanxi	Cement	2.0
Huaxi Plant	100%	Guiyang	Cement	1.8
Yili Plant	100%	Xinjiang	Cement	1.5
Yutian Plant	100%	Xinjiang	Cement	2.0
Luxin Plant	100%	Xinjiang	Cement	0.6
Total				**27.0**

All the Group's production plants have adopted the New Suspension Preheater technology (the "NSP technology") which requires less energy to produce cement and is more environmentally friendly.

According to the information provided by the Group, the total annual production capacity of Shaanxi Province is about 82.2 million tonnes out of which West China Cement owns 23.3 million tonnes of production capacity, Conch possesses 14.8 million tonnes of production capacity, Tangshan Jidong Cement Co., Ltd. possesses 17.7 million tonnes of production capacity. The management estimates that, for the ten months period ended 31 October 2015, the Group's market share in Shaanxi Province amounted to about 30% at present and prior to completion of the Transaction.

According to the Company, the ASP of cement in Shaanxi Province decreased during 2015. It is believed that the drop in ASP in 2015 was mainly brought by the decrease in FAI in Shaanxi Province and intensive price competition amongst cement producers in Shaanxi Province.

2.3 Prospects and challenges of the Group

According to the Company's 2015 Interim Report, the Group's results for 1H 2015 reflect the continuation of a tough operating environment for cement producers in both Shaanxi Province and the PRC in general. Despite the infrastructure and urbanization in Western China, the demand in 1H 2015 had been disappointing. This demand situation has been exacerbated by the over-supply that has existed in Shaanxi Province which has already existed for years.

From the demand side perspective, the Group remains positive on its performance in both Central and Southern Shaanxi Province in the second half of 2015 and 2016 given the continued demand associated with infrastructure projects like railway, water projects as well as hydropower projects at different stages of construction and policy-driven demand such as the Silk Road Economic Belt Development Policies in Western China.

From the supply side perspective, over-supply and intensive price competitive are expected to overshadow the industry. There had been voluntary production halts by all producers in 2015 due to severe oversupply. Further consolidation amongst producers as well as shut downs of marginal producers for environmental reasons are fully supported by the industry and the PRC government. Such process is likely to lead to a positive effect on ASP.

On 11 December 2015, the Company published a profit warning announcement in which it was stated that the Board expected that the 2015 full year results would be substantially and adversely affected by (i) an unaudited foreign exchange loss of RMB99.7 million up to 31 October 2015, mainly arising from the foreign exchange translation from USD to RMB of the 2019 Senior Notes issued by the Company in September 2014; and (ii) a low level of ASP which led to the revenue of the Group for the 10 months ended October 2015 being RMB2,916.8 million. This is compared with the revenue of the Group of RMB3,883.4 million for FY2014.

3. Information on the Target Companies

3.1 General

The Target Companies consist of four companies, being Baoji FHS, Baoji JLH, Qianxian Cement and Qianyang Cement. The Target Companies are domestic companies and are principally engaged in the manufacture and sale of cement in Baoji City, Xianyang City and Qianyang County in Shaanxi Province of the PRC, respectively. The table below sets forth the production capacity of the clinker production line, ancillary cement grinding system and the residual heat electricity generation unit of each of the Target Companies:

	Baoji FHS	**Baoji JLH**	**Qianxian Cement**	**Qianyang Cement**
Clinker production line *(tonnes per day)*	4,500	4,500	4,500	4,500
Ancillary cement grinding system *(tonnes per annum)*	3.8 million	2.2 million	2.2 million	2.2 million
Residual heat electricity generation unit	a 8MW unit	a 9MW unit	a 9MW unit	a 9MW unit

According to the Company's 2015 interim report, Conch Cement is one of the biggest and strongest national level cement groups and has a very strong footprint in the Baoji and Xianyang Districts of Central Shaanxi Province. Although a relatively new entrant into the area, Conch Cement has proved since 2011 to be a very strong player in Shaanxi Province as well as showing aspirations to become a major player in the West of China as a whole.

Further details of the Target Companies are set out in the section headed "Information on the Target Companies" in the Letter from the Board contained in this Circular.

3.2 *Financial information of the Target Companies*

Financial information of Baoji FHS

As mentioned in the Appendix III to this Circular, pursuant to the shareholder's resolutions of Baoji FHS and Baoji Conch Cement Co., Ltd. ("Baoji Cement"), a wholly owned subsidiary of Conch Cement, and the agreement entered into between these two companies, Baoji Cement was merged into Baoji FHS on 1 November 2014. Set out below is the key financial information of Baoji FHS extracted from the accountants' report:

	For/As at the six months ended 30 June 2015	For the six months ended 30 June 2014	For/As at the year ended 31 December 2014	For/As at the year ended 31 December 2013	For/As at the year ended 31 December 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	141,578	239,872	478,419	567,647	519,257
Gross profit	33,819	48,067	80,057	122,325	101,410
Profit/(Loss) before taxation for the year/ period	(6,037)	3,641	(8,140)	(211,522)	(12,435)
Profit/(Loss) for the year/ period	(5,192)	3,395	(81,938)	(154,627)	(7,021)
Total assets	990,074	N/A	976,966	1,099,209	1,387,731
Total liabilities	1,211,156	N/A	1,192,856	1,200,161	1,334,056
Net current liabilities	(967,653)	N/A	(965,750)	(937,086)	(1,022,542)
Net assets/ (liabilities)	(221,082)	N/A	(215,890)	(100,952)	53,675

Baoji FHS' revenue is primarily derived from sales of clinker and cement products. As mentioned in Appendix III to this Circular, Baoji FHS' revenue increased from RMB519.3 million for the financial year ended 31 December 2012 ("FY2012") to RMB567.6 million in FY2013 which was mainly due to the increase in sales volume by 670,000 tonnes. The revenue then decreased to RMB478.4 in FY2014 which was primarily due to the decrease in unit selling price as competitors adopted various preferential pricing policies to compete for regional market shares, and Baoji FHS adjusted down its selling price to secure its own market share. The revenue decreased from RMB239.9 million in 1H 2014 to RMB141.6 million in 1H 2015 was mainly due to the decrease in sales volume by 370,000 tonnes. Such decrease in sales volume was mainly due to the property demand declined in the region along with fixed asset investments slowing down, while the commencement rate for key projects was low. In addition, supplies exceeded demands in the cement market, resulting in fierce market competition.

Baoji FHS incurred loss of RMB7.0 million, RMB154.6 million, RMB81.9 million and RMB5.2 million for FY2012, FY2013, FY2014 and 1H 2015, respectively. The significant loss in FY2013 was mainly due to the impairment of fixed assets amounted to RMB228.3 million. As mentioned in Appendix III to this Circular, according to the policy of elimination of backward production capacity issued by the Ministry of Industry and Information Technology in 2013, Conch Cement decided to dispose of certain cement production lines with heavy energy consumption of Baoji Cement and accordingly, the related plants and equipment were determined to be impaired. As at 30 June 2015, Baoji FHS' assets mainly comprised machinery, equipment, plant and buildings for its operations and its current assets mainly comprised inventories and notes receivable. Baoji FHS' liabilities mainly comprised amounts due to Conch Cement and its subsidiaries.

As shown above, as at 30 June 2015, Baoji FHS recorded net current liabilities of RMB967.7 million and net liabilities of RMB221.1 million, respectively. However, as mentioned in Appendix III to this Circular, Conch Cement increased Baoji FHS' registered capital by virtue of the capitalization of the Baoji FHS' payable due to Conch Cement in the aggregate amount of RMB820 million in October 2015. Furthermore, as mentioned in the financial information of Baoji FHS set out in Appendix II-A to this Circular, Conch Cement will continue to provide the necessary financial support to Baoji FHS until 31 December 2016 and therefore Baoji FHS will have the necessary liquid funds to finance its working capital and capital expenditure requirements.

Financial performance of Baoji JLH

Set out below is the key financial information of Baoji JLH extracted from the accountants' report:

	For/As at the six months ended 30 June 2015	For the six months ended 30 June 2014	For/As at the year ended 31 December 2014	For/As at the year ended 31 December 2013	For/As at the year ended 31 December 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	114,588	148,642	279,773	300,728	234,279
Gross profit	25,312	31,028	50,323	82,388	62,672
Profit before taxation for the year/period	4,944	10,797	8,020	32,713	28,871
Profit for the year/period	3,797	9,166	6,776	27,761	24,482
Total assets	515,310	N/A	506,672	534,345	591,878
Total liabilities	478,964	N/A	474,123	508,572	593,866
Net current liabilities	(259,471)	N/A	(275,136)	(297,425)	(329,071)
Net assets/ (liabilities)	36,346	N/A	32,549	25,773	(1,988)

Baoji JLH's revenue is primarily derived from sales of clinkers and cement products. As mentioned in Appendix III to this Circular, Baoji JLH's revenue increased from RMB234.3 million in FY2012 to RMB300.7 million in FY2013 which was mainly due to the increase in sales volume by 550,000 tonnes. The revenue then decreased to RMB279.8 in FY2014 which was primarily due to the decrease in unit selling price for products, resulting from weak demand in the cement market and cement enterprises adopted a selling policy of lowering prices to boost sales so as to actively compete for market share. The revenue decreased from RMB148.6 million in 1H 2014 to RMB114.6 million in 1H 2015 was mainly due to the decrease in sales volume by 152,500 tonnes and decrease in unit selling price in 1H 2015 as compared to that in 1H 2014. The decrease was mainly because key projects were gradually completed along with further production capacities amid a decreasing market demand. To maintain the regional market share and secure important customers, Baoji JLH adopted the policy of lowering prices, resulting in a decrease in selling prices as compared to those for the same period last year.

As shown above, Baoji JLH recognised gross profit of RMB62.7 million, RMB82.4 million, RMB50.3 million and RMB25.3 million for FY2012, FY2013, FY2014 and 1H 2015, respectively. As mentioned in Appendix III to this Circular, for FY2012 and FY2013, Baoji JLH's gross profit margin increased gradually because it implemented technological transformation, optimized production, operation and management procedures, and scaled up its sales operation. However, for FY2014, the decrease in gross profit margin was resulting from the intensified competition in the cement industry amid the regional contradictions between supply and demand.

Baoji JLH's recognised profit of RMB24.5 million, RMB27.8 million, RMB6.8 million and RMB3.8 million for FY2012, FY2013, FY2014 and 1H 2015, respectively, which was generally in line with the trend of its gross profit. As at 30 June 2015, Baoji JLH's assets mainly comprised machinery, equipment, plant and buildings for its operations and its current assets mainly comprised inventories and notes receivable. Baoji JLH's liabilities mainly comprised amounts due to Conch Cement and its subsidiaries.

As shown above, as at 30 June 2015, Baoji JLH recorded net current liabilities of RMB259.5 million. However, as mentioned in Appendix III, Conch Cement increased Baoji JLH's registered capital by virtue of the capitalization of the Baoji JLH's payable due to Conch Cement in the aggregate amount of RMB260 million in October 2015. Furthermore, as mentioned in the financial information of Baoji JLH set out in Appendix II-B to this Circular, Conch Cement will continue to provide the necessary financial support to Baoji JLH until 31 December 2016 and therefore Baoji JLH will have the necessary liquid funds to finance its working capital and capital expenditure requirements.

Financial performance of Qianxian Cement

Set out below is the key financial information of Qianxian Cement extracted from the accountants' report:

	For/As at the six months ended 30 June 2015	For the six months ended 30 June 2014	For/As at the year ended 31 December 2014	For/As at the year ended 31 December 2013	For/As at the year ended 31 December 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	106,900	155,548	311,687	191,973	—
Gross profit	34,815	42,913	72,738	60,816	—
Profit/(Loss) before taxation for the year/period	2,782	19,080	20,743	30,091	(2,150)
Profit/(Loss) for the year/period	2,297	16,090	17,482	25,548	(1,827)
Total assets	942,743	N/A	949,606	1,027,506	698,086
Total liabilities	735,416	N/A	744,576	803,958	500,086
Net current liabilities	429,368	N/A	441,088	436,506	237,020
Net assets	207,327	N/A	205,030	223,548	198,000

Qianxian Cement completed its construction for production on 28 May 2013 and its revenue is primarily derived from sales of clinkers and cement products. As mentioned in Appendix III to this Circular, Qianxian Cement's revenue increased from RMB192.0 million in FY2013 to RMB311.7 million in FY2014 which was mainly due to the increase in sales volume by 790,000 tonnes. The revenue decreased from RMB155.5 million in 1H 2014 to RMB106.9 million in 1H 2015 was mainly because of the downward pressure amid the overall economic conditions since the early of 2015 resulting in Qianxian Cement's selling prices for various products remained low.

As shown above, Qianxian Cement recognised gross profit of RMB60.8 million, RMB72.7 million and RMB34.8 million for FY2013, FY2014 and 1H 2015, respectively, representing a gross margin of 31.7%, 23.3% and 32.6%, respectively. As mentioned in Appendix III to this Circular, for 2014, as competition intensified in the cement industry amid the regional contradictions between supply and demand, the selling price of cement products dropped significantly, which resulting in the decrease in gross profit margin.

As Qianxian Cement commenced its production and operation in FY2013, it did not generate any revenue and therefore incurred loss of RMB1.8 million in FY2012. Qianxian Cement recognised profit of RMB25.5 million, RMB17.5 million, and RMB2.3 million for FY2013, FY2014 and 1H 2015, respectively. As at 30 June 2015, Qianxian Cement's assets mainly comprised machinery, equipment, plant and buildings for its operations and its current assets mainly comprised inventories, notes receivable and prepayments and other receivables. Qianxian Cement's liabilities mainly comprised amounts due to Conch Cement and its subsidiaries and a loan from Conch Cement.

As shown above, as at 30 June 2015, Qianxian Cement recorded net current liabilities of RMB429.4 million. However, as mentioned in Appendix III to this Circular, Conch Cement increased Qianxian Cement's registered capital by virtue of the capitalization of the Qianxian Cement's payable due to Conch Cement in the aggregate amount of RMB360 million in October 2015. Furthermore, as mentioned in the financial information of Qianxian Cement set out in Appendix II-C to this Circular, Conch Cement will continue to provide the necessary financial support to Qianxian Cement until 31 December 2016 and therefore Qianxian Cement will have the necessary liquid funds to finance its working capital and capital expenditure requirements.

Financial performance of Qianyang Cement

Set out below is the key financial information of Qianyang Cement extracted from the accountants' report:

	For/As at the six months ended 30 June 2015	**For the six months ended 30 June 2014**	**For/As at the year ended 31 December 2014**	**For/As at the year ended 31 December 2013**	**For/As at the year ended 31 December 2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	143,981	192,781	339,764	350,837	205,721
Gross profit	36,164	55,764	93,627	96,295	45,478
Profit before taxation for the year/period	11,725	27,788	39,985	41,127	4,001
Profit for the year/period	9,974	23,646	34,114	34,983	3,350
Total assets	856,069	N/A	851,703	909,943	990,135
Total liabilities	578,327	N/A	566,935	611,289	726,464
Net current liabilities	466,515	N/A	482,798	365,892	439,627
Net assets	277,742	N/A	284,768	298,654	263,671

Qianyang Cement's revenue is primarily derived from sales of clinkers and cement products. As mentioned in Appendix III to this Circular, Qianyang Cement's revenue increased from RMB205.7 million in FY2012 to RMB350.8 million in FY2013 which was mainly due to the increase in sales volume by 990,000 tonnes. The revenue then decreased to RMB339.8 in FY2014 which was primarily due to the decrease in unit selling price for products as demands for cement products in the regional market declined and competitors started to make downward adjustments to the prices of their products in order to lower the inventory level and ensure productions are orderly in parallel with sales. The revenue decreased from RMB192.8 million in 1H 2014 to RMB144.0 million in 1H 2015 was mainly due to the decrease in sales volume by 260,000 tonnes. Such decrease was mainly attributable to the worsening imbalance on supplies and demands in the cement market.

As shown above, Qianyang Cement recognised gross profit of RMB45.5 million, RMB96.3 million, RMB93.6 million and RMB36.2 million for FY2012, FY2013, FY2014 and 1H 2015, respectively, representing a gross margin of 22.1%, 27.5%, 27.6% and 25.1%, respectively. As mentioned in Appendix III to this Circular, for FY2012 and FY2013, Qianyang Cement's gross profit margin increased gradually because it implemented technological transformation, optimized production, operation and management procedures, and scaled up its sales operation, which resulting in decrease in unit-based product costs and improvement of gross profit margin.

Qianyang Cement's recognised profit of RMB3.4 million, RMB35.0 million, RMB34.1 million and RMB10.0 million for FY2012, FY2013, FY2014 and 1H 2015, respectively, which was generally in line with the trend of its gross profit.

As at 30 June 2015, Qianyang Cement's assets mainly comprised machinery, equipment, plant and buildings for its operations and its current assets mainly comprised inventories and notes receivable. Qianyang Cement's liabilities mainly comprised amounts due to Conch Cement and its subsidiaries.

As shown above, as at 30 June 2015, Qianyang Cement recorded net current liabilities of RMB466.5 million. However, as mentioned in Appendix III to this Circular, Conch Cement increased Qianyang Cement's registered capital by virtue of the capitalization of the Qianyang Cement's payable due to Conch Cement in the aggregate amount of RMB220 million in October 2015. Furthermore, as mentioned in the financial information of Qianxian Cement set out in Appendix II-D to this Circular, Conch Cement will continue to provide the necessary financial support to Qianyang Cement until 31 December 2016 and therefore Qianyang Cement will have the necessary liquid funds to finance its working capital and capital expenditure requirements.

Independent Shareholders are advised to read the "Management Discussion and Analysis of the Target Companies" in Appendix III to this Circular for further discussion on the financial performance and position of the Target Companies.

4. Reasons for and benefits of the Transactions

As set out in the Letter from the Board, the directors are of the view that the Target Companies, which are located in Central Shaanxi Province, the PRC, will combine with the Company's cement production capacities in Southern and Central Shaanxi Province to further strengthen the Group's cement production efficiency and technological advantages in Shaanxi Province in the PRC. Such consolidation will help to achieve the resolution of the fragmented nature of the supply side of Shaanxi cement industry, and will contribute to a more stable market and improvement to production capacity for that region, which in turn will benefit the Group.

After further discussing with the directors, we understand that the benefits of the Transaction to be brought to the Company are two folds:

(a) Cost saving by bulk purchasing of raw materials

As mentioned above, the cement industry in the PRC and Shaanxi Province is featured with fragmented small producers and over-supply. Competition amongst the producers is very keen and is mainly competing on the selling price. While a single producer may not have much bargaining power on selling price, cost control remains a critical aspect for the producers to survive amid fierce price competition. Subsequent to the Transaction, the Target Companies would be wholly-owned by the Group and Conch Cement will be a controlling shareholder of the Company. It is expected a significant portion of raw materials (other than limestone which is too bulky and is to be purchased in the proximity of the production site) would be purchased together with Conch Cement Group such that they can have a bigger bargaining power with the suppliers, thereby reducing their cost.

(b) Increase market share of the Company in the cement industry in Shaanxi Province.

According to the Company, the Group and the Conch Cement Group are two of the major market players in the cement industry in Shaanxi Province. The major business of the Conch Cement Group in Shaanxi Province is conducted by the Target Companies. Based on the estimation of the Company, it is expected the market share of the Group could increase from 30% to 40% after the Transaction. In the backdrop of fierce market competition and particularly the price competition, ASP is under severe stress. As such, bargaining power on setting selling price is critical to the survival and sustainability of the Group. With a bigger market share, the Enlarged Group could have a bigger bargaining power on ASP and is in a better position to avoid cut-throat price competition.

5. Evaluation of the Consideration

5.1 Comparable Companies

We have researched into the market ratings of companies listed on the Hong Kong, Shenzhen and Shanghai stock exchanges which are mainly engaged in the cement production business in the PRC (the "Comparable Companies"), which we considered to be an exhaustive, fair and representative samples for comparison purpose. Given that the cement production industry is a type of heavy industry involving large amount of assets and equipments, we consider that it is appropriate to evaluate the Consideration based on price to book ratio ("PB ratio"). Set out below is the table setting out the key market valuation multiples of the Comparable Companies as at the Latest Practicable Date:

Comparable companies (Ticker)	**Market capitalization** *(RMB' billion)*	**Closing price of the shares**	**PB ratio**
Anhui Conch Cement Co Ltd — H Shares (914.HK)	22.8	HK$21.25	1.4
The Company (2233.HK)	7.0	HK$1.57	1.1
Asia Cement (China) Holdings Corporation (743.HK)	2.5	HK$1.93	0.3
China Shanshui Cement Group Ltd. (691.HK)	17.5	HK$6.29	1.8
China Resources Cement Holdings Ltd. (1313.HK)	12.9	HK$2.40	0.5
China National Building Material Co. Ltd. — H Shares (3323.HK)	17.2	HK$3.86	0.4
Ningxia Building Materials Group Co., Ltd (600449.SH)	5.4	RMB11.29	1.3
Gansu QiLianShan Cement Co Ltd (600720.SH)	6.7	RMB8.61	1.4
Huaxin Cement Co Ltd (600801.SH)	7.6	RMB7.85	0.8
Taiyuan Shitou Group Co Ltd (600539.SH)	3.0	RMB12.91	6.3*
Anhui Conch Cement Co. Ltd. (600585.SH)	68.5	RMB17.13	1.3
Fujian Cement Inc (600802.SH)	4.1	RMB10.67	3.2
Jiangxi Wannianqing Cement Co Ltd (000789.SZ)	5.3	RMB8.63	0.8
Xinjiang Tianshan Cement Co Ltd (000877.SZ)	7.0	RMB7.92	1.0
Henan Tongli Cement Co Ltd (000885.SZ)	7.8	RMB16.35	3.5
Tangshan Jidong Cement Co., Ltd. (000401.SZ)	14.8	RMB11.01	1.2
Guangdong Tapai Group Co Ltd (002233.SZ)	13.3	RMB14.90	3.2
Maximum			**3.5**
Minimum			**0.3**
Mean			**1.5**
Median			**1.3**
The Target Companies in aggregate			**1.9**

Source: Bloomberg and public financial information of the relevant companies.

*: *This value is regarded as an outlier and has been excluded in the relevant mean and median calculation.*

Based on the audited financial statements of the Target Companies as set out in their respective accountants' report contained in appendices IIA to IID to the Circular, the market multiples of the Target Companies represented by the Consideration are calculated and presented as below. In particular, as disclosed in the letter from the Board, each of the Target Companies had carried out a capitalisation of shareholders' loans in the aggregate amount of RMB1,660 million subsequent to 30 June 2015. Taking into account such loan capitalization, the net book value of the Target Companies (the "Adjusted NAV") is adjusted and estimated as follows:

	Total equity attributable to equity shareholder of the company as at 30 June 2015 *RMB'000*
Baoji FHS	(221,082)
Baoji JLH	36,346
Qianxian Cement	207,327
Qianyang Cement	277,742
Target Companies in aggregate	300,333
Adjusted by capitalization of shareholders' loans in aggregate	1,660,000
Adjusted NAV	1,960,333
	Adjusted PB ratio
	1.9

Based on the calculation above, the Consideration implies an adjusted PB ratio of 1.9, which is within the range of the PB ratio of the Comparable Companies, though higher than the mean and median of the PB ratio of the Comparable Companies.

5.2 The Consideration Shares

Pursuant to the Acquisition Agreement, the Consideration of HK$4,593,882,600 in aggregate is to be fully satisfied by the issue of 3,402,876,000 Consideration Shares at the Issue Price of HK$1.35 per Consideration Share by the Company to Conch International or its wholly-owned subsidiary designated by Conch Cement. The Consideration Shares represent approximately 62.77% of the existing issued share capital of the Company and approximately 38.57% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Based on the unaudited equity attributable to owners of the Company as at 30 June 2015 and the current 5,420,807,820 Shares in issue, the net asset value ("NAV") per Share amounted to RMB1.1365 (equivalent to approximately HK$1.377). The Issue Price of HK$1.35 represented a slight discount of 1.96% to the NAV per Share.

As the discount is very slim, we consider it acceptable. On the other hand, as disclosed in the 2015 interim report and 2014 annual report of the Company, the basic earnings per share amounted to RMB0.001 for the six months ended 30 June 2015 (the "2015 Half Year EPS") and RMB0.008 for the year ended 31 December 2014 (the "2014 EPS"). The Issue Price was extremely high when compared to the 2015 Half Year EPS and 2014 EPS, representing about 139 times of the 2014 EPS of the Company and about 1,114 times of the 2015 Half Year EPS of the Company.

5.3 Dilution effect on shareholder

The shareholding structure of the Company as at the date of this Circular, immediately after the issue of the Consideration Shares (assuming that no other Shares are issued or repurchased before the Acquisition Completion other than issue of the Consideration Shares) and immediately after the Acquisition Completion (assuming that all the Share Options held by core connected persons of the Company are exercised, no other Share Options are exercised, and no other Shares are issued or repurchased before the Acquisition Completion other than issue of the Consideration Shares and the Option Shares) is summarised as follows:

Shareholders	**As at the date of this Circular**		**Immediately after the Acquisition Completion (assuming that no other Shares are issued or repurchased before the Acquisition Completion other than issue of the Consideration Shares)**		**Immediately after the Acquisition Completion (assuming that all the Share Options held by core connected persons of the Company are exercised, no other Share Options are exercised, and no other Shares are issued or repurchased before the Acquisition Completion other than issue of the Consideration Shares and the Option Shares)**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
The Offeror and parties acting concert with it						
Conch International *(Note 1)*	1,147,565,970	21.2	4,550,441,970	51.6	4,550,441,970	51.1
Sub-total	1,147,565,970	21.2	4,550,441,970	51.6	4,550,441,970	51.1
Asia Gain and Mr. Zhang *(Note 2)*	1,756,469,900	32.4	1,596,707,820	18.1	1,606,807,820	18.0
Central Glory Holdings Limited *(Note 3)*	229,072,000	4.2	229,072,000	2.6	229,072,000	2.6
Techno Faith Investments Limited and Mr. Ma *(Note 4)*	213,679,950	3.9	213,679,950	2.4	215,942,450	2.4
Red Day Limited *(Note 4)*	7,908,000	0.2	7,908,000	0.1	7,908,000	0.1
Other core connected persons of the Company	—	—	—	—	67,450,000	0.8
Alliance Bernstein, L.P.	271,122,000	5.0	271,122,000	3.1	271,122,000	3.0
Other public Shareholders	1,794,990,000	33.1	1,954,752,080	22.1	1,954,752,080	22.0
Total	5,420,807,820	100.0%	8,823,683,820	100.0%	8,903,496,320	100.0%

Notes:

(1) Conch International is a wholly-owned subsidiary of Conch Cement.

(2) Asia Gain is beneficially and wholly-owned by Mr. Zhang, an executive director and therefore a core connected person of the Company. Asia Gain has undertaken to dispose of a total of 159,762,080 Shares after the EGM and no later than five (5) business days before the Acquisition Completion pursuant to the Public Float Placement. Mr. Zhang currently held Share Options which entitle him to subscribe for 10,100,000 Option Shares.

(3) Central Glory Holdings Limited is beneficially and wholly-owned by Ms. Zhang Lili, the daughter of Mr. Zhang.

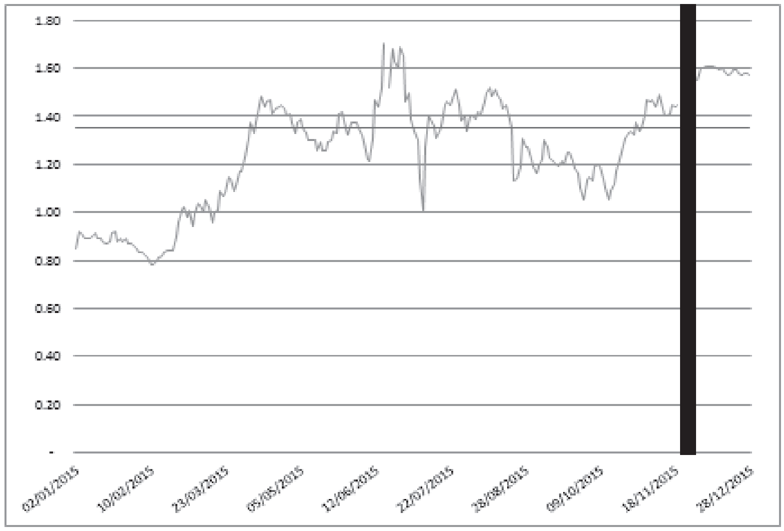
(4) Techno Faith Investments Limited and Red Day Limited are beneficially and wholly-owned by Mr. Ma, a non-executive director of the Company and therefore a core connected person of the Company. Mr. Ma currently held Share Options which entitle him to subscribe for 2,262,500 Option Shares.

Asia Gain has undertaken to dispose of a total of 159,762,080 Shares after the EGM and no later than five business days before the Acquisition Completion to independent third party(ies) who are not core connected persons of the Company (the "**Public Float Placement**") for the purpose of maintaining the public float of the Company upon the Acquisition Completion. In connection to this, the Company, Grand Winner and Conch Cement have agreed in the Supplemental Agreement, that Conch Cement (i) shall return the Letters of Undertaking delivered to Conch Cement and previously executed by Mr. Zhang and Asia Gain, and will require each of Mr. Zhang and Asia Gain to execute a revised form of Letter of Undertaking, which will allow Asia Gain to dispose of the 159,762,080 Shares under the Public Float Placement to independent third parties for the purpose of maintaining the public float of the Company. The Public Float Placement arrangements ensure that the Company will meet the public float requirement under the Listing Rules upon Completion and thus facilitate the Transaction. Therefore, we consider that the Public Float Placement is reasonable.

Immediately after the issue of the Consideration Shares, Conch International will hold 4,550,441,970 Shares, representing 51.6% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. As disclosed above, immediately after the issue of the Consideration Shares (assuming that no other Shares are issued or repurchased before the Acquisition Completion other than issue of the Consideration Shares and the Option Shares), the shareholding interests of the public Shareholders (including Alliance Bernstein, L.P. and other public Shareholders) will be diluted from approximately 38.1% to approximately 25.0%. As disclosed above, the Company's public float will be maintained at no less than 25% immediately after the Acquisition Completion pursuant to the Public Float Placement and will meet the public float requirement under the Listing Rules upon Completion.

5.4 Share price historical performance

Set out below is the performance of the Share price during 2 January 2015 and up to the Latest Practicable Date (the "Period"). As 2 January 2015 was the first trading day of 2015, and the Period represented more than 11 months prior to and including the Latest Practicable Date, we consider that the analysis below about movement of the Share price covering the Period would provide recent and relevant information on the market conditions and sentiment under which the Issue Price was determined. As such, we consider the Period is sufficient to perform the Share price historical performance analysis:



As shown in the chart above, the Share price has long been trading at the level below HK$1.35 during the first half of 2015 and prior to the subscription (the "Subscription") of new Shares by Conch Cement as announced by the Company on 19 June 2015. Share price has first gone up above HK$1.35 in the beginning of April 2015. Since then, it traded narrowly between HK$1.21 and HK$1.48 during April and June 2015. On 19 June 2015, the Company announced the Subscription at the issue price of HK$1.69 per Shares, which is almost the highest point of the Share price during the Period. Such relatively high level of Share price did not sustain and dropped to HK$1.01 on 8 July 2015. Share price continues to trade within the range between HK$1.01 and HK$1.52 subsequent to the announcement of the Subscription and up to the Pre-Announcement Last Trading Day. In particular, during the two-month time in 21 August 2015 to 2 November 2015, Share price fluctuated below HK$1.35.

The Issue Price of HK$1.35 represents:

(i) a discount of approximately 6.25% to the average closing price of HK$1.44 per Share for the last ten trading days up to and including the Pre-Announcement Last Trading Day;

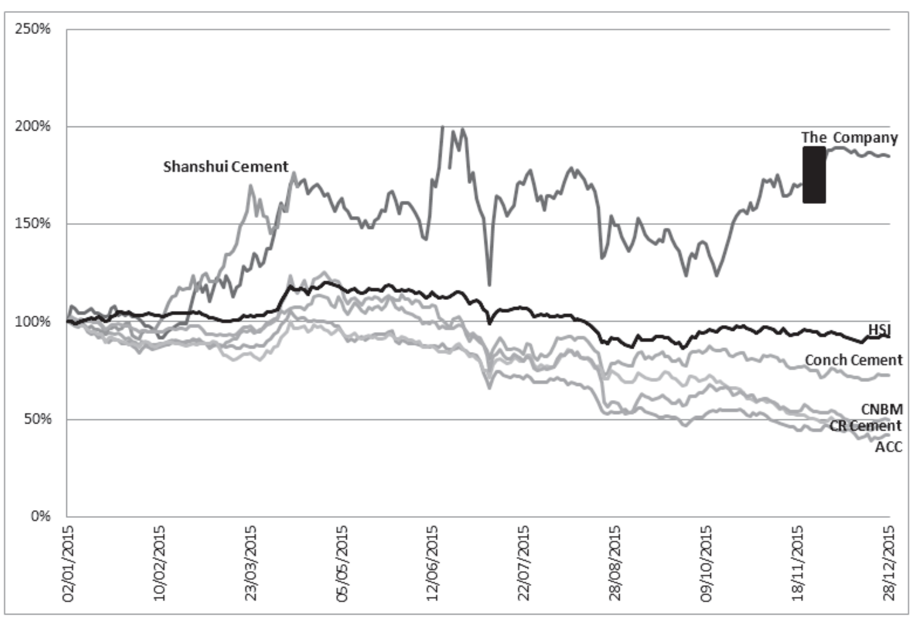
(ii) a premium of approximately 2.27% over the average closing price of HK$1.32 per Share for the last 30 trading days up to and including the Pre-Announcement Last Trading Day;

(iii) a premium of approximately 7.14% over the average closing price of HK$1.26 per Share for the last 60 trading days up to and including the Pre-Announcement Last Trading Day;

(iv) a discount of approximately 14.01% to the closing price of HK$1.57 as quoted on the Stock Exchange on the Latest Practicable Date.

We note that the Issue Price represent a discount to the closing price before the signing of the Acquisition Agreement as well as the Latest Practicable Date. As shown in the chart above, it is noted that the Share price near the period of the signing of the Acquisition Agreement is nearly the highest closing price of the Shares. Such high level of share price may not be sustained by the Company's fundamental. When a longer period is observed, we note that the Issue Price represented a premium over the average share price of 30 days and 60 days before the Last Trading Day.

Set out below is the movement of the Share price of the Company, Hang Seng Index ("HSI"), the other companies in the cement industry which are listed on the Stock Exchange (the "HK-listed Comparable Companies") during the Period. In view that (i) the HK-listed Comparable Companies are mainly engaged in the cement production business in the PRC; and (ii) share price of HK-listed Comparable Companies and that of the Company are subject to similar market conditions and sentiment, we consider the HK-listed Comparable Companies are fair and representative:



As set out above, except for the Company and except for Shanshui which was suspended since mid-April 2015, the HSI and the HK-listed Comparable Companies show a clear decreasing trend. Such decreasing trend reflected the investors' assessment on the challenging operating environment of the cement industry and the deterioration of the financial performance of the HK-listed Comparable Companies.

On the other hand, it is clear that the Share price of the Company outperformed the HSI and its peers. We believe that it is largely due to the investors' positive assessment on impact of the Conch Subscription, the Transaction and the Offers that follow on the value of the Company.

5.5 Consideration for each of the Target Companies

The consideration for each Baoji FHS, Baoji JLH, Qianxian Cement and Qianyang Cement are approximately HK$1,465.4 million, HK$698.6 million, HK$1,314.3 million and HK$1,15.6 million respectively. As set out in the Letter from the Board, the total Consideration is primarily determined based on a PB ratio of approximately 1.9 and the aggregate net asset of the Target Companies as at 30 June 2015 as adjusted to reflect the capitalization of amounts due to Conch Cement, with reference to the PB ratios of comparable companies in the market and taking into account the following factors: (i) the strategic value and synergy to be realized upon integration of the Target Companies into the Group; (ii) the overall business prospects in Shaanxi Province upon such integration; (iii) stronger bargaining power on the supply side resulting from such integration; and (iv) alignment of interests between the Company and Conch Cement as the Company's shareholder, all of which will contribute to a more stable market in the cement industry of Shaanxi Province.

As stated in the Letter from the Board, the individual amount of consideration for the acquisition of each Target Company is determined primarily by allocating the total Consideration among the Target Companies having considered their net asset value. We noted that the consideration of each of Baoji FHS, Baoji JLH, Qianxian Cement and Qianyang Cement represented approximately 32%, 15%, 29% and 24% respectively of the aggregate Consideration; while the equity attributable to the relevant shareholders as at 30 June 2015 of each of Baoji FHS, Baoji JLH, Qianxian Cement and Qianyang Cement and as adjusted by the capitalisation of shareholders' loan subsequent to 30 June 2015 (the "Adjusted NAV") represented approximately 31%, 15%, 29% and 25% of the aggregate Adjusted NAV of the Target Companies. The aforesaid proportions of the total Consideration are close to the corresponding proportions of the aggregate Adjusted NAV.

As noted from the Letter from the Board, we noted that the critical reasons for the Transaction are the strategy for market consolidation thereby increasing the Group's bargaining power against suppliers and customers; and alignment of interest with the Company's major competitor in Shaanxi Province, being the Conch Cement Group. Furthermore, the four Target Companies are acquired together as a package in the Transaction, so as to achieve the aforementioned key purpose of market consolidation. In this circumstances, we consider that the analysis of the aggregate Consideration for the Transaction, as well as the benefits and strategic reasons for the Transaction as a whole are more important, while we consider that the allocation of the Consideration to each of the individual Target Companies are of less relevance in assessing the fairness of the Transaction as a whole.

5.6 Our view on the Consideration

In light of the above analysis, in particular,

- the PB ratio represented by the Consideration is within the range of that of the Comparable Companies, though higher than the mean and median of that of the Comparable Companies;

- the Consideration is to be fully settled by the issue of the Consideration Shares. No cash outflow for payment of consideration is required from the Company. The real cost to the Independent Shareholders is a dilution of their shareholding from 38.1% to 25%;

- it follows that the Acquisition Completion will trigger the obligation on the part of Conch Cement to make a general offer for all the issued securities of the Company which are not already owned or agreed to be acquired by it and parties acting in concert with it. The Offer Price is HK$1.69 per Share. While another letter of opinion from the Independent Financial Advisor on the terms of the Offers (including the Offer Price) will be included in the composite document, the Offers provide an exit opportunity for the Independent Shareholders at the Offer Price which represents a premium over the NAV per Shares and is at the high end of the range of Share price during the Period;

- the Issue Price is very close to the net asset value per Share (representing a PB ratio of 0.98). The discount to net asset value per Share is very slim and therefore we consider acceptable. On the other hand, the Issue Price is extremely high when compared against the recent lackluster financial results of the Company (representing about 139 times of the 2014 EPS of the Company and about 1,114 times of the 2015 Half Year EPS of the Company); and

- The Issue Price is at a premium over 30 days and 60 days average Share price prior to the Last Trading Date,

we are of the view that the Consideration and the Issue Price are fair and reasonable.

6. Financial effect of the Transaction on the Company

Upon Acquisition Completion, the assets, liabilities and results of the Target Companies will be consolidated into the financial statements of the Group. The unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this Circular has been prepared to illustrate the effects of the Transaction, assuming the Transaction had been completed on 30 June 2015.

6.1 Effects on earnings

For the six months ended 30 June 2015, the Target Companies in aggregate recorded net profit of approximately RMB10.9 million. As the Target Companies are used to be owned by the Conch Cement Group, the location and clientele of the Target Companies are different from that of the existing Group. It is possible that the Target Companies can contribute to the financial performance of the Enlarged Group and expand the customer base and income source of the Enlarged Group.

More importantly, the Target Companies represented a substantial portion of operation of Conch Cement Group in Shaanxi Province which is the Group's business focus. It is admitted that over-supply and capacity cannot be fully utilized is an industry norm, the more important effect of the Transaction on the Group's earnings is the bigger bargaining power achievable by the Enlarged Group after the Transaction. It is believed that the Enlarged Group could have a bigger bargaining power against the suppliers through bulk purchasing and coordinated purchasing; and a bigger bargaining power against the customers (especially on setting the selling price) through having an enlarged market share in Shaanxi Province.

6.2 Effects on net asset value

As set out in the Pro Forma Financial Information, the equity attributable to owners of the Company would increase from RMB6,160.8 million as at 30 June 2015 to RMB8,344.0 million, representing an increase of 35.4%. The increase was mainly caused by (i) the conversion of Conch Cement's receivables due from the Target Companies amounting to RMB1,660,000,000 into share capital issued by the Target Companies of the same aggregate value pursuant to debt-to-equity conversion arrangement; and (ii) the issuance of the Consideration Shares.

On the other hand, based on the existing number of Shares of 5,420,807,820 Shares and the number of Shares immediately after the Acquisition Completion of 8,823,683,820 Shares (assuming that no other Shares are issued or repurchased before the Acquisition Completion other than issue of the Consideration Shares), the equity attributable to owners of the Company would decrease from RMB1.145 per Share to RMB0.95 per Share, representing a decrease of approximately 17.0%. The discount is mainly caused by the discount of the Issue Price to the net asset value per Share prior to the Transaction.

6.3 Effects on gearing

By reference to the Pro Forma Financial Information, the Enlarged Group's gearing ratio (as calculated by dividing the interest-bearing loans net of cash and cash equivalents by the shareholders' equity) is 0.35, as compared to the Group's gearing ratio of 0.40 as at 30 June 2015. Such decrease in gearing ratio is mainly because the increase in shareholders' equity.

6.4 Effects on net current assets/liabilities

On the other hand, while the Group recorded net current liabilities of RMB78.9 million as at 30 June 2015, the Enlarged Group would have net current liabilities of RMB570.6 million immediately after completion of the Transaction according to the Pro Forma Financial Information. It is because the Target Companies recorded net current liabilities as at 30 June 2015 which amounted to RMB2,123 million in aggregate, Even after the Conch Loan Capitalisation of RMB1,660 million, the effect to the Enlarged Group is still an increase in net current liabilities of RMB491.7 million.

Nevertheless, it is noted that a large portion of the current liabilities of the Target Companies are the amounts due to related companies in Conch Cement Group (accounted for as amount due to related parties on the financial statements of the Target Companies). As at 30 June 2015, the aggregate amount of amount due to related parties recorded by the Target Companies (net of inter-company elimination) amounted to RMB2,282.7 million, of which RMB1,660 million would be capitalized pursuant to the Conch Loan Capitalisation. It is noted that the amounts due to related parties are much larger than the related parties transactions according to the Accountants' Reports of the Target Companies and as confirmed by the Target Companies, such amounts due to related parties are non-recurring in nature. If such amounts due to related parties are excluded, the Target Group would have recorded net current assets. Furthermore, as stated in note 1(d) to the Accountants' Report of each of the Target Companies, in addition to the Conch Loan Capitalisation, Conch Cement will continue to provide the necessary financial support for the Target Companies for the 18-month period ending 31 December 2016. Based on the above, we are of the view that the net current liabilities of the Target Companies would not put a material threat on the Enlarged Group.

6.5 Effects on working capital and liquidity

Based on the Pro Forma Financial Information, the Enlarged Group's net current liabilities amounted to RMB570.6 million, as compared to the Group's net current liabilities of RMB78.9 million as at 30 June 2015.

As stated in Appendix II to this Circular, Conch Cement will continue to provide the necessary financial support to the Target Companies until 31 December 2016 and therefore the Target Companies will have the necessary funding to finance its working capital and capital expenditure requirements.

7. Risk factors

As with investments in any other industries or assets, the Transaction involves risks. The major risk factors are highlighted as below.

- *Risk associated with the PRC cement industry*

  The cement industry is highly competitive in Shaanxi Province and in the PRC. The market is characterized with intensive price competition and over supply, while the demand side heavily depends on the on-going infrastructure development and construction which is rather cynical and depends on PRC government policy. There is no guarantee that the prospects of the cement industry would remain positive following the Transaction.

- *Risk relating to the Transaction*

  As disclosed in the Letter from the Board and as discussed in the paragraph headed "Reasons for and benefits of the Transactions" above, the major benefits expected to be brought by the Transaction to the Company is that, with the Transaction, the Company can further increase its market share in Shaanxi Province, have a better control or influence on the overall supply and thus market price of cement in Shaanxi Province, and reduce price competition. The Company also expects to achieve cost saving synergy by bulk purchasing together with Conch Cement and by having a bigger bargaining power against raw material suppliers. However, there is no guarantee that such synergy effect can be realized or as to what extent such synergy effect can be realized.

  We consider that the aforesaid risks are inherent in the cement industry and are normally associated with transactions similar to this Transaction. Shareholders should be aware of such inherent risks when they hold their investment in the Company or vote for the resolution approving the Transaction.

DISCUSSION AND CONCLUSION

The Group has been operating under a competitive and difficult environment, as reflected by the continuous decreasing trend in ASP, revenue, gross profit margin and profit margin.

Although it is expected that there would be new projects and business opportunities in Shaanxi Province, the Group expects that the profit margin will still be eroded away by the notorious price competition in the cement industry in Shaanxi Province. As noted from the recent financial reports of the peers, almost all of the major market players recorded significant results deterioration. In the backdrop of fierce competition and challenges ahead, it is imminent for the Group to participate in market consolidation, thereby increasing its market share, bargaining power against customers and suppliers and influence on ASP, for the sake its sustainability in the industry.

As noted from the accountants' report, Conch Cement will continue provide necessary financial support to the Target Companies until 31 December 2016.

The PB ratio as represented by the Consideration is within the range of that of the Comparable Companies, though higher than the mean and median. Nevertheless, the Consideration is to be wholly settled by the issue of the Consideration Shares. No cash outflow or deferred liabilities have to be assumed by the Group. The real cost to the Independent Shareholders is the dilution in their shareholding from 33.1% to 20.3%. It also follows that a general offer will be made by the Offeror following the Completion which provides an exit opportunity to the Shareholders. In the absence of the Transaction, the Offers will not be triggered and in the backdrop of difficult and challenging operating environment and deteriorating financial results, it is unsure as to whether the Independent Shareholders will have such exit opportunity at HK$1.69 per Share.

The Issue Price is very close to NAV per Share and, on the other hand, it represented extremely a high PE ratio as compared to the 2014 EPS and 2015 Half Year EPS, mainly attributable to the recent lackluster results of the Group.

The Shares has been trading below the Issue Price prior to the Subscription. While the HK-listed Comparable Companies show a decreasing trend of share price, it is uncertain as to whether the Share price of the Company can sustain at the current level without the Transaction.

Based on all of the above, we consider that, although the Transaction are not in the ordinary and usual course of business of the Group, the Acquisition Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms and the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to approve the Acquisition Agreement (as supplemented by the Supplemental Agreement) and the Transactions contemplated thereunder, as detailed in the notice of EGM as set out at the end of the Circular.

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited
Wilson Lo
Deputy General Manager

Note: Mr. Wilson Lo has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2006. Mr. Wilson Lo has more than ten years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions (including connected transactions of listed companies in Hong Kong).

1. INDEBTEDNESS STATEMENTS

As at 31 October 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following outstanding borrowings:

The Group

The borrowings of the Group as at 31 October 2015 were as follows:

	31 October 2015 *RMB'000*
Secured and unguaranteed bank loans	608,400
Unsecured and unguaranteed borrowings:	
Other loans	3,000
Senior notes	2,505,475
Medium-term notes	798,547
	3,915,422

The above bank loans were secured by certain assets. Their carrying values are as follows:

	31 October 2015 *RMB'000*
Prepaid lease payments	58,527
Property, plant and equipment	1,946,805
	2,005,332

Save as set out above and apart from intra-group liabilities and guarantees, the Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans, debt securities or other similar indebtedness or acceptance credits or hire purchase commitments or any guarantees or other material contingent liabilities as at 31 October 2015.

Target Companies

As at 31 October 2015, the Target Companies had unsecured other borrowings of approximately RMB530,000,000 due to Conch Cement.

Save as set out above and apart from intra-group liabilities and guarantees, the Enlarged Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans, debt securities or other similar indebtedness or acceptance credits or hire purchase commitments or any guarantees or other material contingent liabilities as at 31 October 2015.

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group has long recognized that it is the supply side that is of primary importance in the structure of the cement industry in Shaanxi Province, and has long advocated the need for a significant consolidation move in order to achieve the resolution of the fragmented nature of this supply side and promote market discipline. The importance of the supply side is due to the land locked nature of Shaanxi Province, and the surrounding areas of Northern Sichuan and Eastern Gansu, where transportation is a significant cost factor in the marketing of cement products.

Whilst the supply side has been fragmented, partly driven by the Silk Road Economic Development and Western Development Policies of the PRC Government, growth prospects led by infrastructure development and urbanization remain strong. With this demand scenario, the consolidation represented by the acquisition can prove transformational in promoting a disciplined market in the region going forward.

The Group currently possesses a very strong strategic asset of over 23.3 million tons of cement capacity in Shaanxi Province, concentrated in the south and east of the Province. The capacity in Southern Shaanxi has proved its geographical advantage by maintaining disciplined supply to the infrastructure and rural markets in the southern districts of Shangluo, Ankang and Hanzhong. The capacity in Eastern Shaanxi is superbly located close to the Xi'an Metropolitan market, benefiting from urbanisation and social infrastructure development in Xi'an, and the districts of Weinan and Tongchuan. The Group has additional cement capacity of 5.9 million tons in the western provinces of Xinjiang and Guizhou.

The Target Companies have a very strong footprint in the Baoji and Xianyang Districts of Western Shaanxi, with approximately 10.4 million tonnes of cement capacity. There is no overlap with the Group's existing production areas, and therefore the acquisition represents an incremental geographical expansion of the Group's production and marketing capabilities.

Moreover, upon the acquisition completion, the Target Companies will become wholly-owned subsidiaries of the Group and Conch Cement will become the controlling shareholder of the Group, resulting in the Group becoming a Stock Exchange-listed subsidiary of Conch Cement. This will enable the Group and Conch Cement to achieve synergies in the manufacturing and sale of cement in Shaanxi Province, and can unify the operation and management of cement production capacity in the region under a single platform, thereby improving business efficiency and enhancing the effect of development strategies for both parties in the region. As part of these synergies, Conch Cement intends to introduce advanced technology and management experience to the Group.

The Transaction with Conch Cement represents a major move to consolidate and rationalise the cement industry in Shaanxi Province and surrounding areas, and the Group believes that this further collaboration between the two groups will lead to a significantly more stable supply side and market outlook for the region, significantly improving the trading prospects for the Group into 2016 and beyond.

3. WORKING CAPITAL

Taking into account (i) the cash flow impact upon the Acquisition Completion, (ii) the Enlarged Group's internal resources, (iii) the available credit facilities of the Enlarged Group, and (iv) the written confirmation from the directors of Conch Cement stating Conch Cement will provide necessary financial support to the Target Companies to service their liabilities and finance their working capital requirements up to 31 December 2016 and in the opinion of the directors of the Company, such financial support will be provided continuously even after the Acquisition Completion, and in the absence of unforeseeable circumstances, the directors of the Company are of the opinion that the Enlarged Group has sufficient working capital for its present requirements for at least 12 months from the date of this circular.

4. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2012, 2013, 2014 are disclosed on pages 42 to 102 of the annual report of the Company for the year ended 31 December 2012, pages 47 to 110 of the annual report of the Company for the year ended 31 December 2013 and pages 49 to 112 of the annual report of the Company for the year ended 31 December 2014. The financial information of the Group for the six months ended 30 June 2015 is disclosed on the pages 25 to 44 of the interim report of the Company for the six months ended 30 June 2015. All of the annual reports and the interim report are published on the website of the Stock Exchange at http://www.hkexnews.hk, and the website of the Company at http://www.westchinacement.com/. Quick links to the annual reports and the interim report of the Company are set out below:

Annual report of the Company for the year ended 31 December 2012:
http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0426/LTN20130426003.pdf

Annual report of the Company for the year ended 31 December 2013:
http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0425/LTN20140425428.pdf

Annual report of the Company for the year ended 31 December 2014:
http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0424/LTN20150424392.pdf

Interim report of the Company for the six months ended 30 June 2015:
http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0911/LTN20150911225.pdf

The following is the full text of a report, prepared for the purpose of incorporation in this circular, received from the Baoji FHS's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

31 December 2015

The Board of Directors
West China Cement Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Baoji Zhongxi Fenghuangshan Cement Co., Ltd. (寶鷄眾喜鳳凰山水泥有限公司[1], referred to as "Fenghuangshan Cement" or "the Company"), which is wholly owned by Anhui Conch Cement Company Limited ("Conch Cement"), comprising the statements of financial position of the Company as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the cash flow statements, for each of the years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the Circular of West China Cement Limited ("West Cement") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of the Company by West Cement.

Pursuant to the shareholder's resolutions of Fenghuangshan Cement and Baoji Conch Cement Co., Ltd. (寶鷄海螺水泥有限責任公司[1], referred to as "Baoji Conch"), a wholly owned subsidiary of Conch Cement, and the agreement entered into between these two companies, Baoji Cement was merged into Fenghuangshan Cement on 1 November 2014. Detail information is disclosed in note 1(b) under section B.

The Company has adopted 31 December as the financial year end date. The Company prepared its financial statements for the years ended 31 December 2012, 2013 and 2014 in accordance with the relevant accounting rules and regulations. However, no audits have been performed on these financial statements up to the date of this report.

[1] The official name of the entity or firm is in Chinese. The English name is for translation only.

The directors of Conch Cement have prepared the financial statements of the Company for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2015 were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥))[1] in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information has been prepared by the directors of Conch Cement for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of Conch Cement are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of Conch Cement determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have not audited any financial statements of the Company in respect of any period subsequent to 30 June 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Company as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 and of the Company's financial performance and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Company comprising the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the six months ended 30 June 2014, together with the notes thereon (the "Corresponding Financial Information"), for which the directors of Conch Cement are responsible, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB.

The directors of Conch Cement are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. FINANCIAL INFORMATION OF THE COMPANY

1 Statements of profit or loss and other comprehensive income

		Year ended 31 December			Six months ended 30 June	
	Section B Note	**2012** *RMB'000*	**2013** *RMB'000*	**2014** *RMB'000*	**2014** *RMB'000* (Unaudited)	**2015** *RMB'000*
Revenue	*3*	519,257	567,647	478,419	239,872	141,578
Cost of sales		(417,847)	(445,322)	(398,362)	(191,805)	(107,759)
Gross profit		101,410	122,325	80,057	48,067	33,819
Other revenue	*4*	588	5,505	3,793	545	1,399
Other net income/(loss)	*5*	94	(4,709)	2,864	(440)	(134)
Selling and marketing costs		(38,902)	(35,544)	(29,200)	(14,138)	(10,372)
Administrative expenses		(67,821)	(59,755)	(54,570)	(24,897)	(25,515)
Impairment of fixed assets	*6(c)*	—	(228,260)	—	—	—
(Loss)/profit from operations		(4,631)	(200,438)	2,944	9,137	(803)
Finance costs	*6(a)*	(7,804)	(11,084)	(11,084)	(5,496)	(5,234)
(Loss)/profit before taxation	*6*	(12,435)	(211,522)	(8,140)	3,641	(6,037)
Income tax	*7(a)*	5,414	56,895	(73,798)	(246)	845
(Loss)/profit for the year/ period		(7,021)	(154,627)	(81,938)	3,395	(5,192)
Attributable to:						
Equity shareholder of the Company		(7,021)	(154,627)	(81,938)	3,395	(5,192)
Other comprehensive income for the year/period		—	—	—	—	—
Total comprehensive income for the year/period		(7,021)	(154,627)	(81,938)	3,395	(5,192)
Attributable to:						
Equity shareholder of the Company		(7,021)	(154,627)	(81,938)	3,395	(5,192)

The accompanying notes form part of this Financial Information.

2 Statements of financial position

	Section B Note	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 June 2015 RMB'000
Non-current assets					
Property, plant and equipment	*10*	1,129,462	809,284	764,090	753,417
Lease prepayments	*11*	27,151	45,754	70,635	77,693
Intangible assets	*12*	25,863	25,076	33,521	32,916
Deferred tax assets	*22(b)*	13,741	76,020	4,084	4,929
		1,196,217	956,134	872,330	868,955
Current assets					
Inventories	*13*	79,782	59,433	59,563	66,851
Notes receivable	*14*	40,617	43,864	20,946	25,558
Prepayments and other receivables	*15*	22,833	20,590	9,520	11,318
Amounts due from related parties	*19*	5,829	2,847	117	247
Tax recoverable	*22(a)*	—	—	883	2,435
Restricted bank deposits		—	—	—	310
Cash and cash equivalents	*16(a)*	42,453	16,341	13,607	14,400
		191,514	143,075	104,636	121,119
Current liabilities					
Trade payables	*17*	54,753	53,295	37,186	39,388
Other payables and accruals	*18*	129,448	63,965	24,964	20,704
Loan from a related party	*20*	80,000	80,000	80,000	80,000
Amounts due to related parties	*19*	949,855	881,384	928,236	948,680
Current taxation	*22(a)*	—	1,517	—	—
		1,214,056	1,080,161	1,070,386	1,088,772
Net current liabilities		(1,022,542)	(937,086)	(965,750)	(967,653)
Total assets less current liabilities		173,675	19,048	(93,420)	(98,698)

The accompanying notes form part of this Financial Information.

	Section B Note	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 June 2015 RMB'000
Non-current liabilities					
Loan from a related party	*21*	120,000	120,000	120,000	120,000
Deferred income	*23*	—	—	2,470	2,384
		120,000	120,000	122,470	122,384
Net assets		53,675	(100,952)	(215,890)	(221,082)
Capital and reserves	*24*				
Share capital	*24(a)*	108,800	108,800	108,800	108,800
Reserves	*24(b)*	(55,125)	(209,752)	(324,690)	(329,882)
Total equity attributable to equity shareholder of the Company		53,675	(100,952)	(215,890)	(221,082)
Total equity		53,675	(100,952)	(215,890)	(221,082)

The accompanying notes form part of the Financial Information.

3 Statements of changes in equity

	Attributable to equity shareholder of the Company			
	Share capital	**PRC statutory reserves**	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 24(a))	*(Note 24(b)(i))*	*(Note 24(b)(ii))*	
Balance at 1 January 2012	108,800	—	(48,104)	60,696
Total comprehensive income for the year	—	—	(7,021)	(7,021)
Balance at 31December 2012 and 1 January 2013	108,800	—	(55,125)	53,675
Total comprehensive income for the year	—	—	(154,627)	(154,627)
Appropriation to reserves	—	2,180	(2,180)	—
Balance at 31 December 2013 and 1 January 2014	108,800	2,180	(211,932)	(100,952)
Total comprehensive income for the year	—	—	(81,938)	(81,938)
Dividends approved and paid to equity shareholder	—	—	(33,000)	(33,000)
Balance at 31 December 2014 and 1 January 2015	108,800	2,180	(326,870)	(215,890)
Total comprehensive income for the period	—	—	(5,192)	(5,192)
Balance at and 30 June 2015	108,800	2,180	(332,062)	(221,082)
Unaudited:				
Balance at 1 January 2014	108,800	2,180	(211,932)	(100,952)
Total comprehensive income for the period	—	—	3,395	3,395
Dividends approved and paid to equity shareholder	—	—	(23,000)	(23,000)
Balance at and 30 June 2014	108,800	2,180	(231,537)	(120,557)

The accompanying notes form part of the Financial Information.

4 Cash flow statements

	Section B Note	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Six months ended 30 June 2014 RMB'000 (Unaudited)	2015 RMB'000
Operating activities:						
Cash generated from operations	*16(b)*	90,632	52,965	128,801	49,669	4,411
Income tax paid	*22(a)*	—	(3,867)	(4,262)	(2,922)	(1,552)
Interest paid		(7,804)	(11,084)	(11,084)	(5,496)	(5,234)
Net cash generated from/(used in) operating activities		82,828	38,014	113,455	41,251	(2,375)
Investing activities:						
Payment for purchase of property, plant and equipment and construction in progress		(473,390)	(50,896)	(71,467)	(10,433)	(14,296)
Proceeds from disposal of property, plant and equipment		1,750	30,829	24,596	216	268
Payments for lease prepayments		(2,119)	(19,467)	(25,989)	(25,989)	(7,910)
Payments for the purchase of intangible assets		—	—	(9,590)	(8,342)	—
Interest received		581	408	261	128	106
Net cash used in investing activities		(473,178)	(39,126)	(82,189)	(44,420)	(21,832)
Financing activities:						
Proceeds from loans from a related party		200,000	—	—	—	—
Proceeds of working capital from Conch Cement		470,653	79,000	105,000	85,000	30,000
Repayment of loans		(4,900)	—	—	—	—
Repayment of working capital from Conch Cement		(271,000)	(104,000)	(106,000)	(46,000)	(5,000)
Dividends paid to equity shareholder	*24(c)*	—	—	(33,000)	(23,000)	—
Net cash generated from/(used in) financing activities		394,753	(25,000)	(34,000)	16,000	25,000
Net increase/(decrease) in cash and cash equivalents		4,403	(26,112)	(2,734)	12,831	793
Cash and cash equivalent at beginning of the year/period		38,050	42,453	16,341	16,341	13,607
Cash and cash equivalents at end of the year/period	*16(a)*	42,453	16,341	13,607	29,172	14,400

The accompanying notes form part of the Financial Information.

B. NOTES TO FINANCIAL INFORMATION

1 Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Company has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 June 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 30 June 2015 are set out in Note 30.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) General Information of the Company

The Company is a wholly owned subsidiary of Conch Cement during the Relevant Periods.

Pursuant to the shareholder's resolutions of Fenghuangshan Cement and Baoji Cement and the agreement entered into between these two companies, Baoji Cement was merged into Fenghuangshan Cement on 1 November 2014. As Baoji Cement and Fenghuangshan Cement were under common control of Conch Cement during the Relevant Periods, the Financial Information has been prepared using the merger basis of accounting and the assets and liabilities of these two companies recognised and measured at their historical carrying amounts. Balances and transactions and any unrealized profits arising between these two companies are eliminated in full in preparing the Financial Information.

The Company is located in Shaanxi province, PRC. The particulars of the Company as at the date of this report are set out below:

Name of company	Date of incorporation/ establishment	Registered capital/ Issued and fully paid-up *(expressed in Renminbi)*	Principal activities
Fenghuangshan Cement 寶鷄眾喜鳳凰山水泥有限公司	14 April 2009	108,800,000	Manufacturing and sales of clinker and cement products

At the date of this report, no audit report has been issued in connection with the Company's financial statements for the years ended 31 December 2012, 2013, 2014.

(c) Basis of measurement

The Financial Information is presented in Renminbi (''RMB''), rounded to the nearest thousand. It is prepared on the historical cost basis.

(d) Going concern

The Financial Information has been prepared assuming that the Company will continue as a going concern notwithstanding the net current liabilities of the Company as at 30 June 2015. The directors of Conch Cement are of the opinion that, in addition to the capitalisation of the Company's payable amount due to Conch Cement as set out in Note 29, Conch Cement will continue to provide the necessary financial support to the Company for the 18-month period ending 31 December 2016. Therefore the Company will have the necessary liquid funds to finance its working capital and capital expenditure requirements.

(e) Use of estimates and judgments

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

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

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 2.

(f) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 1(j)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

—	Plant and buildings	30 years
—	Machinery and equipment	15 years
—	Office and other equipment	5 years
—	Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Construction-in-progress

Construction-in-progress represents buildings and plant under construction and machinery and equipment under installation and testing, and is stated at cost less accumulated impairment loss, if any (see note 1(j)(ii)). The cost includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent these are regarded as an adjustment to borrowing costs (see note 1(t)).

Construction-in-progress is not depreciated until such time as the assets are completed and ready for operational use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in note 2(b).

(h) Intangible assets

Intangible assets that are acquired by the Company is stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— limestone mining rights 30 years

Both the period and method of amortisation are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determine that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

— Operating lease charges

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(j) Impairment of assets

(i) Impairment of other receivables

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Company about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and notes receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and notes receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each statement of financial position date to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease; and

— intangible assets;

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— Reversals of impairment losses

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Spare parts and consumables are stated at cost less any provision for obsolescence.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

In accordance with the rules and regulations in the PRC, the Company has arranged for its local employees to join defined contribution retirement plans organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plans. The assets of those plans are held separately from those of the Company in an independent fund managed by the PRC government. The Company is required to make monthly defined contributions to these plans at certain rates of their total salary subject to a certain ceiling. The Company has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments disclosed above.

(q) Income tax

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

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or
- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them. Grants that compensate the Company for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognised as deferred income in the statement of financial position and consequently recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) Repairs and maintenance

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

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company's parent.

(b) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company is members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees or an entity related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, The Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgement and estimates

Note 25 contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of non-current assets as described in note 1(j)(ii). The carrying amounts of the Company's non-current assets, including property, plant and equipment, pre-paid interests in leasehold land classified as being held under an operating lease and intangible assets are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

(b) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Intangible assets and lease prepayments are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Company's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference and competitor actions in response to industry cycles. Management measures these estimates at each statement of financial position date.

(d) Impairment of trade and other receivables

Management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its debtors and current market conditions. If the financial conditions of the debtors were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade and other receivables at the end of reporting period.

3 Revenue and segment reporting

(a) Revenue

The amount of each significant category of revenue recognised in revenue during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of clinkers and cement products	466,940	479,353	392,509	191,316	141,212
Sales of materials and other products	52,317	88,294	85,910	48,556	366
	519,257	567,647	478,419	239,872	141,578

(b) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the most senior executive management of Conch Cement for the purposes of allocating resources to, and assessing the performance of geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Company operates in a single business and same geographical location in the mainland China. Accordingly, no segmental analysis is presented.

4 Other revenue

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income	581	408	261	128	106
Subsidy income	7	5,097	3,532	417	1,293
	588	5,505	3,793	545	1,399

Subsidy income comprises refunds of value-added tax in connection with sales of certain cement products and government grants received.

5 Other net income/(loss)

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net (loss)/gain on disposal of property plant and equipment	—	(3,848)	2,623	(335)	34
Others	94	(861)	241	(105)	(168)
	94	(4,709)	2,864	(440)	(134)

6 (Loss)/profit before taxation

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

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(a) Finance costs:					
Interest on loans from related party wholly repayable within five years	7,037	4,952	4,952	2,430	2,168
Interest on loans from related party wholly repayable after five years	767	6,132	6,132	3,066	3,066
Total interest expense on financial liabilities not at fair value through profit or loss	7,804	11,084	11,084	5,496	5,234
Less: interest expense capitalised into construction-in-progress	—	—	—	—	—
	7,804	11,084	11,084	5,496	5,234
(b) Staff costs:					
Contributions to defined contribution retirement plans	3,804	3,834	4,435	1,820	1,900
Salaries, wages and other benefits	38,229	39,597	38,431	15,072	13,194
	42,033	43,431	42,866	16,892	15,094

	Note	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Six months ended 30 June 2014 RMB'000 (Unaudited)	2015 RMB'000
(c) Other items:						
Depreciation property, plant and equipment	10	72,866	61,633	64,049	26,345	26,428
Amortisation						
— interest in leasehold land held for own use under operating leases	11	494	864	1,108	501	852
— intangible assets	12	787	787	1,145	462	605
Impairment of property, plant and equipment	10	—	228,260	—	—	—
Auditors' remuneration		—	—	—	—	—

7 Income tax

(a) Taxation in statements of profit or loss and other comprehensive income represents:

	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Six months ended 30 June 2014 RMB'000 (Unaudited)	2015 RMB'000
Current tax-PRC Corporate Income Tax					
Provision for the year/period	—	5,384	1,862	1,405	—
Deferred tax:					
Origination and reversal of temporary differences	(5,414)	(62,279)	71,936	(1,159)	(845)
	(5,414)	(56,895)	73,798	246	(845)

Pursuant to Notice No.12 issued by the State Administration of Taxation on 6 April 2012 and other relevant local tax authority's notices, Fenghuangshan Cement was entitled to a 15% preferential income tax rate, effective from 1 January 2012 to 31 December 2020, as a qualifying company located in the western region in the PRC. Baoji Cement is subject to an income tax rate of 25% according to the relevant income tax rules and regulations of the PRC.

(b) Reconciliation between tax expense and accounting profit or loss at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/profit before taxation	(12,435)	(211,522)	(8,140)	3,641	(6,037)
Notional tax on profit before taxation, calculated at the applicable statutory tax rate	(6,209)	(57,453)	(3,324)	17	(906)
Tax effect of non-deductible expense	795	558	1,118	229	69
Reversal of deferred tax assets arising from tax losses which is not expected to be utilized*	—	—	76,020	—	—
Others	—	—	(16)	—	(8)
Actual tax expense	(5,414)	(56,895)	73,798	246	(845)

* Due to the merger of Baoji Cement by Fenghuangshan Cement on 1 November 2014, the accumulated tax losses of Baoji Cement could not be utilised since 1 November 2014 in accordance with the relevant tax regulations. Accordingly, the related deferred tax assets of RMB 76,020,000, which were recognised in previous years, were reversed in 2014.

8 Directors' remuneration

Year ended 31 December 2012

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Mr. Cao Wei*	—	—	—	—	—
Mr. Chen Yongbo	—	138	525	22	685
Mr. Wang Genmu*	—	—	—	—	—
Mr. Wang Zhiming*	—	—	—	—	—
Mr. Yang Kaifa*	—	—	—	—	—
Mr. Fan Zhan*	—	—	—	—	—
	—	138	525	22	685

Year ended 31 December 2013

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement scheme *RMB'000*	Total *RMB'000*
Executive Directors:					
Mr. Cao Wei*	—	—	—	—	—
Mr. Chen Yongbo	—	174	510	24	708
Mr. Fan Zhan*	—	—	—	—	—
Mr. Wang Genmu* (resigned in November 2013)	—	—	—	—	—
Mr. Wang Zhiming* (resigned in October 2013)	—	—	—	—	—
Mr. Yang Kaifa* (resigned in October 2013)	—	—	—	—	—
Mr. Hong Bo* (appointed in November 2013)	—	116	192	17	325
Mr. Qin Hongji* (appointed in October 2013)	—	—	—	—	—
Mr. Shu Luhua* (appointed in October 2013)	—	—	—	—	—
	—	290	702	41	1033

Year ended 31 December 2014

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement scheme *RMB'000*	Total *RMB'000*
Executive Directors:					
Mr. Cao Wei*	—	—	—	—	—
Mr. Chen Yongbo (resigned in March 2014)	—	27	227	4	258
Mr. Fan Zhan*	—	—	—	—	—
Mr. Hong Bo*	—	101	185	23	309
Mr. Shu Luhua	—	21	319	5	345
Mr. Qin Hongji*	—	—	—	—	—
Mr. Zheng Shixiang (appointed in April 2014)	—	44	245	12	301
	—	193	976	44	1213

Six months ended 30 June 2014 (Unaudited)

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement scheme *RMB'000*	Total *RMB'000*
Executive Directors:					
Mr. Cao Wei*	—	—	—	—	—
Mr. Chen Yongbo (resigned in March 2014)	—	27	—	4	31
Mr. Fan Zhan*	—	—	—	—	—
Mr. Hong Bo*	—	50	—	9	59
Mr. Shu Luhua*	—	—	—	—	—
Mr. Qin Hongji*	—	—	—	—	—
Mr. Zheng Shixiang (appointed in April 2014)	—	—	—	—	—
	—	77	—	13	90

Six months ended 30 June 2015

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement scheme *RMB'000*	Total *RMB'000*
Executive Directors:					
Mr. Cao Wei*	—	—	—	—	—
Mr. Fan Zhan*	—	—	—	—	—
Mr. Hong Bo*	—	51	—	14	65
Mr. Shu Luhua	—	57	—	14	71
Mr. Qin Hongji*	—	—	—	—	—
Mr. Zheng Shixiang (resigned in March 2015)	—	20	—	5	25
	—	128	—	33	161

* No remuneration is paid or payable by the Company for the years and periods presented as the remuneration of these directors were borne by Conch Cement or its other subsidiaries. In addition, no remuneration is due to these directors in respect of their services in connection with the management of the affairs of the Company.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments during the Relevant Periods, certain (2012: one, 2013: two, 2014: three, six months ended 30 June, 2014: two, six months ended 30 June, 2015: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other individuals (2012: four, 2013: three, 2014: two, six months ended 30 June 2014: three, six months ended 30 June 2015: three) are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and other emoluments	327	220	134	150	160
Discretionary bonuses	841	642	504	—	—
Retirement plan contributions	60	37	32	17	32
	1,228	899	670	167	192

The emoluments of the above individuals are within the band of nil to HK$1,000,000.

10 Property, plant and equipment

	Plant and Buildings	Machinery and equipment	Office and other equipment	Motor Vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2012	581,229	631,932	1,186	5,049	—	1,219,396
Additions	—	21,606	459	1,677	271	24,013
Disposals	—	(1,859)	—	—	—	(1,859)
At 31 December 2012 and 1 January 2013	581,229	651,679	1,645	6,726	271	1,241,550
Additions	—	778	180	663	2,771	4,392
Transfer from construction in progress	308	1,716	—	—	(2,024)	—
Disposals	(151,359)	(142,943)	(7)	—	—	(294,309)
At 31 December 2013 and 1 January 2014	430,178	511,230	1,818	7,389	1,018	951,633
Additions	—	29,923	221	—	10,684	40,828
Transfer from construction in progress	—	3,707	—	—	(3,707)	—
Disposals	(16,164)	(8,664)	(127)	(267)	—	(25,222)
At 31 December 2014 and 1 January 2015	414,014	536,196	1,912	7,122	7,995	967,239
Additions	—	8,000	—	6,086	1,903	15,989
Disposals	—	(252)	—	—	—	(252)
At 30 June 2015	414,014	543,944	1,912	13,208	9,898	982,976

	Plant and Buildings *RMB'000*	Machinery and equipment *RMB'000*	Office and other equipment *RMB'000*	Motor Vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation and impairment:						
At 1 January 2012	(10,946)	(27,795)	(154)	(436)	—	(39,331)
Charge for the year	(20,754)	(50,590)	(507)	(1,015)	—	(72,866)
Written back on disposals	—	109	—	—	—	109
At 31 December 2012 and 1 January 2013	(31,700)	(78,276)	(661)	(1,451)	—	(112,088)
Charge for the year	(16,251)	(43,770)	(508)	(1,104)	—	(61,633)
Impairment for the year	(124,182)	(104,078)	—	—	—	(228,260)
Written back on disposals	133,591	126,039	2	—	—	259,632
At 31 December 2013 and 1 January 2014	(38,542)	(100,085)	(1,167)	(2,555)	—	(142,349)
Charge for the year	(16,395)	(46,098)	(510)	(1,046)	—	(64,049)
Written back on disposals	1,632	1,391	50	176	—	3,249
At 31 December 2014 and 1 January 2015	(53,305)	(144,792)	(1,627)	(3,425)	—	(203,149)
Charge for the period	(6,507)	(18,980)	(115)	(826)	—	(26,428)
Written back on disposals	—	18	—	—	—	18
At 30 June 2015	(59,812)	(163,754)	(1,742)	(4,251)	—	(229,559)
Net book value:						
At 31 December 2012	549,529	573,403	984	5,275	271	1,129,462
At 31 December 2013	391,636	411,145	651	4,834	1,018	809,284
At 31 December 2014	360,709	391,404	285	3,697	7,995	764,090
At 30 June 2015	354,202	380,190	170	8,957	9,898	753,417

Note: According to the policy of elimination of backward production capacity issued by the Ministry of Industry and Information Technology in 2013, Conch Cement, the parent company of the Company, decided to dispose of certain cement production lines with heavy energy consumption of Baoji Cement and accordingly, the related plants and equipment were determined to be impaired. The recoverable amount of these plants and equipment was determined based on their fair value of these assets less estimated costs to sell. Accordingly, a provision for impairment of RMB228,260,000 was recognised against these plants and equipment to write down their carrying amounts to their recoverable amounts. These assets were subsequently disposed of in December 2013 and the related amount of provision for impairment was written back upon disposal.

11 Lease prepayments

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January	25,526	27,645	47,112	73,101
Additions	2,119	19,467	25,989	7,910
At 31 December/30 June	27,645	47,112	73,101	81,011
Accumulated amortisation:				
At 1 January	—	(494)	(1,358)	(2,466)
Charge for the year/period	(494)	(864)	(1,108)	(852)
At 31 December/30 June	(494)	(1,358)	(2,466)	(3,318)
Net book value:				
At 31 December/30 June	27,151	45,754	70,635	77,693

Lease prepayments represent interest in leasehold land held for own use under operating leases in the PRC with lease periods of 50 years.

12 Intangible assets

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January	26,650	26,650	26,650	36,240
Additions	—	—	9,590	—
At 31 December/30 June	26,650	26,650	36,240	36,240
Accumulated amortisation:				
At 1 January	—	(787)	(1,574)	(2,719)
Charge for the year/period	(787)	(787)	(1,145)	(605)
At 31 December/30 June	(787)	(1,574)	(2,719)	(3,324)
Net book value:				
At 31 December/30 June	25,863	25,076	33,521	32,916

Intangible assets mainly represented limestone mining rights.

13 Inventories

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

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	29,001	32,809	23,373	23,770
Work in progress	5,108	1,596	625	2,177
Finished goods	45,673	25,028	35,565	40,904
	79,782	59,433	59,563	66,851

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

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

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories recognised as expenses	440,372	461,065	409,773	113,223

14 Notes receivable

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank acceptance notes receivable	40,617	43,864	20,946	25,558

Notes receivable are due within one year from the date of issuance and are expected to be recovered within one year. Further details on the Company's credit policy are set out in note 25(a).

As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, The Company endorsed the undue bank acceptance notes of RMB33,131,000, RMB31,744,000, RMB13,096,000 and RMB9,987,000 respectively to its suppliers to settle trade payables of the same amounts and derecognized these notes receivable and the payables to suppliers in their entirety as the Company's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Company's continuous involvement in these derecognized undue notes receivable is limited to when the issuance banks of these undue notes are unable to settle the amounts due to the holders of these notes. As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the maximum exposure to loss from its continuous involvement represents the amounts of notes receivable of RMB33,131,000, RMB31,744,000, RMB13,096,000 and RMB9,987,000, respectively, which the Company endorsed to its suppliers. The endorsed undue notes receivable will be derecognized if management consider, based on its 'risks and rewards' evaluation, that the Company has transferred substantially all of the risks and rewards of ownership of the notes receivable.

As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the undue notes receivable of RMB14,598,000, RMB19,373,000, RMB11,561,000 and RMB8,690,000 respectively endorsed to its suppliers to settle the trade payables were not derecognized because management believed that the credit risk of ownership were not substantially transferred. The associated trade payables were also not derecognized. The carrying amounts of these undue notes receivable and trade payables approximate its fair values. All these undue notes receivable were due within 1 year.

15 Prepayments and other receivables

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Purchase prepayments	18,430	11,412	830	6,500
Value-added tax recoverable and other tax prepayment	3,549	—	6,518	4,418
Other receivables	854	9,178	2,172	400
	22,833	20,590	9,520	11,318

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

16 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	4	—	—	—
Cash at bank	42,449	16,341	13,607	14,400
	42,453	16,341	13,607	14,400

(b) Reconciliation of (loss)/profit before taxation to cash generated from operations:

		Year ended 31 December			Six months ended 30 June	
	Note	**2012** *RMB'000*	**2013** *RMB'000*	**2014** *RMB'000*	**2014** *RMB'000* (Unaudited)	**2015** *RMB'000*
(Loss)/profit before taxation		(12,435)	(211,522)	(8,140)	3,641	(6,037)
Adjustments for:						
Depreciation	*10*	72,866	61,633	64,049	26,345	26,428
Amortisation						
— interest in leasehold land held for own use under operating leases	*11*	494	864	1,108	501	852
— intangible assets	*12*	787	787	1,145	462	605
Impairment of property, plant and equipment	*10*	—	228,260	—	—	—
Net loss/(gain) on disposal of property, plant and equipment	*5*	—	3,848	(2,623)	335	(34)
Finance costs	*6(a)*	7,804	11,084	11,084	5,496	5,234
Interest income	*4*	(581)	(408)	(261)	(128)	(106)
Before changes in working capital carried forward		68,935	94,546	66,362	36,652	26,942
Changes in working capital:						
Decrease/(increase) in inventories		64,991	20,349	(130)	(14,604)	(7,288)
(Increase)/decrease in notes receivable		(19,015)	(3,247)	22,918	30,104	(4,612)
Decrease/(increase) in prepayments and other receivables		66,200	2,243	11,070	(3,982)	(1,798)
(Increase)/decrease in amounts due from related parties		(5,585)	2,982	2,730	(14,448)	(130)
(Decrease)/increase in trade payables		(81,066)	(1,458)	(16,109)	544	2,202
Decrease in other payables and accruals		(47,036)	(19,042)	(8,362)	(30,940)	(6,317)
Increase/(decrease) in amounts due to related parties		43,208	(43,408)	47,852	46,343	(4,502)
Increase/(decrease) in deferred income		—	—	2,470	—	(86)
Cash generated from operations		90,632	52,965	128,801	49,669	4,411

17 Trade payables

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	54,753	53,295	37,186	39,388

Included in trade payables are trade creditors with aging within 1 year based on invoice dates as of the statement of financial position date.

18 Other payables and accruals

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction payables	80,133	34,416	5,786	7,554
Receipts in advance from customers	10,048	6,878	5,311	6,808
Deposits from suppliers	20,791	2,299	2,295	1,240
Payroll payables	9,555	8,815	5,507	612
Retention monies	4,527	3,822	1,478	2,178
Other taxes payables	2,148	5,159	520	1,392
Others	2,246	2,576	4,067	920
	129,448	63,965	24,964	20,704

19 Amounts due from/to related parties

Amounts due from

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Conch Cement and its subsidiaries	5,829	2,822	117	247
Anhui Conch Information Technology Engineering Co., Ltd. ("Conch Information") 安徽海螺信息技術工程有限責任公司	—	25	—	—
	5,829	2,847	117	247

Amounts due to

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Conch Cement and its subsidiaries	949,855	881,344	927,707	948,623
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment") 安徽海螺川崎節能設備製造有限公司	—	—	70	47
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("CKEM") 安徽海螺川崎裝備製造有限公司	—	—	286	10
Anhui Conch Kawasaki Engineering Company Ltd. ("CK Engineering") 安徽海螺川崎工程有限公司	—	40	60	—
Conch Information 安徽海螺信息技術工程有限責任公司	—	—	113	—
	949,855	881,384	928,236	948,680

The amounts due from/to related parties are unsecured, interest-free and repayable on demand.

20 Current loan from a related party

The analysis of the carrying amount of current loan from a related party is as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loan from a related party				
— Unsecured	80,000	80,000	80,000	80,000

The loan of RMB 80,000,000 is from Conch Cement. It bears a floating interest rate per annum announced by the People's Bank of China. The loan had been renewed annually at each due date during the Relevant Periods.

21 Non-current loan from a related party

The analysis of the carrying amount of non-current interest-bearing loan from a related party is as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loan from a related party				
— Unsecured	120,000	120,000	120,000	120,000

The loan of RMB120,000,000 is from Conch Cement. It bears interest at 5.11% per annum and is repayable in 2022. The loan is carried at amortised cost and is not expected to be settled within one year.

22 Income tax in the statements of financial position

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

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year/period	—	—	1,517	(883)
Provision for PRC Corporate Income Tax for the year/period	—	5,384	1,862	—
PRC Corporate Income Tax paid	—	(3,867)	(4,262)	(1,552)
Balance at the end of the year/period	—	1,517	(883)	(2,435)
Representing:				
Tax recoverable	—	—	(883)	(2,435)
Tax payable	—	1,517	—	—
	—	1,517	(883)	(2,435)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the statement of financial position and the movements during the Relevant Periods are as follows:

	Unrealised Profits	**Deferred income**	**Tax losses**	**Depreciation of fixed asset**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from					
At 1 January 2012	—	—	8,327	—	8,327
Credited to profit or loss	—	—	5,414	—	5,414
At 31 December 2012 and 1 January 2013	—	—	13,741	—	13,741
Credited to profit or loss	—	—	62,279	—	62,279
At 31 December 2013 and 1 January 2014	—	—	76,020	—	76,020
Credited/(charged) to profit or loss	4,227	147	(76,020)	(290)	(71,936)
At 31 December 2014 and 1 January 2015	4,227	147	—	(290)	4,084
(Charged)/credited to profit or loss	(202)	(4)	1,021	30	845
At 30 June 2015	4,025	143	1,021	(260)	4,929

23 Deferred income

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	—	—	—	2,470
Government grants received	—	—	2,593	—
Recognised in profit or loss	—	—	(123)	(86)
At 31 December/at 30 June	—	—	2,470	2,384

24 Capital, reserves and dividends

(a) Share capital

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December/30 June	108,800	108,800	108,800	108,800

(b) Reserves

(i) Statutory surplus reserve

In accordance with The Company Law of the PRC and the Company's article of association, the Company shall appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) as determined in accordance with PRC accounting standards to the statutory surplus reserve account. When the balance of such reserve fund reaches 50% of the registered capital of a company, further appropriation to that company will become optional.

The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, the statutory surplus reserve of the Company should be maintained at a minimum of 25% of its registered capital after utilisation.

The Company appropriated the statutory surplus reserve in accordance with its article of association during the Relevant Periods.

(ii) Distribution of dividends

The distribution of dividends is made in accordance with the Company's article of association at the recommendation of the Board of Directors and is subject to approval by Conch Cement, the parent company.

(c) Distribution to equity shareholder

Dividends payable to equity shareholder approved and paid during the year/period:

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividends approved and paid to equity shareholder	—	—	33,000	—

(d) Distributable reserve

The aggregate amount of reserves available for distribution to equity shareholder of the Company as at 31 December 2012, 2013, 2014 and 30 June 2015 were RMBnil, RMB19,616,912, RMBnil and RMBnil, respectively.

(e) Capital risk management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholder, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company actively and regularly review and manage its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions.

The Company is not subject to internally or externally imposed capital requirements.

25 Financial risk management

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Company's business.

The Company's exposure to these risks and the financial risk management policies and practices used by The Company to manage these risks are described below.

(a) Credit risk

The Company's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place to ensure that sales of products are made to customers with an appropriate credit history and the exposures to these credit risks are monitored on an ongoing basis. In addition, The Company normally receives deposits from customers before delivery of products.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Company does not obtain collateral from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Company has significant exposure to individual customers. At 31 December 2012, 2013, 2014 and 30 June 2015, respectively, 69%, 64%, 72% and 68% of the total notes receivable was due from the Company's five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Company does not provide any guarantees which would expose the Company to credit risk.

Further quantitative disclosures in respect of the Company's exposure to credit risk arising from notes receivable and other receivables are set out in note 14 and 15.

(b) Liquidity risk

Individual operating entities within the Company are responsible for their own cash management, but the borrowings are subject to approval by the parent company's management. The Company's policy is to regularly monitor their liquidity requirements to ensure that they maintain sufficient reserves of cash and adequate committed lines of funding from parent company to meet their liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the statement of financial position date of the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the statement of financial position date) and the earliest date The Company can be required to pay:

	At 31 December 2012 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	54,753	—	—	—	54,753	54,753
Other payables and accruals	129,448	—	—	—	129,448	129,448
Loan from a related party	88,479	6,132	18,396	149,911	262,918	200,000
Amounts due to related parties	949,855	—	—	—	949,855	949,855
	1,222,535	6,132	18,396	149,911	1,396,974	1,334,056

	At 31 December 2013 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	53,295	—	—	—	53,295	53,295
Other payables and accruals	63,965	—	—	—	63,965	63,965
Loan from a related party	88,479	6,132	18,396	143,779	256,786	200,000
Amounts due to related parties	881,384	—	—	—	881,384	881,384
	1,087,123	6,132	18,396	143,779	1,255,430	1,198,644

	At 31 December 2014 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	37,186	—	—	—	37,186	37,186
Other payables and accruals	24,964	—	—	—	24,964	24,964
Loan from a related party	88,203	6,132	18,396	137,647	250,378	200,000
Amounts due to related parties	928,236	—	—	—	928,236	928,236
	1,078,589	6,132	18,396	137,647	1,240,764	1,190,386

	At 30 June 2015 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	39,388	—	—	—	39,388	39,388
Other payables and accruals	20,704	—	—	—	20,704	20,704
Loan from a related party	90,012	6,132	18,396	134,581	249,121	200,000
Amounts due to related parties	948,680	—	—	—	948,680	948,680
	1,098,784	6,132	18,396	134,581	1,257,893	1,208,772

(c) Interest rate risk

The Company's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and fixed rates expose the Company to cash flow interest rate risk and fair value risk respectively. The interest rates and terms of repayment of the Company's borrowings are disclosed in notes 20 and 21. The Company's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of The Company's net borrowings at the statement of financial position date.

	As at 31 December						As at 30 June	
	2012		2013		2014		2015	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Net fixed rate borrowings:								
Loan from a related party	5.11%	120,000	5.11%	120,000	5.11%	120,000	5.11%	120,000
Less: restricted bank deposits		—		—		—	3.25%	(310)
		120,000		120,000		120,000		119,690
Variable rate borrowings:								
Loan from a related party	6.31%–6.00%	80,000	6.00%	80,000	6.00%–5.60%	80,000	5.6%–4.85%	80,000
Less: Cash and cash equivalents	0.35%	(42,449)	0.35%	(16,341)	0.35%	(13,607)	0.35%	(14,400)
		37,551		63,659		66,393		65,600
Total net borrowings		157,551		183,659		186,393		185,290

The interest rate of the variable rate borrowings of the Company is based on the base rate announced by the People's Bank of China.

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Company's profit or loss after tax (and retained earnings) that would arise assuming that the change in interest rates had occurred at the end of the Relevant Periods and had been applied to re-measure those financial instruments held by the Company which expose the Company to fair value interest rate risk at the end of the Relevant Periods. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by The Company at the end of the Relevant Periods, the impact on the Company's profit or loss after tax (and retained earnings) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis during the Relevant Periods.

		Increase/(decrease) in profit after tax and retained earnings for the year/period
		RMB'000
At 31 December 2012		
Increase in interest rate	1%	(1,374)
Decrease in interest rate	(1%)	1,374
At 31 December 2013		
Increase in interest rate	1%	(1,569)
Decrease in interest rate	(1%)	1,569
At 31 December 2014		
Increase in interest rate	1%	(1,584)
Decrease in interest rate	(1%)	1,584
At 30 June 2015		
Increase in interest rate	1%	(787)
Decrease in interest rate	(1%)	787

(d) Fair value

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2012, 2013, 2014 and 30 June 2015.

26 Commitments

(a) As at the end of the respective reporting period, the total future minimum lease payments of the Company under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,920	1,978	—	—
After 1 year but within 5 years	8,259	8,490	—	—
After 5 years (note)	151,818	149,609	—	—
	161,997	160,077	—	—

Note: The operating lease commitment of RMB160,077,000 in respect of certain leasehold land as at 31 December 2013 was ceased in 2014 as the Company acquired the relevant use right of leasehold land on 16 January 2014.

27 Material related party transactions

(a) Related parties information

During the Relevant Periods, transactions with the following parties are considered as related party transactions.

Name of related party (i)	**Nature of relationship**
Conch Cement 安徽海螺水泥股份有限公司	Parent company of the Company
Qianyang Conch Cement Co., Ltd. ("Qianyang Cement") 千陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Hami Hongyi Construction Co., Ltd. ("Hongyi Construction") 新疆哈密弘毅建材有限責任公司	Subsidiary of Conch Cement
Baoji Zhongxi Jinlinghe Cement Co., Ltd. ("Jinlinghe Cement") 寶雞市眾喜金陵河水泥有限公司	Subsidiary of Conch Cement
Pingliang Conch Cement Co., Ltd. ("Pingliang Cement") 平涼海螺水泥有限責任公司	Subsidiary of Conch Cement
Liquan Conch Cement Co., Ltd. ("Liquan Cement") 禮泉海螺水泥有限責任公司	Subsidiary of Conch Cement
Linxia Conch Cement Co., Ltd. ("Linxia Cement") 臨夏海螺水泥有限責任公司	Subsidiary of Conch Cement

Name of related party (i)	Nature of relationship
Baoji Conch Plastic Packaging Co., Ltd. (“Baoji Plastic”) 寶雞海螺塑膠包裝有限責任公司	Subsidiary of Conch Cement
Zhongguo Conch Cement Co., Ltd. (“Zhongguo Cement”) 中國水泥廠有限公司	Subsidiary of Conch Cement
Bengbu Conch Cement Co., Ltd. (“Bengbu Cement”) 蚌埠海螺水泥有限責任公司	Subsidiary of Conch Cement
Linxiang Conch Cement Co., Ltd. (“Linxiang Cement”) 臨湘海螺水泥有限責任公司	Subsidiary of Conch Cement
Suzhou Conch Cement Co., Ltd. (“Suzhou Cement”) 宿州海螺水泥有限責任公司	Subsidiary of Conch Cement
Huainan Conch Cement Co., Ltd. (“Huainan Cement”) 淮南海螺水泥有限責任公司	Subsidiary of Conch Cement
Guizhou Liukuang Rui’an Conch Cement Co., Ltd. (“Liukuang Rui’an”) 貴州六礦瑞安水泥有限公司	Subsidiary of Conch Cement
Qianxian Conch Cement Co., Ltd. (“Qianxian Cement”) 乾縣海螺水泥有限責任公司	Subsidiary of Conch Cement
Hunan Yiyang Conch Cement Co., Ltd. (“Hunan Yiyang Cement”) 湖南益陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Anhui Zongyang Conch Cement Co., Ltd. (“Zongyang Cement”) 安徽樅陽海螺水泥股份有限公司	Subsidiary of Conch Cement
Shuangfeng Conch Cement Co., Ltd. (“Shuangfeng Cement”) 雙峰海螺水泥有限公司	Subsidiary of Conch Cement
Qianxi’nan Resource Development Co., Ltd. (“Qianxi’nan”) 黔西南州資源開發有限公司	Subsidiary of Conch Cement
Guangyuan Conch Plastic Packaging Co., Ltd. (“Guangyuan Plastic”) 廣元海螺塑膠包裝有限責任公司	Subsidiary of Conch Cement
Anhui Ningchang Conch Plastic Packaging Co., Ltd. (“Ningchang Plastic”) 安徽寧昌塑膠包裝有限公司	Subsidiary of Conch Cement

Name of related party (i)	Nature of relationship
Wuhu Conch Plastic Products Co., Ltd. (“Wuhu Plastic”) 蕪湖海螺塑膠製品有限公司	Subsidiary of Conch Cement
Conch Construction and Instalment Co., Ltd. (“Conch Construction and Instalment”) 安徽蕪湖海螺建築安裝工程有限公司	Subsidiary of Conch Cement
Anhui Conch Material Trading Co., Ltd. (“Conch Material”) 安徽海螺物資貿易有限責任公司	Subsidiary of Conch Cement
Anhui Conch SCG Refractory Co., Ltd. (“SCG Refractory”) 安徽海螺暹羅耐火材料有限公司	Subsidiary of Conch Cement
Anhui Conch Holdings Co., Ltd. (“Conch Holdings”) 安徽海螺集團有限責任公司	Parent company of Conch Cement
China Conch Venture Holdings Limited (“China Conch Venture”) 中國海螺創業控股有限公司	Shareholder of Conch Holdings, some directors of the Company are also directors and equity holders of China Conch Venture
CK Engineering 安徽海螺川崎工程有限公司	Subsidiary of China Conch Venture
CKEM 安徽海螺川崎裝備製造有限公司	Subsidiary of China Conch Venture
CK Equipment 安徽海螺川崎節能設備製造有限公司	Joint venture of Conch Cement
Anhui Conch Construction Materials Design Centre (“Conch Design Institute”) 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Conch Information 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Design Institute
Wuhu Conch Profiles and Science Co., Ltd. (“Conch Profiles and Science”) 蕪湖海螺型材科技股份有限公司	Associate of Conch Holdings

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(b) Significant related party transactions

Particulars of significant transactions between the Company and the above related parties during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Sales					
Conch Cement and its subsidiaries	47,986	75,892	80,621	50,317	15
Conch Profiles and Science	—	—	1,459	767	44
CKEM	—	208	474	—	172
	47,986	76,100	82,554	51,084	231

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Purchasing Goods					
Conch Cement and its subsidiaries	18,121	49,316	34,956	5,510	13,680
Conch Profiles and Science	—	—	9	—	—
CK Engineering	—	342	8,718	—	—
CKEM	591	208	341	80	28
CK Equipment	—	168	1,037	149	132
	18,712	50,034	45,061	5,739	13,840

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Receiving services					
Conch Construction and Instalment	1,357	899	1,095	—	734
Conch Design Institute	—	—	292	—	552
Conch Information	—	—	266	266	24
CK Engineering	—	—	3,783	—	—
	1,357	899	5,436	266	1,310

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Conch Cement	200,000	—	—	—	—

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest expense					
Conch Cement	3,310	11,084	12,304	6,106	5,234

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Receiving of working capital					
Conch Cement	470,653	79,000	105,000	85,000	30,000

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Repayment of working capital					
Conch Cement	271,000	104,000	106,000	46,000	5,000

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Disposal of fixed assets					
Conch Cement's subsidiaries	1,750	213	24,596	216	268

(c) Key management personnel remuneration

Key management personnel remuneration is disclosed in note 8 and total remuneration is included in "staff costs" (see note 6(b)).

28 Immediate and ultimate controlling company

As at the end of the respective reporting period, the directors consider the immediate parent and ultimate controlling company of the Company to be Conch Cement and Anhui Provincial Investment Group Limited respectively, which are both state-owned enterprises established in the PRC. Conch Cement produces financial statements available for public use.

29 Non-adjusting events after the reporting period

On 28 October 2015, the Board of Directors of Conch Cement and the Company both resolved to increase the Company's registered capital from RMB108,800,000 to RMB928,800,000 by virtue of the capitalization of the Company's payable due to Conch Cement in the aggregate amount of RMB820,000,000. The Company obtained a revised business license on 30 October 2015.

30 Possible impact of amendments, new standards and Interpretations issued but not yet effective for the Relevant Periods.

Up to the date of issue of the Financial Information, the IASB has issued a few amendments and new standards which are not yet effective for the accounting period ended 30 June 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company:

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2012–2014 cycle	1 January 2016
IFRS 14, Regulatory deferral accounts	1 January 2016
Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 27, Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception	1 January 2016
Amendments to IAS 1, Disclosure initiative	1 January 2016
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 9, Financial instruments (2014)	1 January 2018
IFRS 9, Financial instruments (2009)	1 January 2018
IFRS 9, Financial instruments (2010)	1 January 2018
Amendments to IFRS 9, Financial instruments and IFRS 7 Financial instruments: Disclosures — Mandatory effective date and transition disclosures	1 January 2018
HKFRS 9, Financial instruments: Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39 (2013)	1 January 2018

The Company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

C. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 30 June 2015. No dividend or distribution has been declared or made by the Company in respect of any period subsequent to 30 June 2015.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

The following is the full text of a report, prepared for the purpose of incorporation in this circular, received from the Baoji JLH's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

31 December 2015

The Board of Directors
West China Cement Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Baoji Zhongxi Jinlinghe Cement Co., Ltd. (寶雞市眾喜金陵河水泥有限公司[1], "the Company"), which is wholly owned by Anhui Conch Cement Company Limited ("Conch Cement"), comprising the statements of financial position of the Company as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the cash flow statements, for each of the years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the Circular of West China Cement Limited ("West Cement") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of the Company by West Cement.

The Company has adopted 31 December as its financial year end date. The statutory financial statements of the Company were prepared in accordance with the relevant accounting rules and regulations applicable to the Company in the People's Republic of China (the "PRC") and audited by Shaanxi Hongxin CPA Co., Ltd. (陝西宏信有限責任會計師事務所[1]).

The directors of Conch Cement have prepared the financial statements of the Company for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2015 were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥))[1] in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

[1] The official name of the entity or firm is in Chinese. The English name is for translation only.

The Financial Information has been prepared by the directors of Conch Cement for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of Conch Cement are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of Conch Cement determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have not audited any financial statements of the Company in respect of any period subsequent to 30 June 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Company as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 and of the Company's financial performance and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Company comprising the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the six months ended 30 June 2014, together with the notes thereon (the "Corresponding Financial Information"), for which the directors of Conch Cement are responsible, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB.

The directors of Conch Cement are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. FINANCIAL INFORMATION OF THE COMPANY

1 Statements of profit or loss and other comprehensive income/(loss)

	Section B Note	Year ended 31 December 2012 RMB'000	Year ended 31 December 2013 RMB'000	Year ended 31 December 2014 RMB'000	Six months ended 30 June 2014 RMB'000 (Unaudited)	Six months ended 30 June 2015 RMB'000
Revenue	3	234,279	300,728	279,773	148,642	114,588
Cost of sales		(171,607)	(218,340)	(229,450)	(117,614)	(89,276)
Gross profit		62,672	82,388	50,323	31,028	25,312
Other revenue	4	791	574	491	230	485
Other net income/(loss)	5	281	(563)	(9)	3	(2,593)
Selling and marketing costs		(11,521)	(17,060)	(16,311)	(8,125)	(6,136)
Administrative expenses		(19,177)	(24,836)	(19,739)	(8,999)	(8,784)
Profit from operations		33,046	40,503	14,755	14,137	8,284
Finance costs	6(a)	(4,175)	(7,790)	(6,735)	(3,340)	(3,340)
Profit before taxation	6	28,871	32,713	8,020	10,797	4,944
Income tax	7(a)	(4,389)	(4,952)	(1,244)	(1,631)	(1,147)
Profit for the year/period		24,482	27,761	6,776	9,166	3,797
Attributable to:						
Equity shareholder of the Company		24,482	27,761	6,776	9,166	3,797
Other comprehensive income for the year/period		—	—	—	—	—
Total comprehensive income for the year/period		24,482	27,761	6,776	9,166	3,797
Attributable to:						
Equity shareholder of the Company		24,482	27,761	6,776	9,166	3,797

The accompanying notes form part of this Financial Information.

2 Statements of financial position

	Section B Note	As at 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	As at 30 June 2015 RMB'000
Non-current assets					
Property, plant and equipment	*10*	414,504	416,335	401,490	389,912
Lease prepayments	*11*	23,579	23,090	23,700	23,445
Intangible assets	*12*	7,837	7,562	8,484	9,562
Deferred tax assets	*22*	11,163	6,211	4,967	3,820
		457,083	453,198	438,641	426,739
Current assets					
Inventories	*13*	29,490	29,981	29,808	30,214
Notes receivable	*14*	57,132	27,748	10,815	26,330
Prepayments and other receivables	*15*	13,086	16,463	3,048	5,691
Amounts due from related parties	*19*	2	552	11,903	11,052
Restricted bank deposits		—	—	196	196
Cash and cash equivalents	*16(a)*	35,085	6,403	12,261	15,088
		134,795	81,147	68,031	88,571
Current liabilities					
Trade payables	*17*	39,601	34,657	13,241	26,014
Other payables and accruals	*18*	32,680	14,278	20,035	14,055
Bank loan	*20*	70,000	—	—	—
Amounts due to related parties	*19*	321,585	329,637	309,891	307,973
		463,866	378,572	343,167	348,042
Net current liabilities		(329,071)	(297,425)	(275,136)	(259,471)
Total assets less current liabilities		128,012	155,773	163,505	167,268

The accompanying notes form part of the Financial Information.

	Section B Note	As at 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	As at 30 June 2015 RMB'000
Non-current liabilities					
Loan from a related party	*21*	130,000	130,000	130,000	130,000
Deferred income	*23*	—	—	956	922
		130,000	130,000	130,956	130,922
Net assets		(1,988)	25,773	32,549	36,346
Capital and reserves	*24*				
Share capital	*24(a)*	112,376	112,376	112,376	112,376
Reserves	*24(b)*	(114,364)	(86,603)	(79,827)	(76,030)
Total equity attributable to equity shareholder of the Company		(1,988)	25,773	32,549	36,346
Total equity		(1,988)	25,773	32,549	36,346

The accompanying notes form part of the Financial Information.

3 Statements of changes in equity

	Attributable to equity shareholder of the Company		
	Share capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Note 24(a))	*(Note 24(b)(ii))*	
Balance at 1 January 2012	112,376	(138,846)	(26,470)
Total comprehensive income for the year	—	24,482	24,482
Balance at 31 December 2012 and 1 January 2013	112,376	(114,364)	(1,988)
Total comprehensive income for the year	—	27,761	27,761
Balance at 31 December 2013 and 1 January 2014	112,376	(86,603)	25,773
Total comprehensive income for the year	—	6,776	6,776
Balance at 31 December 2014 and 1 January 2015	112,376	(79,827)	32,549
Total comprehensive income for the period	—	3,797	3,797
Balance at and 30 June 2015	112,376	(76,030)	36,346
Unaudited:			
Balance at 1 January 2014	112,376	(86,603)	25,773
Total comprehensive income for the period	—	9,166	9,166
Balance at and 30 June 2014	112,376	(77,437)	34,939

The accompanying notes form part of the Financial Information.

4 Cash flow statements

		Year ended 31 December			Six months ended 30 June	
	Section B Note	**2012** *RMB'000*	**2013** *RMB'000*	**2014** *RMB'000*	**2014** *RMB'000* (Unaudited)	**2015** *RMB'000*
Operating activities:						
Cash (used in)/generated from operations	*16(b)*	(1,931)	108,446	96,151	36,470	19,996
Interest paid		(4,042)	(7,923)	(6,735)	(3,340)	(3,340)
Net cash (used in)/generated from operating activities		(5,973)	100,523	89,416	33,130	16,656
Investing activities:						
Payment for purchase of property, plant and equipment and construction in progress		(76,835)	(50,618)	(10,676)	(5,970)	(1,669)
Proceeds from disposal of property, plant and equipment		—	5,168	261	141	—
Payments for lease prepayments		—	—	(1,112)	(1,112)	—
Payments for the purchase of intangible assets		—	—	(1,197)	—	(1,229)
Interest received		316	245	166	66	69
Net cash used in investing activities		(76,519)	(45,205)	(12,558)	(6,875)	(2,829)
Financing activities:						
Proceeds from loans and borrowings		200,000	—	—	—	—
Repayment of working capital from Conch Cement		(110,000)	(14,000)	(71,000)	(5,000)	(11,000)
Repayment of loans		(24,900)	(70,000)	—	—	—
Net cash generated from/ (used in) financing activities		65,100	(84,000)	(71,000)	(5,000)	(11,000)
Net (decrease)/increase in cash and cash equivalents		(17,392)	(28,682)	5,858	21,255	2,827
Cash and cash equivalent at beginning of the year/period		52,477	35,085	6,403	6,403	12,261
Cash and cash equivalents at end of the year/period	*16(a)*	35,085	6,403	12,261	27,658	15,088

The accompanying notes form part of the Financial Information.

B. NOTES TO FINANCIAL INFORMATION

1 Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Company has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 June 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 30 June 2015 are set out in Note 29.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) General information of the Company

The Company is a wholly owned subsidiary of Conch Cement during the Relevant Periods. The Company is located in Shaanxi province, PRC. The particular of the Company as at the date of this report is set out below:

Name of company	Date of incorporation/ establishment	Registered capital/ Issued and fully paid-up	Principal activities
Baoji Zhongxi Jinlinghe Cement Co.,Ltd. 寶雞市眾喜金陵河水泥有限公司	16 October 2008	112,376,000	Manufacturing and sales of clinker and cement products

The statutory financial statements of the Company included in the Financial Information were audited during the Relevant Periods by their statutory auditor as indicated below:

Name of company	Financial period	Statutory auditor
Baoji Zhongxi Jinlinghe Cement Co., Ltd. 寶雞市眾喜金陵河水泥有限公司	Years ended 31 December 2012, 2013 and 2014	Shaanxi Hongxin CPA Co., Ltd. 陝西宏信有限責任會計師事務所

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. It is prepared on the historical cost basis.

(d) Going concern

The Financial Information has been prepared assuming that the Company will continue as a going concern notwithstanding the net current liabilities of the Company as at 30 June 2015. The directors of Conch Cement are of the opinion that, in addition to the capitalisation of the Company's payable amount due to Conch Cement as set out in Note 28, Conch Cement will continue to provide the necessary financial support to the Company for the 18-month period ending 31 December 2016. Therefore the Company will have the necessary liquid funds to finance its working capital and capital expenditure requirements.

(e) Use of estimates and judgments

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

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

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 2.

(f) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 1(j)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Plant and buildings	30 years
— Machinery and equipment	15 years
— Office and other equipment	5 years
— Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Construction-in-progress

Construction-in-progress represents buildings and plant under construction and machinery and equipment under installation and testing, and is stated at cost less accumulated impairment loss, if any (see note 1(j) (ii)). The cost includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent these are regarded as an adjustment to borrowing costs (see note 1(t)).

Construction-in-progress is not depreciated until such time as the assets are completed and ready for operational use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in note 2(b).

(h) Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Limestone mining rights 30 years

Both the period and method of amortisation are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determine that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

— Operating lease charges

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(j) Impairment of assets

(i) Impairment of other receivables

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Company about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and notes receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and notes receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each statement of financial position date to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease; and

— intangible assets;

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— Reversals of impairment losses

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Spare parts and consumables are stated at cost less any provision for obsolescence.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

In accordance with the rules and regulations in the PRC, the Company has arranged for its local employees to join defined contribution retirement plans organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plans. The assets of those plans are held separately from those of the Company in an independent fund managed by the PRC government. The Company is required to make monthly defined contributions to these plans at certain rates of their total salary subject to a certain ceiling. The Company has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments disclosed above.

(q) Income tax

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

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them. Grants that compensate the Company for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognised as deferred income in the statement of financial position and consequently recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) Repairs and maintenance

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

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company's parent.

(b) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees or an entity related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgement and estimates

Note 25 contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of non-current assets as described in note 1(j)(ii). The carrying amounts of the Company's non-current assets, including property, plant and equipment, pre-paid interests in leasehold land classified as being held under an operating lease and intangible assets are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

(b) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Intangible assets and lease prepayments are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Company's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference and competitor actions in response to industry cycles. Management measures these estimates at each statement of financial position date.

(d) Impairment of trade and other receivables

Management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its debtors and current market conditions. If the financial conditions of the debtors were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade and other receivables at the end of reporting period.

3 Revenue and segment reporting

(a) Revenue

The amount of each significant category of revenue recognised in revenue during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of clinkers and cement products	234,132	297,892	278,257	147,707	113,860
Sales of materials and other products	147	2,836	1,516	935	728
	234,279	300,728	279,773	148,642	114,588

(b) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the Financial Information provided regularly to the most senior executive management of Conch Cement for the purposes of allocating resources to, and assessing the performance of geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Company operates in a single business and single geographical location in the mainland China. Accordingly, no segmental analysis is presented.

4 Other revenue

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income	316	245	166	66	69
Subsidy income	475	329	325	164	416
	791	574	491	230	485

5 Other net income/(loss)

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net loss on disposal of property plant and equipment	—	(101)	(5)	(3)	—
Penalty expense	(13)	(457)	(9)	—	(2,602)
Others	294	(5)	5	6	9
	281	(563)	(9)	3	(2,593)

6 Profit before taxation

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

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(a) Finance costs:					
Interest on bank loans and other borrowings wholly repayable within five years	3,898	1,055	—	—	—
Interest on bank loans and other borrowings wholly repayable after five years	277	6,735	6,735	3,340	3,340
Total interest expense on financial liabilities not at fair value through profit or loss	4,175	7,790	6,735	3,340	3,340
(b) Staff costs:					
Contributions to defined contribution retirement plans	2,772	2,946	3,466	1,588	1,892
Salaries, wages and other benefits	24,615	28,861	30,161	12,309	15,653
	27,387	31,807	33,627	13,897	17,545

		Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(c) Other items:						
Depreciation						
— property, plant and equipment	*10*	25,552	27,007	27,403	13,621	13,644
Amortisation						
— interest in leasehold land held for own use under operating leases	*11*	489	489	502	255	255
— intangible assets	*12*	275	275	275	151	151
Auditors' remuneration		7	7	13	13	25

7 Income tax

(a) Taxation in statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax-PRC Corporate Income Tax					
Provision for the year/period	—	—	—	—	—
Deferred tax:					
Origination and reversal of temporary differences	(4,389)	(4,952)	(1,244)	(1,631)	(1,147)
	(4,389)	(4,952)	(1,244)	(1,631)	(1,147)

Pursuant to Notice No.12 issued by the State Administration of Taxation on 6 April 2012 and other relevant local tax authority's notices, the Company was entitled to a 15% preferential income tax rate, effective from 1 January 2012 to 31 December 2020, as a qualifying company located in the western region in the PRC.

(b) Reconciliation between tax expense and accounting profit or loss at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before taxation	28,871	32,713	8,020	10,797	4,944
Notional tax on profit before taxation, calculated at the applicable statutory tax rate	4,330	4,907	1,203	1,620	742
Tax effect of non-deductible expense	59	45	41	11	405
Actual tax expense	4,389	4,952	1,244	1,631	1,147

8 Directors' remuneration

Year ended 31 December 2012

	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Contributions to retirement scheme**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Mr. Gao Baoan	—	77	177	4	258
Mr. Chen Yongbo*	—	—	—	—	—
Mr. Fanzhan*	—	—	—	—	—
Mr. Hongbo*	—	—	—	—	—
Mr. Qin Hongji*	—	—	—	—	—
	—	77	177	4	258

Year ended 31 December 2013

	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Contributions to retirement scheme**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Mr. Gao Baoan	—	130	239	7	376
Mr. Chen Yongbo* (resigned in June 2013)	—	—	—	—	—
Mr. Fanzhan*	—	—	—	—	—
Mr. Hongbo*	—	—	—	—	—
Mr. Qin Hongji*	—	—	—	—	—
	—	130	239	7	376

Year ended 31 December 2014

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement scheme *RMB'000*	Total *RMB'000*
Executive Directors:					
Mr. Gao Baoan	—	66	—	4	70
Mr. Qin Hongji*	—	—	—	—	—
Mr. Fanzhan*	—	—	—	—	—
Mr. Hongbo*	—	—	—	—	—
Mr. Shu Luhua* (appointed in March 2014)	—	—	—	—	—
	—	66	—	4	70

Six months ended 30 June 2014 (Unaudited)

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement scheme *RMB'000*	Total *RMB'000*
Executive Directors:					
Mr. Gao Baoan	—	66	—	4	70
Mr. Qin Hongji*	—	—	—	—	—
Mr. Fanzhan*	—	—	—	—	—
Mr. Hongbo*	—	—	—	—	—
Mr. Shu Luhua* (appointed in March 2014)	—	—	—	—	—
	—	66	—	4	70

Six months ended 30 June 2015

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement scheme *RMB'000*	Total *RMB'000*
Executive Directors:					
Mr. Gao Baoan*	—	—	—	—	—
Mr. Qin Hongji*	—	—	—	—	—
Mr. Fanzhan*	—	—	—	—	—
Mr. Hongbo*	—	—	—	—	—
Mr. Shu Luhua*	—	—	—	—	—
	—	—	—	—	—

* No remuneration is paid or payable by the Companies for the years or periods presented as the remuneration of these directors were borne by Conch Cement and its other subsidiaries. In addition, no remuneration is due to these directors in respect of their services in connection with the management of the affairs of the Company.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments during the Relevant Periods, certain individual (2012: one, 2013: one, 2014: one, six months ended June 30 2014: one, six months ended June 30 2015: nil) is the director whose emolument is disclosed in note 8. The aggregate of the emoluments in respect of the other individuals (2012: four, 2013: four, 2014: four, six months ended June 30 2014: four, six months ended June 30 2015: five) are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other emoluments	164	324	443	214	314
Discretionary bonuses	68	560	945	—	—
Retirement plan contributions	8	22	35	16	25
	240	906	1,423	230	339

The emoluments of the above individuals are within the band of nil to HK$1,000,000.

10 Property, plant and equipment

	Plant and Buildings	Machinery and equipment	Office and other equipment	Motor Vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2012	242,960	264,478	2,186	2,353	—	511,977
Additions	—	4,401	219	1,129	2,140	7,889
At 31 December 2012 and 1 January 2013	242,960	268,879	2,405	3,482	2,140	519,866
Additions	—	20,100	170	5,820	8,017	34,107
Transfer from construction in progress	613	—	—	—	(613)	—
Disposals	—	(4,010)	—	(1,360)	—	(5,370)
At 31 December 2013 and 1 January 2014	243,573	284,969	2,575	7,942	9,544	548,603
Additions	—	2,771	34	70	9,949	12,824
Transfer from construction in progress	5,622	—	—	—	(5,622)	—
Disposals	—	—	—	(356)	—	(356)
At 31 December 2014 and 1 January 2015	249,195	287,740	2,609	7,656	13,871	561,071
Additions	184	754	89	1,039	—	2,066
Transfer from construction in progress	—	858	—	—	(858)	—
At 30 June 2015	249,379	289,352	2,698	8,695	13,013	563,137

	Plant and Buildings *RMB'000*	Machinery and equipment *RMB'000*	Office and other equipment *RMB'000*	Motor Vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation and impairment:						
At 1 January 2012	(28,429)	(49,660)	(1,147)	(574)	—	(79,810)
Charge for the year	(7,579)	(16,859)	(427)	(687)	—	(25,552)
At 31 December 2012 and 1 January 2013	(36,008)	(66,519)	(1,574)	(1,261)	—	(105,362)
Charge for the year	(7,593)	(17,800)	(390)	(1,224)	—	(27,007)
Written back on disposals	—	63	—	38	—	101
At 31 December 2013 and 1 January 2014	(43,601)	(84,256)	(1,964)	(2,447)	—	(132,268)
Charge for the year	(7,709)	(17,946)	(207)	(1,541)	—	(27,403)
Written back on disposals	—	—	—	90	—	90
At 31 December 2014 and 1 January 2015	(51,310)	(102,202)	(2,171)	(3,898)	—	(159,581)
Charge for the period	(3,888)	(9,050)	(61)	(645)	—	(13,644)
At 30 June 2015	(55,198)	(111,252)	(2,232)	(4,543)	—	(173,225)
Net book value:						
At 31 December 2012	206,952	202,360	831	2,221	2,140	414,504
At 31 December 2013	199,972	200,713	611	5,495	9,544	416,335
At 31 December 2014	197,885	185,538	438	3,758	13,871	401,490
At 30 June 2015	194,181	178,100	466	4,152	13,013	389,912

11 Lease prepayments

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January	24,445	24,445	24,445	25,557
Additions	—	—	1,112	—
At 31 December/30 June	24,445	24,445	25,557	25,557
Accumulated amortisation:				
At 1 January	(377)	(866)	(1,355)	(1,857)
Charge for the year/period	(489)	(489)	(502)	(255)
At 31 December/30 June	(866)	(1,355)	(1,857)	(2,112)
Net book value:				
At 31 December/30 June	23,579	23,090	23,700	23,445

Lease prepayments represent interest in leasehold land held for own use under operating leases in the PRC with lease periods of 50 years.

12 Intangible assets

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January	8,237	8,237	8,237	9,434
Additions	—	—	1,197	1,229
At 31 December/30 June	8,237	8,237	9,434	10,663
Accumulated amortisation:				
At 1 January	(125)	(400)	(675)	(950)
Charge for the year/period	(275)	(275)	(275)	(151)
At 31 December/30 June	(400)	(675)	(950)	(1,101)
Net book value:				
At 31 December/30 June	7,837	7,562	8,484	9,562

Intangible assets mainly represented the limestone mining rights.

13 Inventories

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

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	2,834	6,118	4,773	7,588
Work in progress	1,207	1,274	1,378	1,090
Finished goods	25,449	22,589	23,657	21,536
	29,490	29,981	29,808	30,214

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

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

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories recognised as expenses	171,829	218,806	230,248	89,425

14 Notes receivable

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank acceptance notes receivable	57,132	27,748	10,815	26,330

Notes receivable are due within one year from the date of issuance and are expected to be recovered within one year. Further details on the Company's credit policy are set out in note 25(a).

As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the Company endorsed the undue bank acceptance notes of RMBnil, RMB29,947,000, RMB15,300,000 and RMB13,750,000 respectively to its suppliers to settle trade payables of the same amounts and derecognized these notes receivable and the payables to suppliers in their entirety as Company's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Company's continuous involvement in these derecognized undue notes receivable is limited to when the issuance banks of these undue notes are unable to settle the amounts due to the holders of these notes. As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the maximum exposure to loss from its continuous involvement represents the amounts of notes receivable of RMBnil, RMB29,947,000, RMB15,300,000 and RMB13,750,000, respectively, which the Company endorsed to its suppliers. The endorsed undue notes receivable will be derecognized if management consider, based on its 'risks and rewards' evaluation, that the Company has transferred substantially all of the risks and rewards of ownership of the notes receivable.

As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the undue notes receivable of RMB18,072,000, RMB11,520,000, RMB2,404,000 and RMB13,300,000 respectively endorsed to its suppliers to settle the trade payables were not derecognized because management believed that the credit risk of ownership were not substantially transferred. The associated trade payables were also not derecognized. The carrying amounts of these undue notes receivable and trade payables approximate its fair values. All these undue notes receivable were due within 1 year.

15 Prepayments and other receivables

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Purchase prepayments	9,757	14,532	2,543	4,346
Value-added tax recoverable and other tax prepayment	632	1,284	—	950
Other receivables	2,697	647	505	395
	13,086	16,463	3,048	5,691

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

16 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December 2012 *RMB'000*	As at 31 December 2013 *RMB'000*	As at 31 December 2014 *RMB'000*	As at 30 June 2015 *RMB'000*
Cash at bank	35,085	6,403	12,261	15,088

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December 2012 *RMB'000*	Year ended 31 December 2013 *RMB'000*	Year ended 31 December 2014 *RMB'000*	Six months ended 30 June 2014 *RMB'000* (Unaudited)	Six months ended 30 June 2015 *RMB'000*
Profit before taxation		28,871	32,713	8,020	10,797	4,944
Adjustments for:						
Depreciation	*10*	25,552	27,007	27,403	13,621	13,644
Amortisation						
— interest in leasehold land held for own use under operating leases	*11*	489	489	502	255	255
— intangible assets	*12*	275	275	275	151	151
Net loss on disposal of property, plant and equipment	*5*	—	101	5	3	—
Finance costs	*6(a)*	4,175	7,790	6,735	3,340	3,340
Interest income	*4*	(316)	(245)	(166)	(66)	(69)
Before changes in working capital carried forward		59,046	68,130	42,774	28,101	22,265
Changes in working capital:						
(Increase)/decrease in inventories		(12,071)	(491)	173	(338)	(406)
(Increase)/decrease in notes receivable		(44,632)	29,384	16,933	14,106	(15,515)
Decrease/(increase) in prepayments and other receivables		285	(3,377)	13,415	(5,676)	(2,643)
(Increase)/decrease in amounts due from related parties		(2)	(550)	(11,351)	(8,241)	851
(Decrease)/increase in trade payables		(18,027)	(4,944)	(21,416)	321	12,773
(Increase)/decrease in other payables and accruals		(14,352)	(1,758)	3,413	(1,906)	(6,312)
Decrease in amounts due to related parties		27,822	22,052	51,254	9,114	9,017
Increase/(decrease) in deferred income		—	—	956	989	(34)
Cash (used in)/generated from operations		(1,931)	108,446	96,151	36,470	19,996

17 Trade payables

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	39,601	34,657	13,241	26,014

Included in trade payables are trade creditors with aging within 1 year based on invoice dates as of the statement of financial position date.

18 Other payables and accruals

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction payables	17,680	299	1,563	1,486
Receipts in advance from customers	3,218	2,976	5,804	4,857
Deposits from suppliers	—	—	427	443
Payroll payables	3,664	5,215	3,917	282
Retention monies	1,435	2,305	3,189	3,598
Expense accruals	4,041	119	1,010	800
Value-added tax payables and other taxes payables	1,507	1,840	1,853	1,341
Others	1,135	1,524	2,272	1,248
	32,680	14,278	20,035	14,055

19 Amounts due from/to related parties

Amounts due from

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Conch Cement and its subsidiaries	2	552	11,903	11,052

Amounts due to

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Conch Cement and its subsidiaries	321,585	329,637	309,826	307,908
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("CKEM") 安徽海螺川崎裝備製造有限公司	—	—	65	65
	321,585	329,637	309,891	307,973

The amounts due from/to related parties are unsecured, interest-free and repayable on demand.

20 Bank loan

The analysis of the carrying amount of current bank loan is as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank Loan				
— Guaranteed	70,000	—	—	—

As at 31 December 2012, the current bank loan of RMB70,000,000 bore a floating interest rate per annum by reference to the base rate announced by the People's Bank of China and repaid on 31 March 2013 which was guaranteed by Anhui Conch Holdings Co., Ltd. ("Conch Holding").

21 Loan from a related party

The analysis of the carrying amount of non-current interest-bearing borrowing is as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loan from a related party				
— Unsecured	130,000	130,000	130,000	130,000

The loan of RMB130,000,000 is from Conch Cement. It bears interest at 5.11% per annum and is repayable in 2022. The loan is carried at amortised cost and is not expected to be settled within one year.

22 Income tax in the statement of financial position

Deferred tax assets recognised:

The components of deferred tax assets recognised in the statement of financial position and the movements during the Relevant Periods are as follows:

	Deferred income *RMB'000*	Tax losses *RMB'000*	Total *RMB'000*
Deferred tax assets arising from			
At 1 January 2012	—	15,552	15,552
Charged to profit or loss	—	(4,389)	(4,389)
At 31 December 2012 and 1 January 2013	—	11,163	11,163
Charged to profit or loss	—	(4,952)	(4,952)
At 31 December 2013 and 1 January 2014	—	6,211	6,211
Credited/(charged) to profit or loss	143	(1,387)	(1,244)
At 31 December 2014 and 1 January 2015	143	4,824	4,967
Charged to profit or loss	(5)	(1,142)	(1,147)
At 30 June 2015	138	3,682	3,820

23 Deferred income

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	—	—	—	956
Government grants received	—	—	1,000	—
Recognised in profit or loss	—	—	(44)	(34)
At 31 December/30 June	—	—	956	922

24 Capital, reserves and dividends

(a) Share capital

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December/30 June	112,376	112,376	112,376	112,376

(b) Reserves

(i) Statutory surplus reserve

In accordance with the Company Law of the PRC and the Company's articles of association, the Company shall appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) as determined in accordance with PRC accounting standards to the statutory surplus reserve account. When the balance of such reserve fund reaches 50% of the registered capital of a company, further appropriation to that company will become optional.

The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, the statutory surplus reserve of the Company should be maintained at a minimum of 25% of its registered capital after utilisation.

The Company appropriated the statutory surplus reserve in accordance with its articles of association.

(ii) Distribution of dividends

The distribution of dividends is made in accordance with the Company's articles of association at the recommendation of the Board of Directors and is subject to approval by Conch Cement.

(c) Distribution to equity shareholder

No dividends approved or paid to equity shareholder during the Relevant Periods.

(d) Distributable reserve

There is no reserves available for distribution to equity shareholder of the Company as at 31 December 2012, 2013, 2014 and 30 June 2015.

(e) Capital risk management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholder, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Company is not subject to internally or externally imposed capital requirements.

25 Financial risk management

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Company's business.

The Company's exposure to these risks and the financial risk management policies and practices used by the Company to manage these risks are described below.

(a) Credit risk

The Company's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place to ensure that sales of products are made to customers with an appropriate credit history and the exposures to these credit risks are monitored on an ongoing basis. In addition, the Company normally receives deposits from customers before delivery of products.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Company does not obtain collateral from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Company has significant exposure to individual customers. At 31 December 2012, 2013, 2014 and 30 June 2015, respectively, 90%, 91%, 83% and 87% of the total notes receivable was due from the Company's five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Company does not provide any guarantees which would expose the Company to credit risk.

Further quantitative disclosures in respect of the Company's exposure to credit risk arising from notes receivable and other receivables are set out in note 14 and 15.

(b) Liquidity risk

The Company is responsible for its own cash management, but the borrowings are subject to approval by the parent company's management. The Company's policy is to regularly monitor the liquidity requirements to ensure that the Company maintains sufficient reserves of cash and adequate committed lines of funding from the parent company to meet their liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the statement of financial position date of the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the statement of financial position date) and the earliest date the Company can be required to pay:

	At 31 December 2012 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	39,601	—	—	—	39,601	39,601
Other payables and accruals	32,680	—	—	—	32,680	32,680
Bank loan and loan from a related party	77,721	6,643	19,929	163,012	267,305	200,000
Amounts due to related parties	321,585	—	—	—	321,585	321,585
	471,587	6,643	19,929	163,012	661,171	593,866

	At 31 December 2013 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	34,657	—	—	—	34,657	34,657
Other payables and accruals	14,278	—	—	—	14,278	14,278
Loan from a related party	6,643	6,643	19,929	156,369	189,584	130,000
Amounts due to related parties	329,637	—	—	—	329,637	329,637
	385,215	6,643	19,929	156,369	568,156	508,572

	At 31 December 2014 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	13,241	—	—	—	13,241	13,241
Other payables and accruals	20,035	—	—	—	20,035	20,035
Loan from a related party	6,643	6,643	19,929	149,726	182,941	130,000
Amounts due to related parties	309,891	—	—	—	309,891	309,891
	349,810	6,643	19,929	149,726	526,108	473,167

	At 30 June 2015					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	26,014	—	—	—	26,014	26,014
Other payables and accruals	14,055	—	—	—	14,055	14,055
Loan from a related party	6,643	6,643	19,929	146,405	179,620	130,000
Amounts due to related parties	307,973	—	—	—	307,973	307,973
	354,685	6,643	19,929	146,405	527,662	478,042

(c) Interest rate risk

The Company's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and fixed rates expose the Company to cash flow interest rate risk and fair value risk respectively. The interest rates and terms of repayment of the Company's borrowings are disclosed in notes 20 and 21. The Company's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Company's net borrowings at the statement of financial position date.

	As at 31 December						As at 30 June	
	2012		2013		2014		2015	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Net fixed rate borrowings:								
Loan from a related party	5.11%	130,000	5.11%	130,000	5.11%	130,000	5.11%	130,000
Less: Restricted bank deposits		—		—	3.25%	(196)	3.25%	(196)
		130,000		130,000		129,804		129,804
Variable rate borrowings:								
Bank loans	6.23%	70,000	n/a	—	n/a	—	n/a	—
Less: Cash and cash equivalents	0.35%	(35,085)	0.35%	(6,403)	0.35%	(12,261)	0.35%	(15,088)
		34,915		(6,403)		(12,261)		(15,088)
Total net borrowings		164,915		123,597		117,543		114,716

The interest rate of the variable rate borrowings of the Company is based on the base rate announced by the People's Bank of China.

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Company's profit after tax (and retained earnings) that would arise assuming that the change in interest rates had occurred at the end of the Relevant Periods and had been applied to re-measure those financial instruments held by the Company which expose the Company to fair value interest rate risk at the end of the Relevant Periods. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Company at the end of the Relevant Periods, the impact on the Company's profit after tax (and retained earnings) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis during the Relevant Periods.

		Increase/(decrease) in profit after tax and retained earnings for the year/period
		RMB'000
At 31 December 2012		
Increase in interest rate	1%	(297)
Decrease in interest rate	(1%)	297
At 31 December 2013		
Increase in interest rate	1%	54
Decrease in interest rate	(1%)	(54)
At 31 December 2014		
Increase in interest rate	1%	104
Decrease in interest rate	(1%)	(104)
At 30 June 2015		
Increase in interest rate	1%	128
Decrease in interest rate	(1%)	(128)

(d) Fair value

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2012, 2013, 2014 and 30 June 2015.

26 Material related party transactions

(a) Related parties information

During the Relevant Periods, transactions with the following parties are considered as related party transactions.

Name of related party (i)	Nature of relationship
Anhui Conch Cement Company Limited (“Conch Cement”) 安徽海螺水泥股份有限公司	Parent company of the Company
Qianyang Conch Cement Co., Ltd. (“Qianyang Cement”) 千陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. (“Fenghuangshan Cement”) 寶雞眾喜鳳凰山水泥有限公司	Subsidiary of Conch Cement
Qianxian Conch Cement Co., Ltd. (“Qianxian Cement”) 乾縣海螺水泥有限責任公司	Subsidiary of Conch Cement
Linxia Conch Cement Co., Ltd. (“Linxia Cement”) 臨夏海螺水泥有限責任公司	Subsidiary of Conch Cement
Baoji Conch Cement Co., Ltd. (“Baoji Cement”) 寶雞海螺水泥有限責任公司	Subsidiary of Conch Cement
Hami Hongyi Construction Co., Ltd. (“Hongyi Construction”) 新疆哈密弘毅建材有限責任公司	Subsidiary of Conch Cement
Pingliang Conch Cement Co., Ltd. (“Pingliang Cement”) 平涼海螺水泥有限責任公司	Subsidiary of Conch Cement
Liquan Conch Cement Co., Ltd. (“Liquan Cement”) 禮泉海螺水泥有限責任公司	Subsidiary of Conch Cement
Wuhu Conch Plastic Products Co., Ltd. (“Wuhu Plastic”) 蕪湖海螺塑膠製品有限公司	Subsidiary of Conch Cement
Anhui Conch Material trading Co., Ltd. (“Conch Material”) 安徽海螺物資貿易有限責任公司	Subsidiary of Conch Cement
Anhui Conch SCG Refractory Co., Ltd. (“SCG Refractory”) 安徽海螺暹羅耐火材料有限公司	Subsidiary of Conch Cement
Conch Construction and Instalment Co., Ltd. (“Conch Construction and Instalment”) 安徽蕪湖海螺建築安裝工程有限公司	Subsidiary of Conch Cement
China Conch Venture Holdings Limited (“China Conch Venture”) 中國海螺創業控股有限公司	Shareholder of Conch Holdings, some directors of the Company are also directors and equity holders of China Conch Venture

Name of related party (i)	Nature of relationship
Anhui Conch Kawasaki Engineering Co., Ltd. ("CK Engineering") 安徽海螺川崎工程有限公司	Subsidiary of China Conch Venture
CKEM 安徽海螺川崎裝備製造有限公司	Joint venture of China Conch Venture
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment") 安徽海螺川崎節能設備製造有限公司	Subsidiary of China Conch Venture
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of Conch Cement

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(b) Significant related party transactions

Particulars of significant transactions between the Company and the above related parties during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales goods					
Conch Cement and its subsidiaries	55	6,424	17,156	8,568	9,198

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Purchasing goods					
Conch Cement and its subsidiaries	12,165	14,761	12,523	4,642	4,559
CK Engineering	769	—	—	—	—
CKEM	—	308	258	203	483
CK Equipment	—	119	205	205	—
	12,934	15,188	12,986	5,050	5,042

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Receiving services					
Conch Cement and its subsidiaries	715	845	715	133	208
Conch Design and Institute	—	—	47	—	—
Conch Information	—	—	59	—	94
	715	845	821	133	302

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Borrowing of unsecured loans					
Conch Cement	130,000	—	—	—	—

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest expense					
Conch Cement	277	6,735	6,735	3,340	3,340

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loan guarantee obtained					
Conch Holding	70,000	—	—	—	—

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Repayment of working capital					
Conch Cement	110,000	14,000	71,000	5,000	11,000

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Disposal of fixed assets					
Conch Cement's subsidiaries	—	5,168	261	141	—

(c) Key management personnel remuneration

Key management personnel remuneration is disclosed in note 8 and total remuneration is included in "staff costs" (see note 6(b)).

27 Immediate and ultimate controlling company

As at the end of the respective reporting period, the directors consider the immediate parent and ultimate controlling company of the Company to be Conch Cement and Anhui Provincial Investment Group Limited respectively, which are both state-owned enterprises established in the PRC. Conch Cement produces financial statements available for public use.

28 Non-adjusting events after the reporting period

On 28 October 2015, the Board of Directors of Conch Cement and the Company both resolved to increase the Company's registered capital from RMB112,376,000 to RMB372,376,000 by virtue of the capitalization of the Company's payable due to Conch Cement in the aggregate amount of RMB260,000,000. The Company obtained a revised business license on 30 October 2015.

29 Possible impact of amendments, new standards and Interpretations issued but not yet effective for the Relevant Periods.

Up to the date of issue of the Financial Information, the IASB has issued a few of amendments and new standards which are not yet effective for the accounting period ended 30 June 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company:

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2012–2014 cycle	1 January 2016
IFRS 14, Regulatory deferral accounts	1 January 2016
Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 27, Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception	1 January 2016
Amendments to IAS 1, Disclosure initiative	1 January 2016
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 9, Financial instruments (2014)	1 January 2018
IFRS 9, Financial instruments (2009)	1 January 2018
IFRS 9, Financial instruments (2010)	1 January 2018
Amendments to IFRS 9, Financial instruments and IFRS 7 Financial instruments: Disclosures — Mandatory effective date and transition disclosures	1 January 2018
HKFRS 9, Financial instruments: Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39 (2013)	1 January 2018

The Company are in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

C. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 30 June 2015. No dividend or distribution has been declared or made by the Company in respect of any period subsequent to 30 June 2015.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

The following is the full text of a report, prepared for the purpose of incorporation in this circular, received from the Qianxian Cement's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

31 December 2015

The Board of Directors
West China Cement Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Qianxian Conch Cement Co., Ltd. (乾縣海螺水泥有限責任公司[1], "the Company"), which is wholly owned by Anhui Conch Cement Company Limited ("Conch Cement"), comprising the statements of financial position of the Company as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the cash flow statements, for each of the years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the Circular of West China Cement Limited ("West Cement") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of the Company by West Cement.

The Company has adopted 31 December as the financial year end date. The statutory financial statements of the Company were prepared in accordance with the relevant accounting rules and regulations applicable to the Company in the People's Republic of China (the "PRC") and audited by Shaanxi Tianxin CPA Co., Ltd. (陝西天信會計師事務所有限責任公司).

The directors of Conch Cement have prepared the financial statements of the Company for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2015 were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥))[1] in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

[1] The official name of the entity or firm is in Chinese. The English name is for translation only.

The Financial Information has been prepared by the directors of Conch Cement for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of Conch Cement are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of Conch Cement determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have not audited any financial statements of the Company in respect of any period subsequent to 30 June 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Company as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 and of the Company's financial performance and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Company comprising the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the six months ended 30 June 2014, together with the notes thereon (the "Corresponding Financial Information"), for which the directors of Conch Cement are responsible, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB.

The directors of Conch Cement are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. FINANCIAL INFORMATION OF THE COMPANY

1 Statements of profit or loss and other comprehensive income

	Section B Note	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Six months ended 30 June 2014 RMB'000 (Unaudited)	2015 RMB'000
Revenue	3	—	191,973	311,687	155,548	106,900
Cost of sales		—	(131,157)	(238,949)	(112,635)	(72,085)
Gross profit		—	60,816	72,738	42,913	34,815
Other revenue	4	—	132	140	46	897
Other net (loss)/income	5	(2,150)	13	93	35	4
Selling and marketing costs		—	(10,601)	(16,754)	(7,839)	(7,517)
Administrative expenses		—	(14,443)	(25,538)	(11,148)	(20,490)
(Loss)/profit from operations		(2,150)	35,917	30,679	24,007	7,709
Finance costs	6(a)	—	(5,826)	(9,936)	(4,927)	(4,927)
(Loss)/profit before taxation	6	(2,150)	30,091	20,743	19,080	2,782
Income tax	7(a)	323	(4,543)	(3,261)	(2,990)	(485)
(Loss)/profit for the year/period		(1,827)	25,548	17,482	16,090	2,297
Attributable to:						
Equity shareholder of the Company		(1,827)	25,548	17,482	16,090	2,297
Other comprehensive income for the year/period		—	—	—	—	—
Total comprehensive income for the year/period		(1,827)	25,548	17,482	16,090	2,297
Attributable to:						
Equity shareholder of the Company		(1,827)	25,548	17,482	16,090	2,297

The accompanying notes form part of this Financial Information.

2 Statements of financial position

	Section B Note	As at 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	As at 30 June 2015 RMB'000
Non-current assets					
Property, plant and equipment	*10*	605,143	814,474	799,902	791,308
Lease prepayments	*11*	17,761	22,609	25,587	25,318
Intangible assets	*12*	11,736	22,971	22,378	21,974
Deferred tax assets	*21(b)*	380	—	201	—
		635,020	860,054	848,068	838,600
Current assets					
Inventories	*13*	5,901	22,761	26,454	31,067
Notes receivable	*14*	—	84,070	25,198	24,090
Prepayments and other receivables	*15*	31,701	47,009	33,935	29,718
Amounts due from related parties	*19*	23,705	79	15	—
Tax recoverable	*21(a)*	—	—	77	4,944
Cash and cash equivalents	*16(a)*	1,759	13,533	15,859	14,324
		63,066	167,452	101,538	104,143
Current liabilities					
Trade payables	*17*	14,474	8,095	12,541	4,861
Other payables and accruals	*18*	134,033	72,719	30,110	11,662
Amounts due to related parties	*19*	151,579	519,797	499,975	516,988
Current taxation	*21(a)*	—	3,347	—	—
		300,086	603,958	542,626	533,511
Net current liabilities		(237,020)	(436,506)	(441,088)	(429,368)
Total assets less current liabilities		398,000	423,548	406,980	409,232

The accompanying notes form part of this Financial Information.

	Section B Note	As at 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	As at 30 June 2015 RMB'000
Non-current liabilities					
Loan from a related party	*20*	200,000	200,000	200,000	200,000
Deferred income	*22*	—	—	1,950	1,883
Deferred tax liabilities	*21(b)*	—	—	—	22
		200,000	200,000	201,950	201,905
Net assets		198,000	223,548	205,030	207,327
Capital and reserves	*23*				
Share capital	*23(a)*	200,000	200,000	200,000	200,000
Reserves	*23(b)*	(2,000)	23,548	5,030	7,327
Total equity attributable to equity shareholder of the Company		198,000	223,548	205,030	207,327
Total equity		198,000	223,548	205,030	207,327

The accompanying notes form part of the Financial Information.

3 Statements of changes in equity

	Attributable to equity shareholder of the Company			
	Share capital	**PRC statutory reserves**	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 23(a))	*(Note 23(b)(i))*	*(Note 23(b)(ii))*	
Balance at 1 January 2012	800	—	(173)	627
Total comprehensive income for the year	—	—	(1,827)	(1,827)
Capital contribution	199,200	—	—	199,200
Balance at 31 December 2012 and 1 January 2013	200,000	—	(2,000)	198,000
Total comprehensive income for the year	—	—	25,548	25,548
Appropriation to reserves	—	2,355	(2,355)	—
Balance at 31 December 2013 and 1 January 2014	200,000	2,355	21,193	223,548
Total comprehensive income for the year	—	—	17,482	17,482
Appropriation to reserves	—	1,748	(1,748)	—
Dividends approved and paid to equity shareholder	—	—	(36,000)	(36,000)
Balance at 31 December 2014 and 1 January 2015	200,000	4,103	927	205,030
Total comprehensive income for the period	—	—	2,297	2,297
Balance at and 30 June 2015	200,000	4,103	3,224	207,327
Unaudited:				
Balance at 1 January 2014	200,000	2,355	21,193	223,548
Total comprehensive income for the period	—	—	16,090	16,090
Dividends approved and paid to equity shareholder	—	—	(20,000)	(20,000)
Balance at and 30 June 2014	200,000	2,355	17,283	219,638

The accompanying notes form part of the Financial Information.

4 Cash flow statements

		Year ended 31 December			Six months ended 30 June	
	Section B Note	2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*	2014 *RMB'000* (Unaudited)	2015 *RMB'000*
Operating activities:						
Cash (used in)/generated from operations	*16(b)*	(40,269)	(29,033)	147,721	127,927	23,978
Income tax paid	*21(a)*	—	(816)	(6,886)	(6,487)	(5,129)
Interest paid		—	(9,936)	(9,936)	(4,927)	(4,927)
Net cash (used in)/ generated from operating activities		(40,269)	(39,785)	130,899	116,513	13,922
Investing activities:						
Payment for purchase of property, plant and equipment and construction in progress		(450,155)	(312,359)	(43,659)	(32,763)	(31,531)
Proceeds from disposal of property, plant and equipment		—	—	682	—	—
Payments for lease prepayments		—	(5,242)	(3,475)	—	—
Payments for the purchase of intangible assets		—	(11,905)	(211)	(211)	—
Interest received		—	65	90	46	74
Net cash used in investing activities		(450,155)	(329,441)	(46,573)	(32,928)	(31,457)
Financing activities:						
Capital contribution by equity shareholder		199,200	—	—	—	—
Proceeds from loans from related parties		300,000	—	—	—	—
Proceeds of working capital from Conch Cement		188,000	381,000	85,000	30,000	26,000
Repayment of loan from a related party		(100,000)	—	—	—	—
Repayment of working capital from Conch Cement		(100,000)	—	(131,000)	(90,000)	(10,000)
Dividends paid to equity shareholder	*23(c)*	—	—	(36,000)	(20,000)	—
Net cash generated from/(used in) financing activities		487,200	381,000	(82,000)	(80,000)	16,000

	Section B Note	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Six months ended 30 June 2014 RMB'000 (Unaudited)	2015 RMB'000
Net (decrease)/increase in cash and cash equivalents		(3,224)	11,774	2,326	3,585	(1,535)
Cash and cash equivalent at beginning of the year/ period		4,983	1,759	13,533	13,533	15,859
Cash and cash equivalents at end of the year/period	*16(a)*	1,759	13,533	15,859	17,118	14,324

The accompanying notes form part of the Financial Information.

B. NOTES TO FINANCIAL INFORMATION

1 Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Company has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 June 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 30 June 2015 are set out in Note 29.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) General information of the Company

The Company is a wholly owned subsidiary of Conch Cement during the Relevant Periods. The Company is located in Shaanxi province, PRC. The particular of the Company as at the date of this report is set out below:

Name of company	Date of incorporation/ establishment	Registered capital/Issued and fully paid-up	Principal activities
Qianxian Conch Cement Co., Ltd. 乾縣海螺水泥有限責任公司	15 June 2009	200,000,000	Manufacturing and sales of clinker and cement products

The statutory financial statements of the Company included in the Financial Information were audited during the Relevant Periods by its statutory auditor as indicated below:

Name of company	Financial period	Statutory auditor
Qianxian Conch Cement Co., Ltd. 乾縣海螺水泥有限責任公司	Years ended 31 December 2012 and 2013	Shaanxi Tianxin CPA Co., Ltd. 陝西天信會計師事務所有限責任公司

At the date of this report, no audit report has been issued in connection with the Company's statutory financial statements for the year ended 31 December 2014.

(c) Basis of measurement

The Financial Information is presented in Renminbi (''RMB''), rounded to the nearest thousand. It is prepared on the historical cost basis.

(d) Going concern

The Financial Information has been prepared assuming that the Company will continue as a going concern notwithstanding the net current liabilities of the Company as at 30 June 2015. The directors of Conch Cement are of the opinion that, in addition to the capitalisation of the Company's payable amount due to Conch Cement as set out in Note 28, Conch Cement will continue to provide the necessary financial support to the Company for the 18-month period ending 31 December 2016. Therefore the Company will have the necessary liquid funds to finance its working capital and capital expenditure requirements.

(e) Use of estimates and judgments

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

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

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 2.

(f) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 1(j) (ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Plant and buildings	30 years
— Machinery and equipment	15 years
— Office and other equipment	5 years
— Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Construction-in-progress

Construction-in-progress represents buildings and plant under construction and machinery and equipment under installation and testing, and is stated at cost less accumulated impairment loss, if any (see note 1(j) (ii)). The cost includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent these are regarded as an adjustment to borrowing costs (see note 1(t)).

Construction-in-progress is not depreciated until such time as the assets are completed and ready for operational use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in note 2(b).

(h) Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— limestone mining rights	30 years

Both the period and method of amortisation are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determine that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

— *Operating lease charges*

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(j) Impairment of assets

(i) Impairment of other receivables

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Company about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and notes receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and notes receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each statement of financial position date to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease; and

— intangible assets;

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— Reversals of impairment losses

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Spare parts and consumables are stated at cost less any provision for obsolescence.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

In accordance with the rules and regulations in the PRC, the Company has arranged for its local employees to join defined contribution retirement plans organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plans. The assets of those plans are held separately from those of the Company in an independent fund managed by the PRC government. The Company is required to make monthly defined contributions to these plans at certain rates of their total salary subject to a certain ceiling. The Company has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments disclosed above.

(q) Income tax

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

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them. Grants that compensate the Company for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognised as deferred income in the statement of financial position and consequently recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) Repairs and maintenance

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

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Company if that person:

   (i) has control or joint control over the Company;

   (ii) has significant influence over the Company; or

   (iii) is a member of the key management personnel of the Company's parent.

(b) An entity is related to the Company if any of the following conditions applies:

   (i) The entity and the Company are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees or an entity related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgement and estimates

Note 24 contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of non-current assets as described in note 1(j)(ii). The carrying amounts of the Company's non-current assets, including property, plant and equipment, pre-paid interests in leasehold land classified as being held under an operating lease and intangible assets are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

(b) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Intangible assets and lease prepayments are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Company's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference and competitor actions in response to industry cycles. Management measures these estimates at each statement of financial position date.

(d) Impairment of trade and other receivables

Management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its debtors and current market conditions. If the financial conditions of the debtors were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade and other receivables at the end of reporting period.

3 Revenue and segment reporting

(a) Revenue

The amount of each significant category of revenue recognised in revenue during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of clinkers and cement products	—	190,908	308,692	155,214	106,697
Sales of materials and other products	—	1,065	2,995	334	203
	—	191,973	311,687	155,548	106,900

(b) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the most senior executive management of Conch Cement for the purposes of allocating resources to, and assessing the performance of geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Company operates in a single business and single geographical location in the mainland China. Accordingly, no segmental analysis is presented.

4 Other revenue

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income	—	65	90	46	74
Subsidy income	—	67	50	—	823
	—	132	140	46	897

5 Other (loss)/net income

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net loss on disposal of property plant and equipment	(2,150)	—	—	—	—
Others	—	13	93	35	4
	(2,150)	13	93	35	4

6 (Loss)/profit before taxation

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

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(a) Finance costs:					
Interest on bank loans and other borrowings wholly repayable within five years	3,789	9,936	9,936	4,927	4,927
Total interest expense on financial liabilities not at fair value through profit or loss	3,789	9,936	9,936	4,927	4,927
less: interest expense capitalised into construction-in-progress*	(3,789)	(4,110)	—	—	—
	—	5,826	9,936	4,927	4,927

* For the years ended 31 December 2012 and 2013, the borrowing costs have been capitalised at a rate of 4.9%.

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(b) Staff costs:					
Contributions to defined contribution retirement plans	—	2,453	3,022	1,466	1,469
Salaries, wages and other benefits	—	21,361	29,675	11,740	11,659
	—	23,814	32,697	13,206	13,128

		Year ended 31 December			Six months ended 30 June	
		2012	*2013*	*2014*	*2014*	*2015*
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(c) Other items:						
Depreciation						
— property, plant and equipment	*10*	—	19,936	41,473	19,669	22,160
Amortisation						
— interest in leasehold land held for own use under operating leases	*11*	—	235	497	233	269
— intangible assets	*12*	—	670	804	404	404
Auditors' remuneration		2	2	—	—	—

7 Income tax

(a) Taxation in the statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax-PRC Corporate Income Tax					
Provision for the year/period	—	4,163	3,348	3,026	242
Under-provision in respect of prior year	—	—	114	114	20
	—	4,163	3,462	3,140	262
Deferred tax:					
Origination and reversal of temporary differences	(323)	380	(201)	(150)	223
	(323)	4,543	3,261	2,990	485

Pursuant to Notice No.12 issued by the State Administration of Taxation on 6 April 2012 and other relevant local tax authority's notices, the Company was entitled to a 15% preferential income tax rate, effective from 1 January 2013 to 31 December 2020, as a qualifying company located in the western region in the PRC.

(b) Reconciliation between tax expense and accounting profit or loss at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/profit before taxation	(2,150)	30,091	20,743	19,080	2,782
Notional tax on profit before taxation, calculated at the applicable statutory tax rate	(323)	4,514	3,111	2,862	417
Tax effect of non-deductible expenses	—	29	36	14	48
Under-provision in respect of prior year	—	—	114	114	20
Actual tax expense	(323)	4,543	3,261	2,990	485

8 Directors' remuneration

Year ended 31 December 2012

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Mr. Shu Luhua	—	111	319	21	451
Mr. Chen Yongbo*	—	—	—	—	—
Mr. Wang Genmu*	—	—	—	—	—
Mr. Fan Zhan*	—	—	—	—	—
Mr. Hong Bo*	—	—	—	—	—
	—	111	319	21	451

Year ended 31 December 2013

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Mr. Shu Luhua	—	125	330	23	478
Mr. Chen Yongbo*	—	—	—	—	—
Mr. Wang Genmu* (resigned in October 2013)	—	—	—	—	—
Mr. Fan Zhan*	—	—	—	—	—
Mr. Hong Bo*	—	—	—	—	—
	—	125	330	23	478

Year ended 31 December 2014

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Mr. Shu Luhua	—	97	—	21	118
Mr. Xia Youhao* (appointed in March 2014)	—	—	—	—	—
Mr. Fan Zhan*	—	—	—	—	—
Mr. Ren Jisong* (appointed in March 2014)	—	—	—	—	—
Mr. Hong Bo*	—	—	—	—	—
	—	97	—	21	118

Six months ended 30 June 2014 (Unaudited)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Mr. Shu Luhua	—	59	—	12	71
Mr. Xia Youhao*	—	—	—	—	—
Mr. Ren Jisong* (resigned in June 2015)	—	—	—	—	—
Mr. Fan Zhan*	—	—	—	—	—
Mr. Hong Bo*	—	—	—	—	—
	—	59	—	12	71

Six months ended 30 June 2015

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Mr. Shu Luhua*	—	—	—	—	—
Mr. Xia Youhao*	—	—	—	—	—
Mr. Qin Hongji* (appointed in June 2015)	—	—	—	—	—
Mr. Fan Zhan*	—	—	—	—	—
Mr. Hong Bo*	—	—	—	—	—
	—	—	—	—	—

* No remuneration is paid or payable by the Company for the years or periods presented as the remuneration of these directors were borne by Conch Cement or its other subsidiaries. In addition, no remuneration is due to these directors in respect of their services in connection with the management of the affairs of the Company.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments during the Relevant Periods, certain individual (2012: one, 2013: one, 2014: one, six months ended 30 June 2014: one, six months ended 30 June 2015: nil) is the director whose emolument is disclosed in note 8. The aggregate of the emoluments in respect of the other individuals (2012: four, 2013: four, 2014: four, six months ended 30 June 2014: four, six months ended 30 June 2015: five) are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other emoluments	283	406	385	188	182
Discretionary bonuses	509	606	583	—	—
Retirement plan contributions	48	68	75	30	46
	840	1,080	1,043	218	228

The emoluments of the above individuals are within the band of nil to HK$1,000,000.

10 Property, plant and equipment

	Plant and Buildings	Machinery and equipment	Office and other equipment	Motor Vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2012	3,545	1,264	109	702	246,261	251,881
Additions	15	13,327	106	11,887	331,193	356,528
Disposals	(2,295)	—	—	—	—	(2,295)
At 31 December 2012 and 1 January 2013	1,265	14,591	215	12,589	577,454	606,114
Additions	—	5,794	2,191	7,119	214,163	229,267
Transfer from construction in progress	410,585	369,765	5,950	—	(786,300)	—
At 31 December 2013 and 1 January 2014	411,850	390,150	8,356	19,708	5,317	835,381
Additions	—	2,680	453	838	23,612	27,583
Transfer from construction in progress	12,278	12,861	176	—	(25,315)	—
Disposals	—	(727)	—	—	—	(727)
At 31 December 2014 and 1 January 2015	424,128	404,964	8,985	20,546	3,614	862,237
Additions	6	970	—	6,287	6,303	13,566
Transfer from construction in progress	1,160	2,069	—	—	(3,229)	—
At 30 June 2015	425,294	408,003	8,985	26,833	6,688	875,803

	Plant and Buildings *RMB'000*	Machinery and equipment *RMB'000*	Office and other equipment *RMB'000*	Motor Vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation and impairment:						
At 1 January 2012	(165)	(178)	(27)	(61)	—	(431)
Charge for the year	(32)	(352)	(26)	(275)	—	(685)
Written back on disposals	145	—	—	—	—	145
At 31 December 2012 and 1 January 2013	(52)	(530)	(53)	(336)	—	(971)
Charge for the year	(5,577)	(10,741)	(647)	(2,971)	—	(19,936)
At 31 December 2013 and 1 January 2014	(5,629)	(11,271)	(700)	(3,307)	—	(20,907)
Charge for the year	(12,423)	(23,704)	(1,589)	(3,757)	—	(41,473)
Written back on disposals	—	45	—	—	—	45
At 31 December 2014 and 1 January 2015	(18,052)	(34,930)	(2,289)	(7,064)	—	(62,335)
Charge for the period	(6,717)	(12,654)	(837)	(1,952)	—	(22,160)
At 30 June 2015	(24,769)	(47,584)	(3,126)	(9,016)	—	(84,495)
Net book value:						
At 31 December 2012	1,213	14,061	162	12,253	577,454	605,143
At 31 December 2013	406,221	378,879	7,656	16,401	5,317	814,474
At 31 December 2014	406,076	370,034	6,696	13,482	3,614	799,902
At 30 June 2015	400,525	360,419	5,859	17,817	6,688	791,308

11 Lease prepayments

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January	18,155	18,155	23,397	26,872
Additions	—	5,242	3,475	—
At 31 December/30 June	18,155	23,397	26,872	26,872
Accumulated amortisation:				
At 1 January	—	(394)	(788)	(1,285)
Charge for the year/period	(394)	(394)	(497)	(269)
At 31 December/30 June	(394)	(788)	(1,285)	(1,554)
Net book value:				
At 31 December/30 June	17,761	22,609	25,587	25,318

Lease prepayments represent interest in leasehold land held for own use under operating leases in the PRC with lease periods of 50 years.

12 Intangible assets

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January	12,099	12,099	24,004	24,215
Additions	—	11,905	211	—
At 31 December/30 June	12,099	24,004	24,215	24,215
Accumulated amortisation:				
At 1 January	—	(363)	(1,033)	(1,837)
Charge for the year/period	(363)	(670)	(804)	(404)
At 31 December/30 June	(363)	(1,033)	(1,837)	(2,241)
Net book value:				
At 31 December/30 June	11,736	22,971	22,378	21,974

Intangible assets mainly represented limestone mining rights.

13 Inventories

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

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	5,901	8,026	6,867	8,907
Work in progress	—	1,467	1,193	3,271
Finished goods	—	13,268	18,394	18,889
	5,901	22,761	26,454	31,067

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

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

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories recognised as expenses	—	131,510	239,310	72,730

14 Notes receivable

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank acceptance notes receivable	—	84,070	25,198	24,090

Notes receivable are due within one year from the date of issuance and are expected to be recovered within one year. Further details on the Company's credit policy are set out in note 24(a).

As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the Company endorsed the undue bank acceptance notes of RMBnil, RMB26,750,000, RMB21,666,000 and RMB7,150,000 respectively to its suppliers to settle trade payables of the same amounts and derecognized these notes receivable and the payables to suppliers in their entirety as Company's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Company's continuous involvement in these derecognized undue notes receivable is limited to when the issuance banks of these undue notes are unable to settle the amounts due to the holders of these notes. As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the maximum exposure to loss from its continuous involvement represents the amounts of notes receivable of RMBnil, RMB26,750,000, RMB21,666,000 and RMB7,150,000, respectively, which the Company endorsed to its suppliers. The endorsed undue notes receivable will be derecognized if management consider, based on its 'risks and rewards' evaluation, that the Company has transferred substantially all of the risks and rewards of ownership of the notes receivable.

As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the undue notes receivable of RMBnil, RMB7,550,000, RMB2,750,000 and RMB3,050,000 respectively endorsed to its suppliers to settle the trade payables were not derecognized because management believed that the credit risk of ownership were not substantially transferred. The associated trade payables were also not derecognized. The carrying amounts of these undue notes receivable and trade payables approximate its fair values. All these undue notes receivable were due within 1 year.

15 Prepayments and other receivables

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Purchase prepayments	10,379	3,990	7,991	8,593
Value-added tax recoverable	20,209	41,603	23,506	17,946
Other receivables	1,113	1,416	2,438	3,179
	31,701	47,009	33,935	29,718

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

16 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	12	—	—	2
Cash at bank	1,747	13,533	15,859	14,322
	1,759	13,533	15,859	14,324

(b) Reconciliation of (loss)/profit before taxation to cash generated from operations:

		Year ended 31 December			Six months ended 30 June	
		2012	**2013**	**2014**	**2014**	**2015**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/profit before taxation		(2,150)	30,091	20,743	19,080	2,782
Adjustments for:						
Depreciation	*10*	—	19,936	41,473	19,669	22,160
Amortisation						
— interest in leasehold land held for own use under operating leases	*11*	—	235	497	233	269
— intangible assets	*12*	—	670	804	404	404
Net loss on disposal of property, plant and equipment	*5*	2,150	—	—	—	—
Finance costs	*6(a)*	—	5,826	9,936	4,927	4,927
Interest income	*4*	—	(65)	(90)	(46)	(74)
Before changes in working capital carried forward		—	56,693	73,363	44,267	30,468
Changes in working capital:						
Increase in inventories		(5,772)	(16,860)	(3,693)	(583)	(4,613)
(Increase)/decrease in notes receivable		—	(84,070)	58,872	62,605	1,108
Decrease/(increase) in prepayments and other receivables		11,034	(15,308)	13,074	(27,925)	4,217
(Increase)/decrease in amounts due from related parties		(305)	226	64	(148)	15
(Decrease)/increase in trade payables		(61,894)	(6,767)	4,446	13,283	(7,680)
Increase/(decrease) in other payables and accruals		24,396	42,882	(27,687)	30,043	(403)
(Decrease)/increase in amounts due to related parties		(7,728)	(5,829)	27,332	5,385	933
Increase/(decrease) in deferred income		—	—	1,950	1,000	(67)
Cash (used in)/generated from operations		(40,269)	(29,033)	147,721	127,927	23,978

17 Trade payables

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	14,474	8,095	12,541	4,861

Included in trade payables are trade creditors with aging within 1 year based on invoice dates as of the statement of financial position date.

18 Other payables and accruals

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction payables	109,485	20,381	9,731	66
Receipts in advance from customers	—	4,917	3,321	7,673
Deposits from suppliers	2,975	8,940	2,866	1,495
Payroll payables	1,027	4,956	3,702	155
Retention monies	3,238	14,214	6,702	199
Value-added tax payables and other taxes payables	2	2,429	1,093	1,732
Payable to former shareholders	14,452	14,434	—	—
Others	2,854	2,448	2,695	342
	134,033	72,719	30,110	11,662

19 Amounts due from/to related parties

Amounts due from

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Conch Cement and its subsidiaries	305	79	15	—
Anhui Conch Kawasaki Engineering Co., Ltd. ("CK Engineering") 安徽海螺川崎工程有限公司	23,400	—	—	—
	23,705	79	15	—

Amounts due to

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Conch Cement and its subsidiaries	143,464	518,636	499,968	516,900
Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles and Science") 蕪湖海螺型材科技股份有限公司	388	—	—	—
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("CKEM") 安徽海螺川崎裝備製造有限公司	7,727	1,158	7	41
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment") 安徽海螺川崎節能設備製造有限公司	—	3	—	47
	151,579	519,797	499,975	516,988

The amounts due from/to related parties are unsecured, interest-free and repayable on demand.

20 Non-current loan from a related party

The analysis of the carrying amount of non-current loan is as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loan from a related party				
— Unsecured	200,000	200,000	200,000	200,000

The loan of RMB200,000,000 is from Conch Cement. It bears interest at 4.9% per annum and is repayable in 2017. The loan is carried at amortised cost and is not expected to be settled within one year.

21 Income tax in the statements of financial position

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

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year/period	—	—	3,347	(77)
Provision for PRC Corporate Income Tax for the year/period	—	4,163	3,462	262
PRC Corporate Income Tax paid	—	(816)	(6,886)	(5,129)
Balance at the end of the year/period	—	3,347	(77)	(4,944)
Representing:				
Tax recoverable	—	—	(77)	(4,944)
Tax payable	—	3,347	—	—
	—	3,347	(77)	(4,944)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the statement of financial position and the movements during the Relevant Periods are as follows:

	Deferred income	Tax losses	Depreciation of fixed asset	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from				
At 1 January 2012	—	57	—	57
Credited to profit or loss	—	323	—	323
At 31 December 2012 and 1 January 2013	—	380	—	380
Charged to profit or loss	—	(380)	—	(380)
At 31 December 2013 and 1 January 2014	—	—	—	—
Credited/(charged) to profit or loss	293	—	(92)	201
At 31 December 2014 and 1 January 2015	293	—	(92)	201
Charged to profit or loss	(10)	—	(213)	(223)
At 30 June 2015	283	—	(305)	(22)

22 Deferred income

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	—	—	—	1,950
Government grants received	—	—	2,000	—
Recognised in profit or loss	—	—	(50)	(67)
At 31 December/at 30 June	—	—	1,950	1,883

23 Capital, reserves and dividends

(a) Share capital

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	800	200,000	200,000	200,000
Capital contribution	199,200	—	—	—
At 31 December/30 June	200,000	200,000	200,000	200,000

(b) Reserves

(i) Statutory surplus reserve

In accordance with the Company Law of the PRC and the Company's articles of association, the Company shall appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) as determined in accordance with PRC accounting standards to the statutory surplus reserve account. When the balance of such reserve fund reaches 50% of the registered capital of a company, further appropriation to that company will become optional.

The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, the statutory surplus reserve of the Company should be maintained at a minimum of 25% of its registered capital after utilisation.

The Company appropriated the statutory surplus reserve in accordance with their articles of association.

(ii) Distribution of dividends

The distribution of dividends is made in accordance with the Company's articles of association at the recommendation of the Board of Directors and is subject to approval by Conch Cement, the parent company.

(c) Distribution to equity shareholder

Dividends payable to equity shareholder of the Company approved and paid during the year/period:

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividends approved and paid to equity shareholder	—	—	36,000	—

(d) Distributable reserve

The aggregate amount of reserves available for distribution to equity shareholder of the Company as at 31 December 2012, 2013, 2014 and 30 June 2015 were RMBnil, RMB21,193,000, RMB927,000 and RMB3,224,000, respectively.

(e) Capital risk management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholder, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Company is not subject to internally or externally imposed capital requirements.

24 Financial risk management

Exposure to credit and liquidity risks arises in the normal course of the Company's business.

The Company's exposure to these risks and the financial risk management policies and practices used by the Company to manage these risks are described below.

(a) Credit risk

The Company's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place to ensure that sales of products are made to customers with an appropriate credit history and the exposures to these credit risks are monitored on an ongoing basis. In addition, the Company normally receives deposits from customers before delivery of products.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Company does not obtain collateral from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Company has significant exposure to individual customers. At 31 December 2012, 2013, 2014 and 30 June 2015, respectively, nil, 70%, 60% and 62% of the total notes receivable was due from the Company's five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Company does not provide any guarantees which would expose the Company to credit risk.

Further quantitative disclosures in respect of the Company's exposure to credit risk arising from notes receivable and other receivables are set out in note 14 and 15.

(b) Liquidity risk

The Company is responsible for its own cash management, but the borrowings are subject to approval by the parent company's management. The Company's policy is to regularly monitor the liquidity requirements to ensure that the Company maintain sufficient reserves of cash and adequate committed lines of funding from the parent company to meet their liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the statement of financial position date of the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the statement of financial position date) and the earliest date the Company can be required to pay:

	At 31 December 2012 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	14,474	—	—	—	14,474	14,474
Other payables and accruals	134,033	—	—	—	134,033	134,033
Loan from a related party	9,800	9,800	228,774	—	248,374	200,000
Amounts due to related parties	151,579	—	—	—	151,579	151,579
	309,886	9,800	228,774	—	548,460	500,086

	At 31 December 2013 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	8,095	—	—	—	8,095	8,095
Other payables and accruals	72,719	—	—	—	72,719	72,719
Loan from a related party	9,800	9,800	218,838	—	238,438	200,000
Amounts due to related parties	519,797	—	—	—	519,797	519,797
	610,411	9,800	218,838	—	839,049	800,611

	At 31 December 2014					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	12,541	—	—	—	12,541	12,541
Other payables and accruals	30,110	—	—	—	30,110	30,110
Loan from a related party	9,800	9,800	208,902	—	228,502	200,000
Amounts due to related parties	499,975	—	—	—	499,975	499,975
	552,426	9,800	208,902	—	771,128	742,626

	At 30 June 2015					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	4,861	—	—	—	4,861	4,861
Other payables and accruals	11,662	—	—	—	11,662	11,662
Loan from a related party	9,800	9,800	203,974	—	223,574	200,000
Amounts due to related parties	516,988	—	—	—	516,988	516,988
	543,311	9,800	203,974	—	757,085	733,511

(c) Interest rate risk

The Company's interest rate risk primarily arises from interest-bearing borrowings. As interest rate of the loans of the Company is fixed, the Company does not have significant interest rate risk.

(d) Fair value

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2012, 2013, 2014 and 30 June 2015.

25 Commitments

As at the end of the respective reporting period, capital commitments outstanding not provided for in the financial statements were as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract for	93,176	34,442	—	—
Authorised but not contract for	4,270	—	—	—
	97,446	34,442	—	—

26 Material related party transactions

(a) Related parties information

During the Relevant Periods, transactions with the following parties are considered as related party transactions.

Name of related party (i)	**Nature of relationship**
Conch Cement 安徽海螺水泥股份有限公司	Parent company of the Company
Conch Construction and Installment Co., Ltd. ("Conch Construction and Installment") 安徽蕪湖海螺建築安裝工程有限公司	Subsidiary of Conch Cement
Baimashan Conch Cement Co., Ltd. ("Baimashan Cement") 安徽海螺水泥股份有限公司白馬山水泥廠	Subsidiary of Conch Cement
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. ("Fenghuangshan") 寶雞眾喜鳳凰山水泥有限公司	Subsidiary of Conch Cement
Baoji Zhongxi Jinlinghe Cement Co., Ltd. ("Jinlinghe") 寶雞市眾喜金陵河水泥有限公司	Subsidiary of Conch Cement
Qianyang Conch Cement Co., Ltd. ("Qianyang Conch") 千陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Baoji Conch Cement Co., Ltd. ("Baoji Conch") 寶雞海螺水泥有限責任公司	Subsidiary of Conch Cement
Guiding Conch Panjiang Cement Co., Ltd. ("Guiding Cement") 貴定海螺盤江水泥有限公司	Subsidiary of Conch Cement
Hami Hongyi Construction Co., Ltd. ("Hongyi Construction") 新疆哈密弘毅建材有限責任公司	Subsidiary of Conch Cement
Beiliu Conch Cement Co., Ltd. ("Beiliu Cement") 北流海螺水泥有限責任公司	Subsidiary of Conch Cement
Pingliang Conch Cement Co., Ltd. ("Pingliang Cement") 平涼海螺水泥有限責任公司	Subsidiary of Conch Cement

Name of related party (i)	Nature of relationship
Liquan Conch Cement Co., Ltd. (“Liquan Cement”) 禮泉海螺水泥有限責任公司	Subsidiary of Conch Cement
Linxia Conch Cement Co., Ltd. (“Linxia Cement”) 臨夏海螺水泥有限責任公司	Subsidiary of Conch Cement
Baoji Conch Plastic Products Co., Ltd. (“Baoji Plastic”) 寶雞海螺塑料包裝有限責任公司	Subsidiary of Conch Cement
Wuhu Conch Plastic Products Co., Ltd. (“Wuhu Plastic”) 蕪湖海螺塑料製品有限公司	Subsidiary of Conch Cement
Anhui Conch Material Trading Co., Ltd. (“Conch Material”) 安徽海螺物資貿易有限責任公司	Subsidiary of Conch Cement
Anhui Conch SCG Refractory Co., Ltd. (“SCG Refractory”) 安徽海螺暹羅耐火材料有限公司	Subsidiary of Conch Cement
Jiangsu Baling Conch Cement Co., Ltd. (“Baling Cement”) 江蘇八菱海螺水泥有限公司	Subsidiary of Conch Cement
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of Conch Cement
China Conch Venture Holdings Limited (“China Conch Venture”) 中國海螺創業控股有限公司	Shareholder of Conch Holdings, some directors of the Company are also directors and equity holders of China Conch Venture
CK Engineering 安徽海螺川崎工程有限公司	Subsidiary of China Conch Venture
CKEM 安徽海螺川崎裝備製造有限公司	Subsidiary of China Conch Venture
CK Equipment 安徽海螺川崎節能設備製造有限公司	Joint venture of Conch Cement
Anhui Conch Construction Materials Design Centre (“Conch Design Institute”) 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Conch Profiles and Science 蕪湖海螺型材科技股份有限公司	Associate of Conch Holdings
Anhui Conch Information Technology Engineering Co., Ltd. (“Conch Information”) 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Design Institute
Wenshan Conch Cement Co., Ltd. (“Wenshan Conch”) 文山海螺水泥有限責任公司	Subsidiary of Conch Cement
Guangdong Qingxin Cement Co., Ltd. (“Qingxin Company”) 廣東清新水泥有限公司	Subsidiary of Conch Cement

Name of related party (i)	Nature of relationship
Ganzhou Conch Cement Co., Ltd. ("Ganzhou Conch") 贛州海螺水泥有限責任公司	Subsidiary of Conch Cement

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(b) Significant related party transactions

Particulars of significant transactions between the Company and the above related parties during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales					
Conch Cement and its subsidiaries	—	708	2,803	247	76

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Purchasing goods and fixed assets					
Conch Cement and its subsidiaries	298	9,993	12,370	5,470	4,545
Conch Profiles and Science	336	331	—	—	—
CK Engineering	—	31,239	—	—	—
CKEM	20,838	8,023	133	39	385
CK Equipment	321	1,036	320	120	962
	21,793	50,622	12,823	5,629	5,892

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Receiving services					
Conch Cement and its subsidiaries	—	493	851	693	140
Conch Design Institute	—	—	85	85	177
Conch Information	—	943	95	—	70
CK Engineering	—	347	—	—	—
	—	1,783	1,031	778	387

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Borrowing of unsecured loans					
Conch Holdings	100,000	—	—	—	—
Conch Cement	200,000	—	—	—	—

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest expense					
Conch Holdings	2,415	—	—	—	—
Conch Cement	1,361	9,936	9,936	4,927	4,927
	3,776	9,936	9,936	4,927	4,927

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Receiving of working capital					
Conch Cement	188,000	381,000	85,000	30,000	26,000

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Repayment of Loans					
Conch Holdings	100,000	—	—	—	—

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Repayment of working capital					
Conch Cement	100,000	—	131,000	90,000	10,000

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Disposal of fixed assets					
Conch Cement's subsidiaries	—	—	682	—	—

(c) Key management personnel remuneration

Key management personnel remuneration is disclosed in note 8 and total remuneration is included in "staff costs" (see note 6(b)).

27 Immediate and ultimate controlling company

As at the end of the respective reporting period, the directors consider the immediate parent and ultimate controlling company of the Company to be Conch Cement and Anhui Provincial Investment Group Limited respectively, which are both state-owned enterprises established in the PRC. Conch Cement produces financial statements available for public use.

28 Non-adjusting events after the reporting period

On 28 October 2015, the Board of Directors of Conch Cement and the Company both resolved to increase the Company's registered capital from RMB200,000,000 to RMB560,000,000 by virtue of the capitalization of the Company's payable due to Conch Cement in the aggregate amount of RMB360,000,000. The Company obtained a revised business license on 30 October 2015.

29 Possible impact of amendments, new standards and Interpretations issued but not yet effective for the Relevant Periods.

Up to the date of issue of the Financial Information, the IASB has issued a few of amendments and new standards which are not yet effective for the accounting period ended 30 June 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company:

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2012–2014 cycle	1 January 2016
IFRS 14, Regulatory deferral accounts	1 January 2016
Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 27, Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception	1 January 2016
Amendments to IAS 1, Disclosure initiative	1 January 2016
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 9, Financial instruments (2014)	1 January 2018
IFRS 9, Financial instruments (2009)	1 January 2018
IFRS 9, Financial instruments (2010)	1 January 2018
Amendments to IFRS 9, Financial instruments and IFRS 7 Financial instruments: Disclosures — Mandatory effective date and transition disclosures	1 January 2018
HKFRS 9, Financial instruments: Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39 (2013)	1 January 2018

The Company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

C. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 30 June 2015. No dividend or distribution has been declared or made by the Company in respect of any period subsequent to 30 June 2015.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

The following is the full text of a report, prepared for the purpose of incorporation in this circular, received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

31 December 2015

The Board of Directors
West China Cement Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Qianyang Conch Cement Co., Ltd. (千陽海螺水泥有限責任公司[1], "the Company"), which is wholly owned by Anhui Conch Cement Company Limited ("Conch Cement"), comprising the statements of financial position of the Company as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the cash flow statements, for each of the years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the Circular of West China Cement Limited ("West Cement") dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of the Company by West Cement.

The Company has adopted 31 December as its financial year end date. The statutory financial statements of the Company were prepared in accordance with the relevant accounting rules and regulations applicable to the Company in the People's Republic of China (the "PRC") and audited by Shaanxi Hongxin CPA Co., Ltd. (陝西宏信有限責任會計師事務所).

The directors of Conch Cement have prepared the financial statements of the Company for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2015 were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥))[1] in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

[1] The official name of the entity or firm is in Chinese. The English name is for translation only.

The Financial Information has been prepared by the directors of Conch Cement for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of Conch Cement are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of Conch Cement determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have not audited any financial statements of the Company in respect of any period subsequent to 30 June 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Company as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 and of the Company's financial performance and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Company comprising the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the six months ended 30 June 2014, together with the notes thereon (the "Corresponding Financial Information"), for which the directors of Conch Cement are responsible, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB.

The directors of Conch Cement are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. FINANCIAL INFORMATION OF THE COMPANY

1 Statements of profit or loss and other comprehensive income/(loss)

		Year ended 31 December			Six months ended 30 June	
	Section B Note	**2012** *RMB'000*	**2013** *RMB'000*	**2014** *RMB'000*	**2014** *RMB'000* (Unaudited)	**2015** *RMB'000*
Revenue	*3*	205,721	350,837	339,764	192,781	143,981
Cost of sales		(160,243)	(254,542)	(246,137)	(137,017)	(107,817)
Gross profit		45,478	96,295	93,627	55,764	36,164
Other revenue	*4*	4,415	1,211	5,519	2,982	1,520
Other net income	*5*	356	39	5	2	14
Selling and marketing costs		(13,435)	(22,216)	(23,800)	(12,301)	(9,642)
Administrative expenses		(23,580)	(25,232)	(26,650)	(14,337)	(13,232)
Profit from operations		13,234	50,097	48,701	32,110	14,824
Finance costs	*6(a)*	(9,233)	(8,970)	(8,716)	(4,322)	(3,099)
Profit before taxation	*6*	4,001	41,127	39,985	27,788	11,725
Income tax	*7(a)*	(651)	(6,144)	(5,871)	(4,142)	(1,751)
Profit for the year/period		3,350	34,983	34,114	23,646	9,974
Attributable to:						
Equity shareholder of the Company		3,350	34,983	34,114	23,646	9,974
Other comprehensive income for the year/period		—	—	—	—	—
Total comprehensive income for the year/period		3,350	34,983	34,114	23,646	9,974
Attributable to:						
Equity shareholder of the Company		3,350	34,983	34,114	23,646	9,974

The accompanying notes form part of this Financial Information.

2 Statements of financial position

	Section B Note	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 31 December 2014 RMB'000	As at 30 June 2015 RMB'000
Non-current assets					
Property, plant and equipment	*10*	814,411	782,053	737,261	714,229
Lease prepayments	*11*	27,792	27,200	26,608	26,312
Intangible assets	*12*	9,788	9,420	9,052	8,868
Deferred tax assets	*21(b)*	557	—	146	141
		852,548	818,673	773,067	749,550
Current assets					
Inventories	*13*	55,419	48,320	52,066	47,650
Notes receivable	*14*	28,348	14,483	6,055	31,962
Prepayments and other receivables	*15*	22,686	7,064	3,641	7,386
Amounts due from related parties	*19*	21,510	7,652	6,732	4,665
Tax recoverable	*21(a)*	2,188	3,190	2,254	1,499
Restricted bank deposits		300	301	301	301
Cash and cash equivalents	*16(a)*	7,136	10,260	7,587	13,056
		137,587	91,270	78,636	106,519
Current liabilities					
Trade payables	*17*	30,772	27,928	17,046	35,638
Other payables and accruals	*18*	39,199	31,047	18,753	18,034
Bank loans	*20*	—	—	149,250	—
Amounts due to related parties	*19*	507,243	398,187	376,385	519,362
		577,214	457,162	561,434	573,034
Net current liabilities		(439,627)	(365,892)	(482,798)	(466,515)
Total assets less current liabilities		412,921	452,781	290,269	283,035

The accompanying notes form part of this Financial Information.

	Section B Note	As at 31 December 2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*	As at 30 June 2015 *RMB'000*
Non-current liabilities					
Bank loans	*20*	149,250	149,250	—	—
Deferred income	*22*	—	4,877	5,501	5,293
		149,250	154,127	5,501	5,293
Net assets		263,671	298,654	284,768	277,742
Capital and reserves	*23*				
Share capital	*23(a)*	270,000	270,000	270,000	270,000
Reserves	*23(b)*	(6,329)	28,654	14,768	7,742
Total equity attributable to equity shareholder of the Company		263,671	298,654	284,768	277,742
Total equity		263,671	298,654	284,768	277,742

The accompanying notes form part of the Financial Information.

3 Statements of changes in equity

	Attributable to equity shareholder of the Company			
	Share capital	**PRC statutory reserves**	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 23(a))	*(Note 23(b)(i))*	*(Note 23(b)(ii))*	
Balance at 1 January 2012	270,000	—	(9,679)	260,321
Total comprehensive income for the year	—	—	3,350	3,350
Balance at 31 December 2012 and 1 January 2013	270,000	—	(6,329)	263,671
Total comprehensive income for the year	—	—	34,983	34,983
Appropriation to reserves	—	2,865	(2,865)	—
Balance at 31 December 2013 and 1 January 2014	270,000	2,865	25,789	298,654
Total comprehensive income for the year	—	—	34,114	34,114
Dividends approved and paid to equity shareholder	—	—	(48,000)	(48,000)
Appropriation to reserves	—	3,411	(3,411)	—
Balance at 31 December 2014 and 1 January 2015	270,000	6,276	8,492	284,768
Total comprehensive income for the period	—	—	9,974	9,974
Dividends approved and paid to equity shareholder	—	—	(17,000)	(17,000)
Balance at and 30 June 2015	270,000	6,276	1,466	277,742
Unaudited:				
Balance at 1 January 2014	270,000	2,865	25,789	298,654
Total comprehensive income for the period	—	—	23,646	23,646
Dividends approved and paid to equity shareholder	—	—	(24,000)	(24,000)
Balance at and 30 June 2014	270,000	2,865	25,435	298,300

The accompanying notes form part of the Financial Information.

4 Cash flow statements

	Section B Note	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Six months ended 30 June 2014 RMB'000 (Unaudited)	2015 RMB'000
Operating activities:						
Cash generated from operations	*16(b)*	135,162	186,923	161,900	115,243	122,110
Income tax paid	*21(a)*	—	(6,589)	(5,081)	—	(991)
Interest paid		(9,226)	(8,879)	(8,716)	(4,346)	(3,470)
Net cash generated from operating activities		125,936	171,455	148,103	110,897	117,649
Investing activities:						
Payment for purchase of property, plant and equipment and construction in progress		(64,887)	(22,521)	(11,913)	(6,039)	(3,214)
Proceeds from disposal of property, plant and equipment		1,436	—	—	—	222
Payments for lease prepayments		(7,404)	—	—	—	—
Interest received		253	190	137	74	62
Net cash used in investing activities		(70,602)	(22,331)	(11,776)	(5,965)	(2,930)
Financing activities:						
Proceeds of working capital from Conch Cement		5,000	18,000	18,000	8,000	105,000
Repayment of loans		—	—	—	—	(149,250)
Repayment of working capital from Conch Cement		(67,000)	(164,000)	(109,000)	(86,000)	(48,000)
Dividends paid to equity shareholder	*23(c)*	—	—	(48,000)	(24,000)	(17,000)
Net cash used in financing activities		(62,000)	(146,000)	(139,000)	(102,000)	(109,250)
Net (decrease)/increase in cash and cash equivalents		(6,666)	3,124	(2,673)	2,932	5,469
Cash and cash equivalent at beginning of the year/period		13,802	7,136	10,260	10,260	7,587
Cash and cash equivalents at end of the year/period	*16(a)*	7,136	10,260	7,587	13,192	13,056

The accompanying notes form part of the Financial Information.

B. NOTES TO FINANCIAL INFORMATION

1 Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Company has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 June 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 30 June 2015 are set out in Note 28.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) General Information of the Company

The Company is a wholly owned subsidiary of Conch Cement during the Relevant Periods. The Company is located in Shaanxi province, PRC. The particular of the Company as at the date of this report is set out below:

Name of company	Date of Registered capital/ incorporation/ establishment	Issued and fully paid-up (expressed in Renminbi)	Principal activities
Qianyang Conch Cement Co., Ltd. 千陽海螺水泥有限責任公司	11 February 2009	270,000,000	Manufacturing and sales of clinker and cement products

The statutory financial statements of the Company included in the Financial Information were audited during the Relevant Periods by their statutory auditor as indicated below:

Name of company	Financial period	Statutory auditor
Qianyang Conch Cement Co., Ltd. 千陽海螺水泥有限責任公司	Years ended 31 December 2012, 2013 and 2014	Shaanxi Hongxin CPA Co., Ltd. 陝西宏信有限責任會計師事務所

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. It is prepared on the historical cost basis.

(d) Going concern

The Financial Information has been prepared assuming that the Company will continue as a going concern notwithstanding the net current liabilities of the Company as at 30 June 2015. The directors of Conch Cement are of the opinion that, in addition to the capitalisation of the Company's payable amount due to Conch Cement as set out in Note 27, Conch Cement will continue to provide the necessary financial support to the Company for the 18-month period ending 31 December 2016. Therefore the Company will have the necessary liquid funds to finance its working capital and capital expenditure requirements.

(e) Use of estimates and judgments

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

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

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 2.

(f) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 1(j) (ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

—	Plant and buildings	30 years
—	Machinery and equipment	15 years
—	Office and other equipment	5 years
—	Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Construction-in-progress

Construction-in-progress represents buildings and plant under construction and machinery and equipment under installation and testing, and is stated at cost less accumulated impairment loss, if any (see note 1(j) (ii)). The cost includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent these are regarded as an adjustment to borrowing costs (see note 1(t)).

Construction-in-progress is not depreciated until such time as the assets are completed and ready for operational use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in note 2(b).

(h) Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— limestone mining rights 30 years

Both the period and method of amortisation are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determine that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

— *Operating lease charges*

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(j) Impairment of assets

(i) Impairment of other receivables

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Company about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and notes receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and notes receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each statement of financial position date to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease; and

— intangible assets;

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— Reversals of impairment losses

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Spare parts and consumables are stated at cost less any provision for obsolescence.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

In accordance with the rules and regulations in the PRC, the Company has arranged for its local employees to join defined contribution retirement plans organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plans. The assets of those plans are held separately from those of the Company in an independent fund managed by the PRC government. The Company is required to make monthly defined contributions to these plans at certain rates of their total salary subject to a certain ceiling. The Company has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments disclosed above.

(q) Income tax

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

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them. Grants that compensate the Company for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognised as deferred income in the statement of financial position and consequently recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) Repairs and maintenance

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

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Company if that person:

  (i) has control or joint control over the Company;

  (ii) has significant influence over the Company; or

  (iii) is a member of the key management personnel of the Company's parent.

(b) An entity is related to the Company if any of the following conditions applies:

  (i) The entity and the Company are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees or an entity related to the Company.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgement and estimates

Note 24 contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of non-current assets as described in note 1(j)(ii). The carrying amounts of the Company's non-current assets, including property, plant and equipment, pre-paid interests in leasehold land classified as being held under an operating lease and intangible assets are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

(b) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Intangible assets and lease prepayments are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Company's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference and competitor actions in response to industry cycles. Management measures these estimates at each statement of financial position date.

(d) Impairment of trade and other receivables

Management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its debtors and current market conditions. If the financial conditions of the debtors were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade and other receivables at the end of reporting period.

3 Revenue and segment reporting

(a) Revenue

The amount of each significant category of revenue recognised in revenue during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of clinkers and cement products	202,550	350,318	338,936	192,706	143,793
Sales of materials and other products	3,171	519	828	75	188
	205,721	350,837	339,764	192,781	143,981

(b) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the most senior executive management of Conch Cement for the purposes of allocating resources to, and assessing the performance of geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Company operates in a single business and single geographical location in the mainland China. Accordingly, no segmental analysis is presented.

4 Other revenue

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income	253	190	137	74	62
Subsidy income	4,162	1,021	5,382	2,908	1,458
	4,415	1,211	5,519	2,982	1,520

5 Other net income

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Other net income	356	39	5	2	14

6 Profit before taxation

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

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(a) Finance costs:					
Interest on bank loans and other borrowings wholly repayable within five years	9,233	8,970	8,716	4,322	3,099
less: interest expense capitalised into construction-in-progress	—	—	—	—	—
	9,233	8,970	8,716	4,322	3,099

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(b) Staff costs:					
Contributions to defined contribution retirement plans	2,552	2,594	3,507	1,381	1,717
Salaries, wages and other benefits	23,036	26,320	29,893	12,103	12,054
	25,588	28,914	33,400	13,484	13,771

		Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
(c) Other items:						
Depreciation property, plant and equipment	*10*	43,303	45,504	45,170	22,697	23,049
Amortisation						
— interest in leasehold land held for own use under operating leases	*11*	445	592	592	296	296
— intangible assets	*12*	368	368	368	184	184
Auditors' remuneration		3	3	3	3	3

7 Income tax

(a) Taxation in the statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax-PRC Corporate Income Tax					
Provision for the year/period	—	5,587	6,017	4,142	1,746
Deferred tax:					
Origination and reversal of temporary differences	651	557	(146)	—	5
	651	6,144	5,871	4,142	1,751

Pursuant to Notice No. 12 issued by the State Administration of Taxation on 6 April 2012 and other relevant local tax authority's notices, the Company was entitled to a 15% preferential income tax rate, effective from 1 January 2012 to 31 December 2020, as a qualifying company located in the western region in the PRC.

(b) Reconciliation between tax expense and accounting profit or loss at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation	4,001	41,127	39,985	27,788	11,725
Notional tax on profit before taxation, calculated at the applicable statutory tax rate	600	6,169	5,998	4,168	1,759
Tax effect of non-deductible expense	51	40	39	25	18
Others	—	(65)	(166)	(51)	(26)
Actual tax expense	651	6,144	5,871	4,142	1,751

8 Directors' remuneration

Year ended 31 December 2012

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement scheme *RMB'000*	Total *RMB'000*
Executive Directors:					
Mr. Liu Qingfeng* (appointed in August 2012)	—	—	—	—	—
Mr. Zhang Guangjie*	—	—	—	—	—
Mr. Lan Zejun* (resigned in August 2012)	—	—	—	—	—
Mr. Zhang Pengxiang* (resigned in August 2012)	—	—	—	—	—
Mr. Xia Liang* (appointed in August 2012)	—	—	—	—	—
Mr. Chen Yongbo*	—	—	—	—	—
	—	—	—	—	—

Year ended 31 December 2013

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement scheme *RMB'000*	Total *RMB'000*
Executive Directors:					
Mr. Chen Yongbo*	—	—	—	—	—
Mr. Zhang Guangjie*	—	—	—	—	—
Mr. Xia Liang* (resigned in September 2013)	—	—	—	—	—
Mr. Liu Qingfeng* (resigned in September 2013)	—	—	—	—	—
Mr. Qin Hongji* (appointed in September 2013)	—	—	—	—	—
Mr. Zhang Laihui (appointed in September 2013)	—	34	226	31	291
	—	34	226	31	291

Year ended 31 December 2014

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement scheme *RMB'000*	Total *RMB'000*
Executive Directors:					
Mr. Shu Luhua* (appointed in March 2014)	—	—	—	—	—
Mr. Zhang Guangjie*	—	—	—	—	—
Mr. Qin Hongji*	—	—	—	—	—
Mr. Chen Yongbo* (resigned in March 2014)	—	—	—	—	—
Mr. Zhang Laihui	—	84	232	10	326
	—	84	232	10	326

Six months ended 30 June 2014 (Unaudited)

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement scheme *RMB'000*	Total *RMB'000*
Executive Directors:					
Mr. Shu Luhua* (appointed in March 2014)	—	—	—	—	—
Mr. Zhang Guangjie*	—	—	—	—	—
Mr. Qin Hongji*	—	—	—	—	—
Mr. Chen Yongbo* (resigned in March 2014)	—	—	—	—	—
Mr. Zhang Laihui	—	41	—	4	45
	—	41	—	4	45

Six months ended 30 June 2015

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contributions to retirement scheme *RMB'000*	Total *RMB'000*
Executive Directors:					
Mr. Shu Luhua*	—	—	—	—	—
Mr. Zhang Guangjie*	—	—	—	—	—
Mr. Qin Hongji*	—	—	—	—	—
Mr. Zhang Laihui	—	44	—	6	50
	—	44	—	6	50

* No remuneration is paid or payable by the Company for the years or periods presented as the remuneration of these directors were borne by Conch Cement or its other subsidiaries. In addition, no remuneration is due to these directors in respect of their services in connection with the management of the affairs of the Company.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments during the Relevant Periods, certain individual (2012: nil, 2013: one, 2014: one, six months ended 30 June 2014: one, six months ended 30 June 2015: one) is the director whose emoluments is disclosed in note 8. The aggregate of the emoluments in respect of the other individuals (2012: five, 2013: four, 2014: four, six months ended 30 June 2014: four, six months ended 30 June 2015: four) are as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other emoluments	232	292	308	145	162
Discretionary bonuses	629	454	553	—	—
Retirement plan contributions	27	98	53	20	31
	888	844	914	165	193

The emoluments of the above individuals are within the band of nil to HK$1,000,000.

10 Property, plant and equipment

	Plant and Buildings *RMB'000*	**Machinery and equipment** *RMB'000*	**Office and other equipment** *RMB'000*	**Motor Vehicles** *RMB'000*	**Construction in progress** *RMB'000*	**Total** *RMB'000*
Cost:						
At 1 January 2012	437,251	393,502	1,007	21,531	48,030	901,321
Additions	—	278	55	4,448	3,968	8,749
Transfer from construction in progress	25,259	22,198	—	—	(47,457)	—
Disposals	—	(142)	—	(2,917)	—	(3,059)
At 31 December 2012 and 1 January 2013	462,510	415,836	1,062	23,062	4,541	907,011
Additions	—	—	9	—	13,137	13,146
At 31 December 2013 and 1 January 2014	462,510	415,836	1,071	23,062	17,678	920,157
Additions	—	233	—	145	—	378
Transfer from construction in progress	3,576	14,102	—	—	(17,678)	—
At 31 December 2014 and 1 January 2015	466,086	430,171	1,071	23,207	—	920,535
Additions	—	77	30	—	132	239
Disposals	—	(344)	—	—	—	(344)
At 30 June 2015	466,086	429,904	1,101	23,207	132	920,430

	Plant and Buildings	Machinery and equipment	Office and other equipment	Motor Vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation and impairment:						
At 1 January 2012	(15,117)	(28,446)	(330)	(7,027)	—	(50,920)
Charge for the year	(13,915)	(25,177)	(197)	(4,014)	—	(43,303)
Written back on disposals	—	10	—	1,613	—	1,623
At 31 December 2012 and 1 January 2013	(29,032)	(53,613)	(527)	(9,428)	—	(92,600)
Charge for the year	(14,418)	(26,451)	(214)	(4,421)	—	(45,504)
At 31 December 2013 and 1 January 2014	(43,450)	(80,064)	(741)	(13,849)	—	(138,104)
Charge for the year	(14,518)	(26,340)	(172)	(4,140)	—	(45,170)
At 31 December 2014 and 1 January 2015	(57,968)	(106,404)	(913)	(17,989)	—	(183,274)
Charge for the period	(7,345)	(13,673)	(74)	(1,957)	—	(23,049)
Written back on disposals	—	122	—	—	—	122
At 30 June 2015	(65,313)	(119,955)	(987)	(19,946)	—	(206,201)
Net book value:						
At 31 December 2012	433,478	362,223	535	13,634	4,541	814,411
At 31 December 2013	419,060	335,772	330	9,213	17,678	782,053
At 31 December 2014	408,118	323,767	158	5,218	—	737,261
At 30 June 2015	400,773	309,949	114	3,261	132	714,229

11 Lease prepayments

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January	22,192	29,596	29,596	29,596
Additions	7,404	—	—	—
At 31 December/30 June	29,596	29,596	29,596	29,596
Accumulated amortisation:				
At 1 January	(1,359)	(1,804)	(2,396)	(2,988)
Charge for the year/period	(445)	(592)	(592)	(296)
At 31 December/30 June	(1,804)	(2,396)	(2,988)	(3,284)
Net book value:				
At 31 December/30 June	27,792	27,200	26,608	26,312

Lease prepayments represent interest in leasehold land held for own use under operating leases in the PRC with lease periods of 50 years.

12 Intangible assets

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January	11,026	11,026	11,026	11,026
Additions	—	—	—	—
At 31 December/30 June	11,026	11,026	11,026	11,026
Accumulated amortisation:				
At 1 January	(870)	(1,238)	(1,606)	(1,974)
Charge for the year/period	(368)	(368)	(368)	(184)
At 31 December/30 June	(1,238)	(1,606)	(1,974)	(2,158)
Net book value:				
At 31 December/30 June	9,788	9,420	9,052	8,868

Intangible assets mainly represented limestone mining rights.

13 Inventories

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

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	9,760	11,721	9,177	10,853
Work in progress	1,244	965	3,221	1,038
Finished goods	44,415	35,634	39,668	35,759
	55,419	48,320	52,066	47,650

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

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

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories recognised as expenses	160,476	254,809	246,737	108,008

14 Notes receivable

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank acceptance notes receivable	28,348	14,483	6,055	31,962

Notes receivable are due within one year from the date of issuance and are expected to be recovered within one year. Further details on the Company's credit policy are set out in note 25(a).

As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the Company endorsed the undue bank acceptance notes of RMBnil, RMB28,834,000, RMB5,400,000 and RMB7,776,000 respectively to its suppliers to settle trade payables of the same amounts and derecognised these notes receivable and the payables to suppliers in their entirety as Company's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Company's continuous involvement in these derecognised undue notes receivable is limited to when the issuance banks of these undue notes are unable to settle the amounts due to the holders of these notes. As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the maximum exposure to loss from its continuous involvement represents the amounts of notes receivable of RMBnil, RMB28,834,000, RMB5,400,000 and RMB7,776,000, respectively, which the Company endorsed to its suppliers. The endorsed undue notes receivable will be derecognized if management consider, based on its 'risks and rewards' evaluation, that the Company has transferred substantially all of the risks and rewards of ownership of the notes receivable.

As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the undue notes receivable of RMB19,569,000, RMB9,198,000, RMB3,150,000 and RMB13,792,000 respectively endorsed to its suppliers to settle the trade payables were not derecognised because management believed that the credit risk of ownership were not substantially transferred. The associated trade payables were also not derecognised. The carrying amounts of these undue notes receivable and trade payables approximate its fair values. All these undue notes receivable were due within 1 year.

15 Prepayments and other receivables

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Purchase prepayments	807	2,494	1,232	5,950
Value-added tax recoverable and other tax prepayment	21,434	4,410	2,374	1,245
Other receivables	445	160	35	191
	22,686	7,064	3,641	7,386

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

16 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	7,136	10,260	7,587	13,056

(b) Reconciliation of profit before taxation to cash generated from operations:

		Year ended 31 December			Six months ended 30 June	
	Note	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit before taxation		4,001	41,127	39,985	27,788	11,725
Adjustments for:						
Depreciation	*10*	43,303	45,504	45,170	22,697	23,049
Amortisation						
— interest in leasehold land held for own use under operating leases	*11*	445	592	592	296	296
— intangible assets	*12*	368	368	368	184	184
Finance costs	*6(a)*	9,233	8,970	8,716	4,322	3,099
Interest income	*4*	(253)	(190)	(137)	(74)	(62)
Before changes in working capital carried forward		57,097	96,371	94,694	55,213	38,291
Changes in working capital:						
(Increase)/decrease in inventories		(349)	7,099	(3,746)	8,229	4,416
(Increase)/decrease in notes receivable		(18)	13,865	8,428	6,544	(25,907)
Decrease/(increase) in prepayments and other receivables		17,348	15,622	3,423	(237)	(3,745)
(Increase)/decrease in amounts due from related parties		(20,890)	13,858	920	(21)	2,067
Increase/(decrease) in trade payables		311	(2,844)	(10,882)	13,691	18,592
Increase/(decrease) in other payables and accruals		38,702	1,137	(823)	(4,620)	2,681
(Decrease)/increase in amounts due to related parties		42,961	36,938	69,262	36,618	85,923
Increase/(decrease) in deferred income		—	4,877	624	(174)	(208)
Cash generated from operations		135,162	186,923	161,900	115,243	122,110

17 Trade payables

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	30,772	27,928	17,046	35,638

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

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	30,101	27,928	17,046	35,638
Between 1 year and 2 years (inclusive)	671	—	—	—
Total	30,772	27,928	17,046	35,638

18 Other payables and accruals

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction payables	19,189	13,148	5,724	3,454
Receipts in advance from customers	1,161	3,155	4,280	9,359
Deposits from suppliers	1,877	850	617	1,217
Payroll payables	4,072	4,582	3,534	378
Retention monies	10,284	6,944	2,896	2,173
Value-added tax payables and other taxes payables	1,287	1,182	997	1,373
Others	1,329	1,186	705	80
	39,199	31,047	18,753	18,034

19 Amounts due from/to related parties

Amounts due from		**As at 31 December**		**As at 30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Conch Cement and its subsidiaries	21,510	7,652	6,529	4,665
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("CKEM") 安徽海螺川崎裝備製造有限公司	—	—	203	—
	21,510	7,652	6,732	4,665

Amounts due to		**As at 31 December**		**As at 30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Conch Cement and its subsidiaries	507,218	398,155	376,385	519,325
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment") 安徽海螺川崎節能設備製造有限公司	25	—	—	20
Anhui Conch International Conference Center ("Conference Center") 蕪湖海螺國際會議中心	—	32	—	—
CKEM 安徽海螺川崎裝備製造有限公司	—	—	—	17
	507,243	398,187	376,385	519,362

The amounts due from/to related parties are unsecured, interest-free and repayable on demand.

20 Current and non-current bank loans

Bank loans of RMB149,250,000 were borrowed in 2010 and bore a floating interest rate per annum by reference to the base rate announced by the People's Bank of China. The loans were guaranteed by Conch Cement and reclassified to current bank loans in 2014 and repaid before 30 June 2015.

As at the end of the respective reporting period, the interest-bearing borrowings are carried at amortised cost.

21 Income tax in the statements of financial position

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

	As at 31 December 2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*	As at 30 June 2015 *RMB'000*
Balance at beginning of the year/period	(2,188)	(2,188)	(3,190)	(2,254)
Provision for PRC Corporate Income Tax for the year/period	—	5,587	6,017	1,746
PRC Corporate Income Tax paid	—	(6,589)	(5,081)	(991)
Balance at the end of the year/period	(2,188)	(3,190)	(2,254)	(1,499)

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the statement of financial position and the movements during the Relevant Periods are as follows:

	Deferred income *RMB'000*	Tax losses *RMB'000*	Total *RMB'000*
Deferred tax arising from			
At 1 January 2012	—	1,208	1,208
Charged to profit or loss	—	(651)	(651)
At 31 December 2012 and 1 January 2013	—	557	557
Charged to profit or loss	—	(557)	(557)
At 31 December 2013 and 1 January 2014	—	—	—
Credited to profit or loss	146	—	146
At 31 December 2014 and 1 January 2015	146	—	146
Charged to profit or loss	(5)	—	(5)
At 30 June 2015	141	—	141

22 Deferred income

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	—	—	4,877	5,501
Government grants received	—	5,225	1,000	—
Recognised in profit or loss	—	(348)	(376)	(208)
At 31 December/30 June	—	4,877	5,501	5,293

23 Capital, reserves and dividends

(a) Share capital

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December/30 June	270,000	270,000	270,000	270,000

(b) Reserves

(i) Statutory surplus reserve

In accordance with the Company Law of the PRC and the Company's articles of association, the Company shall appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) as determined in accordance with PRC accounting standards to the statutory surplus reserve account. When the balance of such reserve fund reaches 50% of the registered capital of a company, further appropriation to that company will become optional.

The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, the statutory surplus reserve of the Company should be maintained at a minimum of 25% of its registered capital after utilisation.

The Company appropriated the statutory surplus reserve in accordance with its articles of association during the Relevant Period.

(ii) Distribution of dividends

The distribution of dividends is made in accordance with the Company's articles of association at the recommendation of the Board of Directors and is subject to approval by Conch Cement, the parent company.

(c) Distribution to equity shareholder

Dividends payable to equity shareholder of the Company approved and paid during the year/period:

	Year ended 31 December			Six months ended 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividends approved and paid to equity shareholder	—	—	48,000	17,000

(d) Distributable reserve

The amount of reserves available for distribution to equity shareholder of the Company as at 31 December 2012, 2013, 2014 and 30 June 2015 were RMBnil, RMB25,789,000, RMB8,492,000 and RMB1,466,000, respectively.

(e) Capital risk management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholder, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Company is not subject to internally or externally imposed capital requirements.

24 Financial risk management

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Company's business.

The Company's exposure to these risks and the financial risk management policies and practices used by the Company to manage these risks are described below.

(a) Credit risk

The Company's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place to ensure that sales of products are made to customers with an appropriate credit history and the exposures to these credit risks are monitored on an ongoing basis. In addition, the Company normally receives deposits from customers before delivery of products.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Company does not obtain collateral from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Company has significant exposure to individual customers. At 31 December 2012, 2013, 2014 and 30 June 2015, respectively, 36%, 46%, 65% and 33% of the total notes receivable was due from the Company's five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Company does not provide any guarantees which would expose the Company to credit risk.

Further quantitative disclosures in respect of the Company's exposure to credit risk arising from notes receivable and other receivables are set out in note 14 and 15.

(b) Liquidity risk

The Company is responsible for its own cash management, but the borrowings are subject to approval by the parent company's management. The Company's policy is to regularly monitor their liquidity requirements to ensure that they maintain sufficient reserves of cash and adequate committed lines of funding from parent company to meet their liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the statement of financial position date of the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the statement of financial position date) and the earliest date the Company can be required to pay:

	At 31 December 2012 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	30,772	—	—	—	30,772	30,772
Other payables and accruals	39,199	—	—	—	39,199	39,199
Bank loans	8,597	8,597	152,364	—	169,558	149,250
Amounts due to related parties	507,243	—	—	—	507,243	507,243
	585,811	8,597	152,364	—	746,772	726,464

	At 31 December 2013 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	27,928	—	—	—	27,928	27,928
Other payables and accruals	31,047	—	—	—	31,047	31,047
Bank loans	8,597	152,364	—	—	160,961	149,250
Amounts due to related parties	398,187	—	—	—	398,187	398,187
	465,759	152,364	—	—	618,123	606,412

	At 31 December 2014 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	17,046	—	—	—	17,046	17,046
Other payables and accruals	18,753	—	—	—	18,753	18,753
Bank loans	152,364	—	—	—	152,364	149,250
Amounts due to related parties	376,385	—	—	—	376,385	376,385
	564,548	—	—	—	564,548	561,434

	At 30 June 2015 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	35,638	—	—	—	35,638	35,638
Other payables and accruals	18,034	—	—	—	18,034	18,034
Amounts due to related parties	519,362	—	—	—	519,362	519,362
	573,034	—	—	—	573,034	573,034

(c) Interest rate risk

The Company's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and fixed rates expose the Company to cash flow interest rate risk and fair value risk respectively. The interest rates and terms of repayment of the Company's borrowings are disclosed in notes 20. The Company's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Company's net borrowings at the statement of financial position date.

	As at 31 December						As at	
	2012		2013		2014		30 June 2015	
	Effective interest rate %	*RMB'000*	*Effective interest rate %*	*RMB'000*	*Effective interest rate %*	*RMB'000*	*Effective interest rate %*	*RMB'000*
Variable rate borrowings:								
Bank loans	5.76%	149,250	5.76%	149,250	5.40%	149,250	—	—
Less: Cash and cash equivalents	0.35%	(7,136)	0.35%	(10,261)	0.35%	(7,587)	0.35%	(13,056)
Total net borrowings		142,114		138,989		141,663		(13,056)

The interest rate of the variable rate borrowings and cash and cash equivalents of the Company is based on the base rate announced by the People's Bank of China.

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Company's profit after tax (and retained earnings) that would arise assuming that the change in interest rates had occurred at the end of the Relevant Periods and had been applied to re-measure those financial instruments held by the Company which expose the Company to fair value interest rate risk at the end of the Relevant Periods. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Company at the end of the Relevant Periods, the impact on the Company's profit after tax (and retained earnings) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis during the Relevant Periods.

		Increase/(decrease) in profit after tax and retained earnings for the year/period
		RMB'000
At 31 December 2012		
Increase in interest rate	1%	(1,208)
Decrease in interest rate	(1%)	1,208
At 31 December 2013		
Increase in interest rate	1%	(1,181)
Decrease in interest rate	(1%)	1,181
At 31 December 2014		
Increase in interest rate	1%	(1,204)
Decrease in interest rate	(1%)	1,204
At 30 June 2015		
Increase in interest rate	1%	111
Decrease in interest rate	(1%)	(111)

(d) Fair value

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2012, 2013, 2014 and 30 June 2015.

25 Material related party transactions

(a) Related parties information

During the Relevant Periods, transactions with the following parties are considered as related party transactions.

Name of related party (i)	Nature of relationship
Conch Cement 安徽海螺水泥股份有限公司	Parent Company of the Company
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. (“Fenghuangshan”) 寶雞眾喜鳳凰山水泥有限公司	Subsidiary of Conch Cement
Baoji Zhongxi Jinlinghe Cement Co., Ltd. (“Jinlinghe”) 寶雞市眾喜金陵河水泥有限公司	Subsidiary of Conch Cement
Qianxian Conch Cement Co., Ltd. (“Qianxian Cement”) 乾縣海螺水泥有限責任公司	Subsidiary of Conch Cement
Hami Hongyi Construction Co., Ltd. (“Hongyi Construction”) 新疆哈密弘毅建材有限責任公司	Subsidiary of Conch Cement
Pingliang Conch Cement Co., Ltd. (“Pingliang Cement”) 平涼海螺水泥有限責任公司	Subsidiary of Conch Cement
Liquan Conch Cement Co., Ltd. (“Liquan Cement”) 禮泉海螺水泥有限責任公司	Subsidiary of Conch Cement
Linxia Conch Cement Co., Ltd. (“Linxia Cement”) 臨夏海螺水泥有限責任公司	Subsidiary of Conch Cement
Bazhong Conch Cement Co., Ltd. (“Bazhong Cement”) 巴中海螺水泥有限責任公司	Subsidiary of Conch Cement
South Kalimantan Conch Cement Co., Ltd. (“South Kalimantan Cement”) 南加裏曼丹海螺水泥有限公司	Subsidiary of Conch Cement
Guangyuan Conch Plastic Packaging Co., Ltd. (“Guangyuan Plastic”) 廣元海螺塑料包裝有限責任公司	Subsidiary of Conch Cement
Anhui Ningchang Conch Plastic Packaging Co., Ltd. (“Ningchang Plastic”) 安徽寧昌塑料包裝有限公司	Subsidiary of Conch Cement

Name of related party (i)	**Nature of relationship**
Wuhu Conch Plastic Products Co., Ltd. (“Wuhu Plastic”) 蕪湖海螺塑料製品有限公司	Subsidiary of Conch Cement
Baoji Conch Plastic Packaging Co., Ltd. (“Baoji Plastic”) 寶雞海螺塑料包裝有限責任公司	Subsidiary of Conch Cement
Yingjiangyunhan Conch Cement Co., Ltd. (“Yingjiangyunhan”) 盈江允罕水泥有限公司	Subsidiary of Conch Cement
Anhui Conch Material Trading Co., Ltd. (“Conch Material”) 安徽海螺物資貿易有限責任公司	Subsidiary of Conch Cement
Anhui Conch SCG Refractory Co., Ltd. (“SCG Refractory”) 安徽海螺暹羅耐火材料有限公司	Subsidiary of Conch Cement
Guangyuan Conch Cement Co., Ltd. (“Guanyuan Cement”) 廣元海螺水泥有限責任公司	Subsidiary of Conch Cement
Anhui Tongling Conch Cement Co., Ltd. (“Tongling Cement”) 安徽銅陵海螺水泥有限公司	Subsidiary of Conch Cement
Anhui Chizhou Conch Cement Co., Ltd. (“Chizhou Cement”) 安徽池州海螺水泥股份有限公司	Subsidiary of Conch Cement
Hunan Yiyang Conch Cement Co., Ltd. (“Hunan Yiyang Cement”) 湖南益陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Liangping Conch Cement Co., Ltd. (“Liangping Cement”) 梁平海螺水泥有限責任公司	Subsidiary of Conch Cement
Anhui Zongyang Conch Cement Co., Ltd. (“Zongyang Cement”) 安徽樅陽海螺水泥股份有限公司	Subsidiary of Conch Cement
Yiyang Conch Cement Co., Ltd. (“Yiyang Cement”) 弋陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Indonesia Conch Cement Co., Ltd. (“Indonesia Cement”) 印尼海螺水泥有限公司	Subsidiary of Conch Cement
Conch Construction and Installment Co., Ltd. (“Conch Construction and Installment”) 安徽蕪湖海螺建築安裝工程有限公司	Subsidiary of Conch Cement

Name of related party (i)	**Nature of relationship**
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of Conch Cement
China Conch Venture Holdings Limited ("China Conch Venture") 中國海螺創業控股有限公司	Shareholder of Conch Holdings, some directors of the Company are also directors and equity holders of China Conch Venture
CKEM 安徽海螺川崎裝備製造有限公司	Subsidiary of China Conch Venture
CK Equipment 安徽海螺川崎節能設備製造有限公司	Joint venture of Conch Cement
Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles and Science") 蕪湖海螺型材科技股份有限公司	Associate of Conch Holdings
Anhui Conch Information Technology Engineering Co., Ltd. ("Conch Information") 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Profiles and Science
Anhui Conch Venture Investment Co. Limited ("CV Investment") 安徽海螺創業投資有限責任公司	Shareholder of the Conch Cement some directors of the Conch Cement are also directors and equity holders of CV Investment
Wuhu Conch International Conference Centre ("Conference Centre") 蕪湖海螺國際會議中心	Branch of CV investment

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(b) Significant related party transactions

Particulars of significant transactions between the Company and the above related parties during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales					
Conch Cement and its subsidiaries	20,230	40,781	19,306	16,279	144
CKEM	—	—	182	—	—
	420,230	40,781	19,488	16,279	144

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Purchasing Goods					
Conch Cement and its subsidiaries	8,543	17,609	20,856	5,190	7,036
Conch Profiles and Science	4	—	5	1	—
CKEM	4	341	641	55	143
CK Equipment	22	766	411	22	17
	8,573	18,716	21,913	5,268	7,196

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Receiving services					
Conference Center	—	61	—	—	—
Conch Cement and its subsidiaries	518	620	560	—	154
Conch Information	850	—	18	—	29
	1,368	681	578	—	183

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Receiving of working capital					
Conch Cement	5,000	18,000	18,000	8,000	105,000

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Repayment of working capital					
Conch Cement	67,000	164,000	109,000	86,000	48,000

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Disposal of fixed assets					
Conch Cement's subsidiaries	1,436	—	—	—	222

(c) Key management personnel remuneration

Key management personnel remuneration is disclosed in note 8 and total remuneration is included in "staff costs" (see note 6(b)).

26 Immediate and ultimate controlling company

As at the end of the respective reporting period, the directors consider the immediate parent and ultimate controlling company of the Company to be Conch Cement and Anhui Provincial Investment Group Limited respectively, which are both state-owned enterprises established in the PRC. Conch Cement produces financial statements available for public use.

27 Non-adjusting events after the reporting period

On 28 October 2015, the Board of Directors of Conch Cement and the Company both resolved that the Company's registered capital was increased from RMB270,000,000 to RMB490,000,000 by virtue of the capitalization of the Company's payable due to Conch Cement in the aggregate amount of RMB220,000,000. The Company obtained a revised business license on 30 October 2015.

28 Possible impact of amendments, new standards and Interpretations issued but not yet effective for the Relevant Periods.

Up to the date of issue of the Financial Information, the IASB has issued a few of amendments and new standards which are not yet effective for the accounting period ended 30 June 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company:

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2012–2014 cycle	1 January 2016
IFRS 14, Regulatory deferral accounts	1 January 2016
Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 27, Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28, Investment entities: Applying the consolidation exception	1 January 2016
Amendments to IAS 1, Disclosure initiative	1 January 2016
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 9, Financial instruments (2014)	1 January 2018
IFRS 9, Financial instruments (2009)	1 January 2018
IFRS 9, Financial instruments (2010)	1 January 2018
Amendments to IFRS 9, Financial instruments and IFRS 7 Financial instruments: Disclosures — Mandatory effective date and transition disclosures	1 January 2018
HKFRS 9, Financial instruments: Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39 (2013)	1 January 2018

The Company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

C. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 30 June 2015. No dividend or distribution has been declared or made by the Company in respect of any period subsequent to 30 June 2015.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

Set out below is the management discussion and analysis on the financials of the Target Companies based on the financial information of the Target Companies as set out in Appendices II-A, II-B, II-C and II-D to this circular for the three years ended 31 December 2014 and the six months ended 30 June 2015 (the "**Relevant Periods**").

1. INFORMATION ABOUT BAOJI FHS

Description

Established as a domestic enterprise in the PRC in 2009, Baoji FHS is principally engaged in the manufacture and sales of cement products in Qishan County, Baoji City, Shaanxi Province, the PRC, and wholly owned by Conch Cement as at the Latest Practicable Date. Baoji FHS currently holds a business license with a valid period up to 2019.

Pursuant to the shareholder's resolutions of Baoji FHS and Baoji Conch Cement Co., Ltd. ("Baoji Cement"), a wholly owned subsidiary of Conch Cement, and the agreement entered into between these two companies, Baoji Cement was merged into Baoji FHS on 1 November 2014.

Business and Financial Highlights

Revenue

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Baoji FHS recorded revenue of RMB519.26 million, RMB567.65 million, RMB478.42 million and RMB141.58 million, respectively, which were mainly derived from sales of cement clinker and commercial limestone.

During the Relevant Period, Baoji FHS recorded an increase of RMB48.39 million in revenue for 2013 as compared with that for 2012, mainly as the sales volume increased by 670,000 tons. Revenue for 2014 decreased by RMB89.23 million as compared with that for 2013, mainly as the unit selling price for products dropped by RMB27.16 per tons. Revenue for the first half of 2015 decreased by RMB98.29 million from the same period last year, mainly as the sales volume decreased by 370,000 tons.

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the unit selling price of Baoji FHS's products was RMB239.2 per ton, RMB194.9 per ton, RMB167.7 per ton and RMB182.3 per ton, respectively. In 2014, the unit selling price of Baoji FHS's products dropped by RMB27.2 per ton as compared to that in 2013, mainly as competitors adopted various preferential pricing policies to compete for regional market shares, and Baoji FHS accordingly and properly adjusted down the selling price of its products to secure its own market share. As a result, the selling price in 2014 represented a certain decline as compared to that for the same period last year. In the first half of 2015, the sales volume dropped by 370,000 tons as compared to that for the same period last year, mainly as the property demand declined in the region along with fixed asset investments slowing down, while the commencement rate for key projects was low. In addition, supplies exceeded demands in the cement market, resulting in fierce market competition. To maintain the current selling price and prevent any significant drop in prices, Baoji FHS made timely adjustments to its selling policies, which in return caused a decrease in sales.

Cost of sales

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Baoji FHS incurred cost of sales of RMB417.85 million, RMB445.32 million, RMB398.36 million and RMB107.76 million, respectively. Cost of sales mainly comprise costs for raw materials, fuel, auxiliary and spare consumables, which are used for the production of cement clinker, depreciation of fixed assets, employee benefits, and water and electricity fees.

During the Relevant Periods, for 2012 to 2014, the unit production costs and costs of sale of products of Baoji FHS tended to be downward, mainly due to a decrease in prices of raw materials such as coal, the spreading of fixed costs such as depreciation and amortisation over the sales volume due to expansion of scale, and gradual optimization of main economic and technological indicators for production including coal and electricity consumption. In the first half of 2015, due to the macroeconomic downward pressure and intensified competition in the cement industry, the sales volume dropped significantly, while the unit-based costs increased.

Gross profit

In consideration of the above factors, for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Baoji FHS recorded gross profit of RMB101.41 million, RMB122.33 million, RMB80.06 million and RMB33.82 million, respectively, as well as gross margin of 19.53%, 21.55%, 16.73% and 23.89%, respectively.

During the Relevant Period, for 2012 and 2013, along with the market expansion and the declining unit-based costs of Baoji FHS, its financial performance gradually improved. As competition intensified in the cement industry amid the regional contradictions between supply and demand in 2014, the price of cement products began declining gradually, and the gross profit retreated as well. In the first half of 2015, Baoji FHS rationalized its organization and production, and timely adjusted its sales policies. Despite a shrinking sales volume, the selling price continued to rise to a certain level, and the financial performance gradually improved as well.

Other revenue

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Baoji FHS recorded other revenue of RMB0.59 million, RMB5.51 million, RMB3.79 million and RMB1.40 million, respectively. Other revenue is mainly derived from benefits due to preferential tax policies.

Selling and marketing costs

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Baoji FHS incurred selling and marketing costs of RMB38.90 million, RMB35.54 million, RMB29.20 million and RMB10.37 million, respectively, which mainly comprise packaging costs, unloading fees, and other office expenses related to sales.

Administrative expense

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Baoji FHS incurred administrative expense of RMB67.82 million, RMB59.76 million, RMB54.57 million and RMB25.52 million, respectively. The company's administrative expense is mainly comprised of management remuneration, corporate transportation costs, travel reimbursement, and other daily operating overheads.

Impairment of fixed assets

According to the policy of elimination of backward production capacity issued by the Ministry of Industry and Information Technology in 2013, Conch Cement decided to dispose of certain cement production lines with heavy energy consumption of Baoji Cement and accordingly, the related plants and equipment were determined to be impaired. The recoverable amount of these plants and equipment was determined based on their fair value of these assets less estimated costs to sell. Accordingly, a provision for impairment of RMB228.26 million was recognised against these plants and equipment to write down their carrying amounts to their recoverable amounts. These assets were subsequently disposed of in December 2013 and the related amount of provision for impairment was written back upon disposal. Provisions for impairments in those assets and disposals were reflected in impairments of fixed assets and other net income/(loss) under the statement of profit or loss and other comprehensive income for 2013, amongst which, the provision for the impairment amount of fixed assets was RMB228.26 million and was reflected in impairments of fixed assets under the statement of profit or loss and other comprehensive income for 2013. Details are referenced on page II-A-20 of the circular. In the second half of 2013, Baoji FHS disposed such fixed assets, the net carrying amount of which varied from the final disposal consideration with a difference of RMB3.848 million. Such difference was reflected in other net income/(loss) in the statement of profit or loss and other comprehensive income for 2013, details of which are referenced on page II-A-19 of the circular.

Loss for the year/period

In consideration of the above reasons, for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Baoji FHS recorded a loss for the year/period of RMB7.02 million, RMB154.63 million, RMB81.94 million and RMB5.19 million, respectively.

Current assets, financial condition, capital structure and gearing ratio

As of 31 December 2012, 2013 and 2014 and as of 30 June 2015, Baoji FHS had current assets of RMB191.51 million, RMB143.08 million, RMB104.64 million and RMB121.12 million, respectively.

The current assets of Baoji FHS mainly comprised (i) inventories; (ii) notes receivable; (iii) prepayments and other receivables; and (iv) cash and cash equivalents denominated in RMB.

Baoji FHS manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the capital balance. Baoji FHS funds its operations mainly from its share capital and shareholder loans from Conch Cement.

As of 31 December 2012, 2013 and 2014 and 30 June 2015, Baoji FHS had outstanding amount due to related parties (mainly to Conch Cement and its subsidiaries) of RMB949.86 million, RMB881.38 million, RMB928.24 million and RMB948.68 million, which were unsecured, interest-free and repayable on demand.

In October 2015, Conch Cement injected further amount of RMB820 million into Baoji FHS by virtue of the capitalization of the Baoji FHS's payable due to Conch Cement, thereby increasing the registered capital of Baoji FHS from RMB108.8 million to RMB928.8 million.

As of 31 December 2012, 2013 and 2014 and 30 June 2015, Baoji FHS had outstanding unsecured loan from Conch Cement in the amount of RMB200 million, of which RMB80 million bore a floating interest rate and was renewed annually and RMB120 million bore the interest rate of 5.11% per annum and was repayable in 2022.

Baoji FHS had a gearing ratio (which is calculated by dividing the interest-bearing loans net of cash and cash equivalents by the shareholders' equity) of 293.5% as of 31 December 2012. The gearing ratio of Baoji FHS as of 31 December 2013 and 2014 and 30 June 2015 cannot be calculated as it had a negative shareholders' equity. For illustration purpose only, taking into account the capitalisation of Baoji FHS's payable due to Conch Cement in October 2015, which increased the shareholder equity of Baoji FHS as at 30 June 2015 to approximately RMB598.92 million, the gearing ratio would be 31.0%.

Employment and remuneration policy

As of 30 June 2015, Baoji FHS had 533 employees. The employee remuneration is determined by reference to the performance, professional experience of the employee and prevailing market conditions. The management will review the employee remuneration policy and package of Baoji FHS on a regular basis. In addition to pension and mandatory provident fund, Baoji FHS may provide discretionary bonus to employees with reference to the individual performance.

Contingent liabilities

As of 31 December 2012, 2013 and 2014 and as of 30 June 2015, Baoji FHS had no significant contingent liabilities.

Pledge of asset

As of 31 December 2012, 2013 and 2014 and as of 30 June 2015, Baoji FHS had no outstanding pledge of assets or other encumbrances.

Foreign currency exposure

Baoji FHS conducts its operations mainly in the PRC and does not engage in any foreign exchange business. The financial statements of Baoji FHS are stated in RMB. As such, Baoji FHS is not exposed to any significant exchange rate risk and therefore it does not have such hedging policy.

Significant acquisition and disposal

For each of the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015, save for the merger of Baoji Cement in Baoji FHS in November 2014 Baoji FHS did not have any significant acquisition and disposal of subsidiaries, joint ventures and associates.

Significant investment

For each of the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015, Baoji FHS did not have any significant investments.

Future plan

Baoji FHS has no plan to make any significant investments or acquire any significant assets.

2. INFORMATION ABOUT BAOJI JLH

Description

Established as a domestic enterprise in the PRC in 2008, Baoji JLH is principally engaged in the manufacture and sales of cement products in Xiangong Town, Chencang District, Baoji City, Shaanxi Province, the PRC, and wholly owned by Conch Cement as at the Latest Practicable Date. Baoji JLH currently holds a business license with a valid period up to 2018.

Business and Financial Highlights

Revenue

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Baoji JLH recorded revenue of RMB234.28 million, RMB300.73 million, RMB279.77 million and RMB114.59 million, respectively, which were mainly derived from sales of cement clinker.

During the Relevant Period, Baoji JLH recorded an increase of RMB66.45 million in revenue for 2013 as compared with that for 2012, mainly as the sales volume increased by 550,000 tons. Revenue for 2014 decreased by RMB20.96 million as compared with that for 2013, mainly as the unit selling price for products dropped by RMB22.31 per ton. Revenue for the first half of 2015 decreased by RMB34.05 million from the same period last year, mainly as the sales volume and unit selling price decreased by 152,500 tons and RMB7.52 per ton respectively from the same period last year.

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the unit selling price of Baoji JLH's products was RMB247.9 per ton, RMB203.4 per ton, RMB181.0 per ton and RMB183.9 per ton, respectively. In 2014, the unit selling price of Baoji JLH's products dropped by RMB22.4 per ton as compared to that in 2013, mainly as demands were weak in the cement market. As a result, all cement enterprises adopted a selling policy of lowering prices to boost sales, and actively competed for market shares. The selling prices of various cement enterprises in the region decreased as compared to those for the same period last year. In the first half of 2015, sales dropped by 152,500 tons as compared to that in 2014, while the selling price decreased by RMB7.52 per ton. Baoji JLH's sales declined, mainly as key projects were gradually completed along with further production capacities amid a decreasing market demand. To maintain the regional market share and secure important customers, Baoji JLH adopted the policy of lowering prices, resulting in a decrease in selling prices as compared to those for the same period last year.

Cost of sales

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Baoji JLH incurred cost of sales of RMB171.61 million, RMB218.34 million, RMB229.45 million and RMB89.28 million, respectively. Cost of sales mainly comprise costs for raw materials, fuel, auxiliary and spare consumables, which are used for the production of cement clinker, depreciation of fixed assets, employee benefits, and water and electricity fees.

During the Relevant Periods, the unit production costs and costs of sale of products of Baoji JLH tended to be downward, mainly due to a decrease in prices of raw materials such as coal, the spreading of fixed costs such as depreciation and amortisation over the sales volume due to expansion of scale, and gradual optimization of main economic and technological indicators for production including coal and electricity consumption.

Gross profit

In consideration of the above factors, for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Baoji JLH recorded gross profit of RMB62.67 million, RMB82.39 million, RMB50.32 million and RMB25.31 million, respectively, as well as gross margin of 26.75%, 27.40%, 17.99% and 22.09%, respectively.

During the Relevant Periods, for 2012 and 2013, Baoji JLH implemented technological transformation, optimized production, operation and management procedures, and scaled up its sales operation, therefore decreasing its product costs gradually, which in return improved its gross margin. As competition intensified in the cement industry amid the regional contradictions between supply and demand in 2014, the price of cement products dropped significantly, resulting in a significant decline in its financial performance. In the first half of 2015, the production costs were further reined in, enabling its gross margin to increase.

Other revenue

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Baoji JLH recorded other revenue of RMB0.79 million, RMB0.57 million, RMB0.49 million and RMB0.49 million, respectively. Other revenue is mainly derived from benefits due to preferential tax policies.

Selling and marketing costs

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Baoji JLH incurred selling and marketing costs of RMB11.52 million, RMB17.06 million, RMB16.31 million and RMB6.14 million, respectively, which mainly comprise packaging costs, unloading fees, and other office expenses related to sales.

Administrative expense

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Baoji JLH incurred administrative expense of RMB19.18 million, RMB24.84 million, RMB19.74 million and RMB8.78 million, respectively. The company's administrative expense is mainly comprised of management remuneration, corporate transportation costs, travel reimbursement, and other daily operating overheads.

Profit for the year/period

In consideration of the above reasons, for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Baoji JLH recorded profit for the year/period of RMB24.48 million, RMB27.76 million, RMB6.78 million and RMB3.80 million, respectively.

Current assets, financial condition, capital structure and gearing ratio

As of 31 December 2012, 2013 and 2014 and as of 30 June 2015, Baoji JLH had current assets of RMB134.80 million, RMB81.15 million, RMB68.03 million and RMB88.57 million, respectively.

The current assets of Baoji JLH mainly comprised (i) inventories; (ii) notes receivable; (iii) prepayments and other receivables; (iv) amounts due from related parties; and (v) cash and cash equivalents denominated in RMB.

Baoji JLH manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the capital balance. Baoji JLH funds its operations mainly from its share capital, bank loans, and shareholder loans from Conch Cement.

As of 31 December 2012, 2013 and 2014 and 30 June 2015, Baoji JLH had outstanding amounts due to related parties (mainly to Conch Cement and its subsidiaries) of RMB321.59 million, RMB329.64 million, RMB309.89 million and RMB307.97 million, which were unsecured, interest-free and repayable on demand.

In October 2015, Conch Cement injected further amount of RMB260 million into Baoji JLH by virtue of the capitalization of the Baoji JLH's payable due to Conch Cement, thereby increasing the registered capital of Baoji JLH from RMB112,376,000 to RMB372,376,000.

As of 31 December 2012, Baoji JLH also had outstanding bank loans in the amount of RMB70 million which was guaranteed, bore a floating interest rate and were repaid in 2013.

As of 31 December 2012, 2013 and 2014 and 30 June 2015, Baoji JLH also had outstanding loan from Conch Cement in the amount of RMB130 million, which was unsecured, bore the interest rate of 5.11% per annum and repayable in 2022.

Baoji JLH had a gearing ratio (which is calculated by dividing the interest-bearing loans net of cash and cash equivalents by the shareholders' equity) of 479.6%, 361.7% and 316.2% as of 31 December 2013 and 2014 and 30 June 2015, respectively. For illustrative purpose only, taking into account the capitalisation of Baoji JLH's payable due to Conch Cement in October 2015, which increased the shareholders' equity of Baoji JLH as at 30 June 2015 to approximately RMB296.35 million, the gearing ratio would be 38.8%. The gearing ratio of Baoji JLH as of 31 December 2012 cannot be calculated as it had a negative shareholders' equity.

Employment and remuneration policy

As of 30 June 2015, Baoji JLH had 413 employees. The employee remuneration is determined by reference to the performance, professional experience of the employee and prevailing market conditions. The management will review the employee remuneration policy and package of Baoji JLH on a regular basis. In addition to pension and mandatory provident fund, Baoji JLH may provide discretionary bonus to employees with reference to the individual performance.

Contingent liabilities

As of 31 December 2012, 2013 and 2014 and as of 30 June 2015, Baoji JLH had no significant contingent liabilities.

Pledge of asset

As of 31 December 2012, 2013 and 2014 and as of 30 June 2015, Baoji JLH had no outstanding pledge of assets or other encumbrances.

Foreign currency exposure

Baoji JLH conducts its operations mainly in the PRC and does not engage in any foreign exchange business. The financial statements of Baoji JLH are stated in RMB. As such, Baoji JLH is not exposed to any significant exchange rate risk and therefore it does not have such hedging policy.

Significant acquisition and disposal

For each of the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015, Baoji JLH did not have any significant acquisition and disposal of subsidiaries, joint ventures and associates.

Significant investment

For each of the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015, Baoji JLH did not have any significant investments.

Future plan

Baoji JLH has no plan to make any significant investments or acquire any significant assets.

3. INFORMATION ABOUT QIANXIAN CEMENT

Description

Established as a domestic enterprise in the PRC in 2009, Qianxian Cement is principally engaged in the manufacture and sales of cement products in Qian County, Xianyang City, Shaanxi Province, the PRC, and wholly owned by Conch Cement as at the Latest Practicable Date. Qianxian Cement currently holds a business license which does not have an expiry date.

Business and Financial Highlights

Revenue

Qianxian Cement commenced its production and operation in 2013, For each of the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, Qianxian Cement recorded revenue of RMB191.97 million, RMB311.69 million and RMB106.90 million, respectively, which were mainly derived from sales of cement clinker.

Qianxian Cement completed its construction for production on 28 May 2013. Following completion, it maintained stable production and operation. Revenue for 2014 increased by RMB119.72 million as compared with that for 2013, mainly as sales volume increased by 790,000 tons. Affected by the downward pressure amid the overall economic conditions since the early of 2015, Qianxian Cement's selling prices for various products remained low, thereby reporting a decrease of RMB48.65 million in revenue for 2015 as compared with that for the same period last year.

For each of the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, the unit selling price of Qianxian Cement's products was RMB200.4 per ton, RMB176.9 per ton and RMB175.2 per ton, respectively.

Cost of sales

For each of the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, Qianxian Cement incurred cost of sales of RMB131.16 million, RMB238.95 million and RMB72.09 million, respectively. Cost of sales mainly comprise costs for raw materials, fuel, auxiliary and spare consumables, which are used for the production of cement clinker, depreciation of fixed assets, employee benefits, and water and electricity fees.

During the Relevant Period, for 2013 and 2014, the unit production costs and costs of sales of products of Qianxian Cement remained stable. For the first half of 2015, the company's unit production costs for products gradually dropped as main economic and technological indicators for production, including coal and electricity consumption, improved significantly within a stable operating system.

Gross profit

In consideration of the above factors, for each of the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, Qianxian Cement recorded gross profit of RMB60.82 million, RMB72.74 million and RMB34.82 million, respectively, as well as gross margin of 31.68%, 23.34% and 32.57%, respectively.

During the Relevant Periods, following commencement of its production in 2013, Qianxian Cement proactively explored the market, strengthened the internal operation and management, and maintained a fairly high gross margin. As competition intensified in the cement industry amid the regional contradictions between supply and demand in 2014, the selling price of cement products dropped significantly. In 2015, with the improving economic and technological indicators, the costs of sales decreased significantly, resulting in a significant improvement in gross margin.

Other revenue

For each of the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, Qianxian Cement recorded other revenue of RMB0.13 million, RMB0.14 million and RMB0.90 million, respectively. Other revenue is mainly derived from benefits due to fiscal preferential tax policies.

Selling and marketing costs

For each of the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, Qianxian Cement incurred selling and marketing costs of RMB10.60 million, RMB16.75 million and RMB7.52 million, respectively, which mainly comprise packaging costs, unloading fees, and other office expenses related to sales.

Administrative expense

For each of the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, Qianxian Cement incurred administrative expense of RMB14.44 million, RMB25.54 million and RMB20.49 million, respectively. Qianxian Cement administrative expense is mainly comprised of management remuneration, corporate transportation costs, travel reimbursement, and other daily operating overheads.

Profit for the year/period

In consideration of the above reasons, for each of the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, Qianxian Cement recorded profit for the year/period of RMB25.55 million, RMB17.48 million and RMB2.30 million, respectively. Qianxian Cement recorded a loss of RMB1.83 million for the year ended 31 December 2012.

Current assets, financial condition, capital structure and gearing ratio

As of 31 December 2012, 2013 and 2014 and as of 30 June 2015, Qianxian Cement had current assets of RMB63.07 million, RMB167.45 million, RMB101.54 million and RMB104.14 million, respectively.

The current assets of Qianxian Cement mainly comprised (i) inventories; (ii) notes receivable; (iii) prepayments and other receivables; and (iv) cash and cash equivalents denominated in RMB.

Qianxian Cement manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the capital balance. Qianxian Cement funds its operations mainly from its share capital and shareholder loans from Conch Cement.

As of 31 December 2012, 2013 and 2014 and 30 June 2015, Qianxian Cement had outstanding amounts due to related parties (mainly to Conch Cement and its subsidiaries) of RMB151.58 million, RMB519.80 million, RMB499.98 million and RMB516.99 million, which were unsecured, interest-free and repayable on demand.

In October 2015, Conch Cement injected further amount of RMB360 million into Qianxian Cement by virtue of capitalization of the Qianxian Cement's payable due to Conch Cement, thereby increasing the registered capital of Qianxian Cement from RMB200 million to RMB560 million.

As of 31 December 2012, 2013 and 2014 and 30 June 2015, Qianxian Cement had outstanding loan from Conch Cement in the amount of RMB200 million, which was unsecured, bore the interest rate of 4.9% per annum and repayable in 2017.

Qianxian Cement had a gearing ratio (which is calculated by dividing the interest-bearing loans net of cash and cash equivalents by the shareholders' equity) of 100.1%, 83.4%, 89.8% and 89.6% as of 31 December 2012, 2013 and 2014 and 30 June 2015, respectively. For illustrative purpose only, taking into account the capitalisation of Qianxian Cement's payable due to Conch Cement in October 2015, which increased the shareholders' equity of Qianxian Cement as at 30 June 2015 to approximately RMB567.33 million, the gearing ratio would be 32.7%.

Employment and remuneration policy

As of 30 June 2015, Qianxian Cement had 395 employees. The employee remuneration is determined by reference to the performance, professional experience of the employee and prevailing market conditions. The management will review the employee remuneration policy and package of Qianxian Cement on a regular basis. In addition to pension and mandatory provident fund, Qianxian Cement may provide discretionary bonus to employees with reference to the individual performance.

Contingent liabilities

As of 31 December 2012, 2013 and 2014 and as of 30 June 2015, Qianxian Cement had no significant contingent liabilities.

Pledge of asset

As of 31 December 2012, 2013 and 2014 and as of 30 June 2015, Qianxian Cement had no outstanding pledge of assets or other encumbrances.

Foreign currency exposure

Qianxian Cement conducts its operations mainly in the PRC and does not engage in any foreign exchange business. The financial statements of Qianxian Cement are stated in RMB. As such, Qianxian Cement is not exposed to any significant exchange rate risk and therefore it does not have such hedging policy.

Significant acquisition and disposal

For each of the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015, Qianxian Cement did not have any significant acquisition and disposal of subsidiaries, joint ventures and associates.

Significant investment

For each of the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015, Qianxian Cement did not have any significant investments, save for the investment in the construction project prior to production of Qianxian Cement as of 28 May 2013.

Future plan

Qianxian Cement has no plan to make any significant investments or acquire any significant assets.

4. INFORMATION ABOUT QIANYANG CEMENT

Description

Established as a domestic enterprise in the PRC in 2009, Qianyang Cement is principally engaged in the manufacture and sales of cement products in Qianyang County, Baoji City, Shaanxi Province, the PRC, and wholly owned by Conch Cement as at the Latest Practicable Date. Qianyang Cement currently holds a business license with a valid period up to 2059.

Business and Financial Highlights

Revenue

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Qianyang Cement recorded revenue of RMB205.72 million, RMB350.84 million, RMB339.76 million and RMB143.98 million, respectively, which were mainly derived from sales of cement clinker.

During the Relevant Period, Qianyang Cement recorded an increase of RMB145.12 million in revenue for 2013 as compared with that for 2012, mainly as the sales volume increased by 990,000 tons. Revenue for 2014 decreased by RMB11.08 million as compared with that for 2013, mainly as the unit selling price for the products dropped by RMB11.63 per ton. Revenue for the first half of 2015 decreased by RMB48.80 million from the same period last year, mainly as the sales volume decreased by 260,000 tons from the same period last year.

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the unit selling price of Qianyang Cement's products was RMB230.3 per ton, RMB187.8 per ton, RMB176.1 per ton and RMB178.4 per ton, respectively. In 2014, the unit selling price of Qianyang Cement dropped by RMB11.7 per ton as compared to that in 2013, mainly as demands for cement products in the regional market declined and all cement enterprises continued operations with a high level of inventories. To lower the inventory level and ensure productions are orderly in parallel with sales, competitors started to make downward adjustments to the prices of their products, forcing Qianyang Cement's overall selling price for cement products to drop significantly. In the first half of 2015, the sales volume decreased by 260,000 tons as compared to that for the same period last year, mainly attributable to such factors as further production capacities of competitors in the region along with the worsening imbalance on supplies and demands in the cement market. To stabilize the current prices, Qianyang Cement lowered its sales volume.

Cost of sales

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Qianyang Cement incurred cost of sales of RMB160.24 million, RMB254.54 million, RMB246.14 million and RMB107.82 million, respectively. Cost of sales mainly comprise costs for raw materials, fuel, auxiliary and spare consumables, which are used for the production of cement clinker, depreciation of fixed assets, employee benefits, and water and electricity fees.

During the Relevant Periods, the unit production costs and costs of sales of products of Qianyang Cement tended to be downward annually, mainly due to a decrease in prices of raw materials such as coal, the spreading of fixed costs such as depreciation and amortisation over the sales volume due to expansion of scale, and gradual optimization of main economic and technological indicators for production including coal and electricity consumption.

Gross profit

In consideration of the above factors, for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Qianyang Cement recorded gross profit of RMB45.48 million, RMB96.30 million, RMB93.63 million and RMB36.16 million, respectively, as well as gross margin of 22.11%, 27.45%, 27.56% and 25.12%, respectively.

During the Relevant Periods, for 2012 to 2014, Qianyang Cement implemented technological transformation, optimized production, operation and management procedures, and scaled up its sales operation, therefore decreasing the unit-based product costs, which in return gradually improved its gross margin of sales. As competition intensified in the industry amid the regional contradictions between supply and demand in the cement market during the first half of 2015, the price of cement products remained low. Qianyang Cement's gross margin dropped as compared with the previous year.

Other revenue

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Qianyang Cement recorded other revenue of RMB4.42 million, RMB1.21 million, RMB5.52 million and RMB1.52 million, respectively. Other revenue is mainly derived from benefits due to preferential tax policies.

Selling and marketing costs

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Qianyang Cement incurred selling and marketing costs of RMB13.44 million, RMB22.22 million, RMB23.80 million and RMB9.64 million, respectively, which mainly comprise packaging costs, unloading fees, and other office expenses related to sales.

Administrative expense

For each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Qianyang Cement incurred administrative expense of RMB23.58 million, RMB25.23 million, RMB26.65 million and RMB13.23 million, respectively. The company's administrative expense is mainly comprised of management remuneration, corporate transportation costs, travel reimbursement, and other daily operating overheads.

Profit for the year/period

In consideration of the above reasons, for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, Qianyang Cement recorded profit for the year/period of RMB3.35 million, RMB34.98 million, RMB34.11 million and RMB9.97 million, respectively.

Current assets, financial condition, capital structure and gearing ratio

As of 31 December 2012, 2013 and 2014 and as of 30 June 2015, Qianyang Cement had current assets of RMB137.59 million, RMB91.27 million, RMB78.64 million and RMB106.52 million, respectively.

The current assets of Qianyang Cement mainly comprised (i) inventories; (ii) notes receivable; (iii) prepayments and other receivables; (iv) amount due from related parties; and (v) cash and cash equivalents denominated in RMB.

Qianyang Cement manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the capital balance. Qianyang Cement funds its operations mainly from its share capital, bank loans, and Conch Cement's working capital support from Conch Cement and its subsidiaries.

As of 31 December 2012, 2013 and 2014 and 30 June 2015, Qianyang Cement had outstanding amounts due to related parties (mainly to Conch Cement and its subsidiaries) of RMB507.24 million, RMB398.19 million, RMB376.39 million and RMB519.36 million, which were unsecured, interest-free and repayable on demand.

In October 2015, Conch Cement injected further amount of RMB220 million into Qianyang Cement by virtue of the capitalization of Qianyang Cement's payable due to Conch Cement, thereby increasing the registered capital of Qianyang Cement from RMB270 million to RMB490 million.

As of 31 December 2012, 2013 and 2014, Qianyang Cement also had outstanding bank loans in the amount of RMB149.25 million, which were guaranteed, bore a floating interest rate and were repaid in 2015.

Qianyang Cement had a gearing ratio (which is calculated by dividing the interest-bearing loans net of cash and cash equivalents by the shareholders' equity) of 53.9%, 46.5% and 49.8% as of 31 December 2012, 2013 and 2014, respectively. Qianyang Cement did not have any interest-bearing loans as of 30 June 2015.

Employment and remuneration policy

As of 30 June 2015, Qianyang Cement had 396 employees. The employee remuneration is determined by reference to the performance of the company, professional experience of the employee, work performance and prevailing market conditions. The management will review the employee remuneration policy and package of Qianyang Cement on a regular basis. In addition to pension and mandatory provident fund, Qianyang Cement may provide discretionary bonus to employees with reference to the individual performance.

Contingent liabilities

As of 31 December 2012, 2013 and 2014 and as of 30 June 2015, Qianyang Cement had no significant contingent liabilities.

Pledge of asset

As of 31 December 2012, 2013 and 2014 and as of 30 June 2015, Qianyang Cement had no outstanding pledge of assets or other encumbrances.

Foreign currency exposure

Qianyang Cement conducts its operations mainly in the PRC and does not engage in any foreign exchange business. The financial statements of Qianyang Cement are stated in RMB. As such, Qianyang Cement is not exposed to any significant exchange rate risk and therefore it does not have such hedging policy.

Significant acquisition and disposal

For each of the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015, Qianyang Cement did not have any significant acquisition and disposal of subsidiaries, joint ventures and associates.

Significant investment

For each of the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015, Qianyang Cement did not have any significant investments.

Future plan

Qianyang Cement has no plan to make any significant investments or acquire any significant assets.

5. PROSPECTS OF THE TARGET COMPANIES

With the PRC entering its new normal, the property demand in the region where the Target Companies operate is expected to decline, and the growth in fixed assets investments further slows down, which results in mounting downward pressure on the demand for cement products. Meanwhile, certain investments in rural areas and funds for improvements of infrastructures, such as irrigation, and security housing and shantytowns will continue in the region, which will help to increase the demand for cement products. In the future, the demand for cement products in such region will remain relatively stable.

For the balance on supplies and demands, the government will implement stringent control over new production capacities within the industry and continue to eliminate obsolete production capacities under the principle of replacing obsolete production capacities with the same or less amount. Despite the decreasing new production capacities, supplies continue to be greater than demands in the cement market, resulting in significant imbalance in the region where the Target Companies operate.

As such, in the coming period, the Target Companies will remain competitive in equipment, technologies, costs and otherwise, while benefiting from such favourable factors as the continued decrease in prices of coal and the optimisation of the in-house production units.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

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To the Directors of West China Cement Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of West China Cement Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 June 2015 and related notes as set out on pages IV-4 to IV-8 of the circular issued by the Company dated 31 December 2015 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-4 to IV-8 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisitions, accounted for as a reverse acquisition under International Financial Reporting Standard 3 "Business Combinations", of Qianyang Conch Cement Co., Ltd. (千陽海螺水泥有限責任公司), Baoji Zhongxi Fenghuangshan Cement Co., Ltd. (寶雞眾喜鳳凰山水泥有限公司), Baoji Zhongxi Jinlinghe Cement Co., Ltd. (寶雞市眾喜金陵河水泥有限公司), and Qianxian Conch Cement Co., Ltd. (乾縣海螺水泥有限責任公司) on the Group's financial position as at 30 June 2015 as if the acquisitions had taken place at 30 June 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six-month period ended 30 June 2015, on which a report on review of condensed consolidated financial statements has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 December 2015

INTRODUCTION

The unaudited pro forma financial information ("Unaudited Pro Forma Financial Information") of the Enlarged Group has been prepared to illustrate the effect of the Acquisitions as if the Acquisition had been completed on 30 June 2015.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2015 as extracted from the published interim report of the Company for the six months ended 30 June 2015 issued on 17 August 2015 and the audited statements of financial position of the Target Companies as at 30 June 2015 as extracted from the accountants' reports set out in Appendix II to this Circular, after making pro forma adjustments relating to the Acquisition, as if the Acquisition had been completed on 30 June 2015.

The Unaudited Pro Forma Financial Information of the Enlarged Group is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. A narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the transactions and (ii) factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, the Unaudited Pro Forma Financial Information of the Enlarged Group may not purport to predict what the financial position of the Enlarged Group with the Acquisition would have been upon completion of the Acquisition in any future periods or on any future dates.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group	Baoji HFS	Baoji JLH	Qianxian Cement	Qianyang Cement	Eliminations of inter-company balances among Target Companies	Sub Total	Pro Forma Adjustments				Unaudited Pro Forma For the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*			*(Note 3)*	*(Note 4a)*	*(Note 4b)*	*(Note 5)*	
Non-current assets												
Property, plant and equipment	7,868,464	753,417	389,912	791,308	714,229	—	10,517,330		113,505			10,630,835
Prepaid lease payments	466,520	77,693	23,445	25,318	26,312	—	619,288		158,222			777,510
Mining rights	227,339	32,916	9,562	21,974	8,868	—	300,659					300,659
Other intangible assets	166,898	—	—	—	—	—	166,898		(157,537)	74,142		83,503
Investment in Target Companies	—	—	—	—	—	—	—					—
Deferred tax assets	30,511	4,929	3,820	—	141	—	39,401					39,401
Amount due from non-controlling shareholder of a subsidiary	43,459	—	—	—	—	—	43,459					43,459
	8,803,191	868,955	426,739	838,600	749,550	—	11,687,035					11,875,367
Current assets												
Inventories	527,510	66,851	30,214	31,067	47,650	—	703,292					703,292
Trade and other receivables and prepayments	933,134	39,558	43,073	58,752	45,512	(10,331)	1,109,698					1,109,698
Restricted bank deposits	279,026	310	196	—	301	—	279,833					279,833
Bank balances and cash	1,595,215	14,400	15,088	14,324	13,056	—	1,652,083				(28,652)	1,623,431
	3,334,885	121,119	88,571	104,143	106,519	(10,331)	3,744,906					3,716,254
Total assets	12,138,076	990,074	515,310	942,743	856,069	(10,331)	15,431,941					15,591,621
EQUITY												
Share capital/Issued equity	141,519	108,800	112,376	200,000	270,000	—	832,695	1,660,000		6,270,755		8,763,450
Share premium and reserves	6,019,296	(329,882)	(76,030)	7,327	7,742	—	5,628,453			(6,019,296)	(28,652)	(419,495)
Equity attributable to owners of the Company	6,160,815	(221,082)	36,346	207,327	277,742	—	6,461,148					8,343,955
Non-controlling interests	46,365	—	—	—	—	—	46,365					46,365
Total equity	6,207,180	(221,082)	36,346	207,327	277,742	—	6,507,513					8,390,320

	The Group	Baoji HFS	Baoji JLH	Qianxian Cement	Qianyang Cement	Eliminations of inter-company balances among Target Companies	Sub Total	Pro Forma Adjustments				Unaudited Pro Forma For the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*			*(Note 3)*	*(Note 4a)*	*(Note 4b)*	*(Note 5)*	
LIABILITIES												
Non-current liabilities												
Borrowings	3,000	120,000	130,000	200,000	—	—	453,000					453,000
Senior notes	2,409,827	—	—	—	—	—	2,409,827					2,409,827
Medium-term notes	—	—	—	—	—	—	—					—
Asset retirement obligation	20,509	—	—	—	—	—	20,509					20,509
Deferred tax liabilities	20,649	—	—	22	—	—	20,671					20,671
Deferred income	63,127	2,384	922	1,883	5,293	—	73,609		(63,127)			10,482
	2,517,112	122,384	130,922	201,905	5,293	—	2,977,616					2,914,489
Current liabilities												
Borrowings	851,373	80,000	—	—	—	—	931,373					931,373
Medium-term notes	797,788	—	—	—	—	—	797,788					797,788
Trade and other payables	1,740,494	60,092	40,069	16,523	53,672	—	1,910,850					1,910,850
Income tax payable	24,129	—	—	—	—	—	24,129					24,129
Amounts due to related parties	—	948,680	307,973	516,988	519,362	(10,331)	2,282,672	(1,660,000)				622,672
	3,413,784	1,088,772	348,042	533,511	573,034	(10,331)	5,946,812					4,286,812
Total liabilities	5,930,896	1,211,156	478,964	735,416	578,327	(10,331)	8,924,428					7,201,301
Total equity and liabilities	12,138,076	990,074	515,310	942,743	856,069	(10,331)	15,431,941					15,591,621

Notes:

1. The information of the consolidated financial position of the Company and its subsidiaries (collectively referred to as the "Group") is extracted from the published unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2015.

2. The information of the financial position of Baoji Zhongxi Fenghuangshan Cement Co., Ltd. (寶雞眾喜鳳凰山水泥有限公司 or "Baoji FHS"), Baoji Zhongxi Jinlinghe Cement Co., Ltd. (寶雞市眾喜金陵河水泥有限公司 or "Baoji JLH"), Qianxian Conch Cement Co., Ltd. (乾縣海螺水泥有限責任公司 or "Qianxian Cement") and Qianyang Conch Cement Co., Ltd. (千陽海螺水泥有限責任公司 or "Qianyang Cement") (collectively referred to as the "Target Companies") is extracted from the accountants' reports of the Target Companies as set out in Appendix II of this circular.

3. Pursuant to a debt-to-equity conversion completed on 31 October 2015 between Anhui Conch Cement Co. Ltd ("Conch Cement") and the Target Companies, as a precedent condition for the completion of the Acquisition, Conch Cement converted its receivables due from the Target Companies ("Receivables") into share capital of the Target Companies. For the purpose of preparation of the Unaudited Pro Forma Financial Information as at 30 June 2015, the Receivables were amounting to RMB1,660,000,000.

4. Pursuant to the conditional sale and purchase agreement for the Acquisition, the total contractual consideration of HK$4,593,882,600 (equivalent to RMB3,622,736,000) in respect of acquisition of the entire equity interest in each of (i) Baoji FHS at the consideration of HK$1,465,434,792; (ii) Baoji JLH at the consideration of HK$698,575,918; (iii) Qianxian Cement at the consideration of HK$1,314,287,866 and (iv) Qianyang Cement at the consideration of HK$1,115,584,024, is to be satisfied by the issue of 3,402,876,000 new ordinary shares of the Company to Conch Cement at the issue price of HK$1.35 per share.

   For the purpose of the Unaudited Pro Forma Financial Information, the acquisitions of the Target Companies by the Company will be accounted for as a reverse acquisition under International Financial Reporting Standard 3 "Business Combination" ("IFRS 3") since the issuance of the consideration share (see note 4 above) in exchange of the entire equity interests in the Target Companies will result in Conch Cement, presently holding 21.17% equity interests in the Company, becoming the controlling shareholder of the Company holding 51.57% equity interests upon completion of the Acquisition. For accounting purpose, the Company is deemed to have been acquired by the Target Companies and the Target Companies collectively are deemed as the accounting acquirer.

   The Target Companies will apply the purchase method of accounting for the deemed acquisition of the Group. In applying the purchase method, the consideration deemed to be given by the Target Companies amounted to RMB6,412,274,000 is estimated based on the more reliable measure using the Company's 5,420,808,000 shares in issue as at 30 June 2015 and assumed to be the shares in issue immediately before the Acquisition at their quoted market price of HK$1.50 (equivalent to RMB1.18) as at 30 June 2015 and assume to be the price immediately prior to the Acquisition, as if the Acquisition had been completed on 30 June 2015 ("Deemed Consideration"), and it is subject to finalisation at the date of completion of the Acquisition. The identifiable assets acquired and liabilities assumed of the Group will be recorded on the statement of financial position of the Enlarged Group at their fair values as at the date of completion. Any goodwill arising from the Acquisition represents the excess of the Deemed Consideration over the fair values of the total identifiable net assets of the Group at the date of completion.

   (a) The adjustment represents pro forma purchase price allocation based on the estimated fair values of the identifiable assets and liabilities assumed of the Group as if the Acquisition had been taken place on 30 June 2015.

       For the purpose of preparation of the Unaudited Pro Forma Financial Information, the fair value of the Group's property, plant and equipment and prepaid lease payments of RMB7,981,969,000 and RMB624,742,000, respectively has been estimated based on the valuation results by an independent professional valuer and directors' best estimates as if the Acquisition had been completed on 30 June 2015. In addition, directors do not consider the Group's existing purchased goodwill of

RMB157,537,000 as well as deferred income relating to the government grants of RMB63,127,000 which does not carry performance obligation, as an identifiable asset and liability, respectively, in accordance with the relevant requirement in IFRS 3, and hence assign no fair value to both.

Saved as discussed above, the directors of the Company consider that the carrying amounts of the remaining assets and liabilities of the Group approximate their fair values.

At actual completion of the Acquisition, an assessment of the fair values of the identifiable assets acquired and liabilities assumed of the Group will be undertaken, as result of which the fair value of the identifiable assets acquired and liabilities assumed may be different from these amounts stated above.

(b) The adjustment represents consolidation entries for the elimination of the investment cost of the Target Companies against the share capital and reserves of the Group, and recognition of issued equity and goodwill on consolidation.

For the purpose of preparation of the Unaudited Pro Forma Financial Information and for illustrative purpose, the recognition of goodwill arising from the Acquisition is analysed as follow:

	RMB'000
Deemed Consideration of the Acquisition	6,412,274
Plus: Non-controlling interests	46,365
Less: Assumed fair value of the net identifiable assets of the Group	(6,384,497)
Assumed goodwill arising from the Acquisition	74,142

The adjustment to share capital of RMB6,270,755,000 represents the net effect of (i) the Deemed Consideration of RMB6,412,274,000; and (ii) the elimination of share capital of the Group of RMB141,519,000.

The adjustment to share premium and reserves of RMB6,019,296,000 represents the elimination of reserves of the Group.

Since the quoted market price of the Company's shares at the actual completion date may be different from their price used in preparing this Unaudited Pro Forma Financial Information, and the fair values of the identifiable assets acquired and liabilities assumed of the Group at the actual completion date may be different from the fair values used in preparing this Unaudited Pro Forma Financial Information. Therefore, the goodwill at the actual date of completion may be different from that presented above.

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the directors have assessed if there is any impairment loss on the goodwill arising from the Acquisition in accordance with International Accounting Standard 36 "Impairment of Assets" ("IAS 36"), which is consistent with the Group's accounting policy. The directors are of the view that, after performing the impairment assessment, there is no impairment of the goodwill arising from the Acquisition with the assumed value as set out above. The directors confirmed that they will apply consistent accounting policies to assess impairment of goodwill at least annually in accordance with the requirements of IAS 36 and will disclose in the Group's annual report the basis and assumptions adopted by the directors in the impairment assessment in accordance with the disclosure requirements in IAS 36.

5. The adjustment represents the estimated transaction costs, mainly comprise professional fees, of approximately RMB28,652,000 to be paid by the Company in connection with the Acquisition.

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company (the "**Directors**") collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the interests of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in the Listing Rules, were as follows:

(1) Interests in the Shares of the Company

Long Position

Name of Director	Capacity	Number of Shares	Approximate percentage of issued share capital of the Company
Mr. Zhang Jimin	Interest in controlled corporation and family interest(1)	1,985,541,900	36.63%
Mr. Ma Zhaoyang	Interested in controlled corporation(2)	221,587,950	4.09%

Notes:

(1) 1,756,469,900 Shares are held by Asia Gain which is beneficially and wholly-owned by Mr. Zhang Jimin. 229,072,000 Shares are held by Central Glory Holdings Limited, which is beneficially and wholly-owned by Ms. Zhang Lili, the daughter of Mr. Zhang.

(2) These Shares are held by Techno Faith Investments Limited and Red Day Limited which are beneficially and wholly-owned by Ma Zhaoyang.

(2) Interests in the underlying Shares of the Company — equity derivatives of the Company

Name of Director	**Capacity**	**Number of underlying shares in respect of the Share Options granted to each of them**	**Approximate percentage of issued share capital of the Company**
Mr. Zhang Jimin	Beneficial Owner	10,100,000	0.186%
Dr. Ma Weiping	Beneficial Owner	9,487,500	0.175%
Mr. Ma Zhaoyang	Beneficial Owner	2,262,500	0.042%
Mr. Lee Kong Wai, Conway	Beneficial Owner	2,262,500	0.042%
Mr. Wong Kun Kau	Beneficial Owner	2,262,500	0.042%
Mr. Tam King Ching, Kenny	Beneficial Owner	2,262,500	0.042%

Except as disclosed above, none of the Directors nor the chief executives of the Company or their respective close associates had any interest or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

The register of substantial shareholders required to be kept by the Company under Section 336 of Part XV of the SFO shows that as at the Latest Practicable Date, in addition to the interests disclosed under the paragraph headed "Directors and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares and Debentures of the Company or any Associated Corporation", the Company was notified of the following shareholders' interests and short positions in the Shares and underlying Shares, being interests of 5% or more.

Name of Substantial Shareholders	Capacity	Number of Shares[3]	Approximate percentage of issued share capital in the Company
Conch International	Beneficial owner[1]	4,550,441,970(L)	83.94%
Conch Cement	Interest in a controlled corporation[1]	4,550,441,970(L)	83.94%
安徽海螺集團有限責任公司	Interest in a controlled corporation[1]	4,550,441,970(L)	83.94%
China Conch Venture Holdings Limited	Interest in a controlled corporation[1]	4,550,441,970(L)	83.94%
Asia Gain	Beneficial owner[2]	1,756,469,900(L)	32.40%
Deutsche Bank Aktiengesellschaft	Security interest	259,119,100(L)	4.78%
	Beneficial owner	18,704,000(L)	0.35%
	Interest in a controlled corporation	11,396,000(L)	0.21%
	Beneficial owner	18,665,725(S)	0.34%
	Custodian corporation/approved lending agent	2,716,000(P)	0.05%
Alliance Bernstein L.P.	Beneficial owner	271,122,000(L)	5.01%

Notes:

(1) Conch International is beneficially and wholly-owned by Conch Cement, which is owned as to 36.78% by 安徽海螺集團有限責任公司. 安徽海螺集團有限責任公司 is indirectly controlled by China Conch Venture Holdings Limited. Among the 4,550,441,970 Shares, 1,147,565,970 Shares represent Shares owned by Conch International, and 3,402,876,000 Shares represent the Consideration Shares to be issued at the Acquisition Completion.

(2) Asia Gain is beneficially and wholly-owned by Zhang Jimin.

(3) (L) means long position; (S) means short position; and (P) means lending pool.

Except as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any person or corporation who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

3. FURTHER INFORMATION CONCERNING DIRECTORS

(a) Directors' service contracts

Each of the executive Directors and non-executive Directors of the Company entered into a service contract with the Company for terms of one year and three years which may only 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.

(b) Directors' interest in competing business

As at the Latest Practicable Date, none of the Directors or their respective associate is or was interested in any business apart from the Group's business, which competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business.

(c) Directors interests in assets

Save as disclosed in this circular, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of or leased to any member of the Group or proposed to be so acquired, disposed of or leased since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

(d) Directors interests in contracts

As at the Latest Practicable Date, other than the service contracts of the Directors, there is no other contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

4. MATERIAL ADVERSE CHANGE

As disclosed in the interim report of the Company for the six months ended 30 June 2015, the tough operating environment faced by the Group in the second half of 2014 has continued into the first half of 2015. Sales volumes in Shaanxi Province have seen falls, most significantly in the Xi'an Metropolitan Area and Central Shaanxi region where low demand has led to occasional voluntary production halts by all producers during the first half of 2015. Volumes in Xinjiang Province have remained slow, only registering sales growth due to the addition of new capacity. Group sales volume of cement and clinker in the first half of 2015 were 7.95 million tons, a small decrease from the 8.36 million tons recorded in the first half of 2014. For the first half of 2015, cement average selling prices have remained poor in Central Shaanxi, with a continuation of competitive pricing by all producers.

As disclosed in the profit warning announcement of the Company dated 11 December 2015 (the "**Profit Warning**"): (i) As a result of the fall in the value of the RMB against the US$ in the month of September 2015, as at 31 October 2015, the Group has recorded an unaudited foreign exchange loss of RMB99.7 million, mainly arising from the foreign exchange translation from US$ to RMB of the 2019 senior notes issued by the Company in September 2014. This is compared with a foreign exchange loss of the Group of RMB5.3 million for the year ended 31 December 2014; and (ii) although cement average selling prices have not deteriorated significantly during 2015, they have remained at a low level. As a result, revenue of the Group for the ten months ended October 2015 was RMB2,916.8 million. This is compared with the revenue of the Group of RMB3,883.4 million for the year ended 31 December 2014.

Save as matters disclosed in the interim report of the Company for the six months ended 30 June 2015 and the Profit Warning, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading prospects of the Company since 31 December 2014, the date to which the latest audited financial statements of the Company were made up.

Pursuant to Rule 10 of the Takeovers Code, the Profit Warning constitutes a profit forecast and would need to be reported on by the Company's financial adviser and auditors, and their reports have to be lodged with the Executive. The Profit Warning must be repeated in full together with the reports to be included in the next document sent to the Shareholders as stipulated under Rule 10.4 of the Takeovers Code. However, as contemplated in practice note 2 issued by the Executive, the Profit Warning is permitted to be published without full compliance with Rule 10.4 of the Takeovers Code because the only reason for publication of the Profit Warning is that it is required by the laws and regulations as mentioned above (and is not otherwise proposed to be published by the Company) and the Company has encountered genuine practical difficulties in meeting the reporting requirements set out in the said Rule 10.4 of the Takeovers Code having regard to the legal obligations to publish the Profit Warning as soon as practicable.

In compliance with the Takeovers Code, the Profit Warning will be reported on as soon as reasonably practicable and the relevant reports as required under Rule 10.4 of the Takeovers Code will be included in the Composite Document (as defined in the Joint Announcement dated 27 November 2015) in relation to the Offers to be made by the Offeror.

WARNING: The Shareholders and potential investors in the Company should note that the Profit Warning does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors should exercise caution in placing reliance on the Profit Warning in assessing the merits and demerits of the Transaction, the Offers and other transactions disclosed in the Joint Announcements and/or when dealing in the securities of the Company.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Group within the two years preceding the Latest Practicable Date and are or may be material:

(1) the Acquisition Agreement;

(2) the Supplemental Agreement;

(3) a subscription agreement dated 18 June 2015 and entered into between the Company and Conch International, in relation to the subscription of Shares by Conch International at a total consideration of HK$1,526,860,869.30; and

(4) a purchase agreement dated 4 September 2014 and entered into between, among others, the Company, the subsidiaries of the Company, Credit Suisse Securities (Europe) Limited and Nomura International PLC, in relation to the offer and sale of the senior notes issued by the Company in the aggregate principal amount of US$400 million.

7. GENERAL

(a) The registered office of the Company is at 47 Esplanade, St Helier, Jersey JE1 0BD.

(b) The headquarters of the Company in the PRC is at Yaobai R&D Training Center, No. 336 4th Shenzhou Road, Aerospace Industrial Base, Chang'an District, Xi'an, Shaanxi Province, PRC.

(c) The principal place of business of the Company in Hong Kong is at 10/F, Wharf T&T Centre, Harbour City, 7 Canton Road, Tsim Sha Tsui, Hong Kong.

(d) The Company's Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited, which is situated at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The company secretary of the Company is Mr. Chan King Sau *HKICPA*.

(f) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text for the purpose of interpretation.

8. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualifications of the experts whose advises and/or letter and/or reports are contained in this circular:

Name	**Qualifications**
Guotai Junan Capital Limited ("**Guotai Junan**")	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu ("**Deloitte**")	Certified public accountants
KPMG	Certified public accountants

Each of Guotai Junan, Deloitte and KPMG has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its advice and/or letter and/or report and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Guotai Junan, Deloitte and KPMG did not have any shareholding in any member of the Group and did not have any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of Guotai Junan, Deloitte and KPMG had any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up).

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on a business day in Hong Kong at the principal place of business of the Company in Hong Kong at 10/F, Wharf T&T Centre, Harbour City, 7 Canton Road, Tsim Sha Tsui, Hong Kong, from the date of this circular to the date of the EGM.

(a) the Memorandum and the Articles of Association of the Company;

(b) the Acquisition Agreement and the Supplemental Agreement;

(c) the service contracts referred to in the paragraph headed "Directors' service contracts" in this appendix;

(d) the material contracts referred in the paragraph headed "Material contracts" in this appendix;

(e) the annual report of the Company for the two years ended 31 December 2013 and 2014;

(f) the circular dated 27 April 2015 issued by the Company;

(g) this circular;

(h) the Letter from the Board;

(i) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 29 to 30 of this circular;

(j) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 31 to 61 of this circular;

(k) the report from KPMG in respect of the financial information of Baoji FHS, the text of which is set out in Appendix II-A to this circular;

(l) the report from KPMG in respect of the financial information of Baoji JLH, the text of which is set out in Appendix II-B to this circular;

(m) the report from KPMG in respect of the financial information of Qianxian Cement, the text of which is set out in Appendix II-C to this circular;

(n) the report from KPMG in respect of the financial information of Qianyang Cement, the text of which is set out in Appendix II-D to this circular;

(o) the report from Deloitte in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular; and

(p) the written consents referred to in the paragraph headed "Experts qualifications and consent" in this appendix.

西部水泥

WEST CHINA CEMENT LIMITED
中國西部水泥有限公司

(Incorporated in Jersey with limited liability, with registered number 94796)

(Stock Code: 2233)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**Meeting**") of West China Cement Limited (the "**Company**") will be held on Tuesday, 19 January 2016 at 10:00 a.m. at Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong, for the purpose of considering and, if though fit, to pass with or without amendments the following ordinary resolutions:

ORDINARY RESOLUTION

"**THAT**

(a) the Acquisition Agreement and the Supplemental Agreement (each as defined in the circular of the Company dated 31 December 2015 (the "**Circular**"), a copy of which has been produced to the meeting marked "A" and "B", respectively, and initialed by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder including, without limitation, the Transaction (as such terms are defined in the Circular) be and are hereby approved, confirmed and ratified;

(b) conditional upon The Stock Exchange of Hong Kong Limited granting the listing of, and the permission to deal in, the Consideration Shares, the directors (the "**Directors**") of the Company be and are hereby generally and specifically authorised to allot and issue such number of ordinary shares of the Company (the "**Specific Mandate**"), initially up to 3,402,876,000 new ordinary shares of the Company (the "**Consideration Shares**") at the issue price of HK$1.35 each; and the Specific Mandate for the allotment and issue of the Consideration Shares is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and

(c) the Directors be and are hereby authorised to perform all such acts, deeds and things and execute all documents as they consider necessary or expedient to effect and implement the Acquisition Agreement, the Supplemental Agreement and the transactions contemplated thereunder and the amendments thereto which are not material in the context of the entire Transaction as a whole. For the avoidance of doubt, all such acts, deeds and things and such documents to be performed or executed are limited to acts, deeds, things and documents that are ancillary to the Acquisition Agreement and the transactions contemplated thereunder and of administrative nature."

By order of the Board
West China Cement Limited
Zhang Jimin
Chairman

Hong Kong, 31 December 2015

As at the date of this notice, the executive Directors are Mr. Zhang Jimin, Dr. Ma Weiping; the non-executive Directors are Mr. Ma Zhaoyang, Mr. Qin Hongji and Ms. Liu Yan; and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Wong Kun Kau and Mr. Tam King Ching, Kenny.

Registered Office:
47 Esplanade
St Helier
Jersey JE1 0BD

Principal place of business in Hong Kong:
10/F, Wharf T&T Centre
Harbour City
7 Canton Road
Tsim Sha Tsui
Hong Kong

Notes:

1. Unless otherwise defined herein, capitalised terms used in this notice shall have the same meaning as those used in the circular of the Company dated 31 December 2015.

2. Any member entitled to attend and vote at the Meeting is entitled to appoint one or, if he is the holder of two or more shares, one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

3. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the offices of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the commencement of the above meeting or any adjournment thereof.

4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

5. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. For the purpose of ascertaining and determining the entitlement of Shareholders to attend and vote at the Meeting, the transfer books and register of members of the Company will be closed from 18 January 2016 to 19 January 2016, both days inclusive, during which period no transfer of Shares in the Company will be effected. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Friday, 15 January 2016.