安徽海螺水泥股份有限公司

ANHUI CONCH CEMENT COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00914)

Results for the year ended 31 December 2017

Revenue of the Company for the year 2017 amounted to approximately RMB75,310.82 million (in accordance with the International Financial Reporting Standards ("IFRSs")), representing an increase of 34.65% over that of 2016.

Net profit attributable to equity shareholders of the Company for the year 2017 amounted to approximately RMB15,898.69 million (in accordance with the IFRSs), representing an increase of 85.43% over that of 2016.

Earnings per share for the year 2017 were RMB3.00 (in accordance with the IFRSs), representing an increase of 85.43% over that of 2016.

Unless otherwise stated, the currency unit in this announcement is Renminbi ("RMB"), the lawful currency of the People's Republic of China ("PRC"). Unless otherwise stated, the financial information in this announcement is prepared in accordance with the China Accounting Standards for Business Enterprises (2006) ("PRC Accounting Standards").

I. Basic Corporate Information of the Company

1. Basic information

Company Name	Anhui Conch Cement Company Limited ("the Company", together with its subsidiaries , the "Group")
A Shares stock abbreviation	Conch Cement
A Shares stock code	600585
Exchange on which A shares ("A Shares") are listed	The Shanghai Stock Exchange ("SSE")
H Shares stock code	00914
Exchange on which H shares ("H Shares") are listed	The Stock Exchange of Hong Kong Limited ("Stock Exchange")

2. Contact persons and means of contact

Title	**Joint Company Secretary**	**Securities affairs representative**
Name	Zhou Bo	Liao Dan
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E-mail address	dms@chinaconch.com	dms@chinaconch.cn

II. Summary of Accounting Data and Operation Information

1. Financial Summary prepared in accordance with the IFRSs for the year ended 31 December

(Unit: RMB'000)

Item	2017	2016	2015	2014	2013
Revenue	75,310,820	55,931,901	50,976,036	60,758,501	55,261,677
Net profit attributable to equity shareholders of the Company	15,898,689	8,573,868	7,538,700	10,980,917	9,389,298
Total assets	122,142,585	109,514,121	105,781,392	102,253,097	93,094,480
Total liabilities	30,453,291	29,536,289	32,236,883	33,026,013	34,692,721

2. Accounting data prepared in accordance with the PRC Accounting Standards (major accounting data and financial indicators for the preceding three years)

Table 1: *(Unit: RMB'000)*

Item	2017	2016	Year-on-year change (%) between 2017 and 2016	2015
Revenue	75,310,820	55,931,901	34.65	50,976,036
Profit before taxation	21,228,756	11,653,206	82.17	10,039,397
Net profit attributable to equity shareholders of the Company	15,854,670	8,529,917	85.87	7,516,385

Net profit after extraordinary items attributable to equity shareholders of the Company	14,077,866	7,680,938	83.28	5,301,375
Basic earnings per share (RMB/share)	2.99	1.61	85.87	1.42
Diluted earnings per share (RMB/share)	2.99	1.61	85.87	1.42
Basic earnings per share after extraordinary items (RMB/share)	2.66	1.45	83.28	1.00
Diluted return on net assets (%)	17.73	11.13	Increased by 6.60 percentage points	10.66
Weighted average return on net assets (%)	19.12	11.59	Increased by 7.53 percentage points	11.03
Diluted return on net assets after extraordinary items (%)	15.75	10.03	Increased by 5.72 percentage points	7.52
Weighted average return on net assets after extraordinary items (%)	16.97	10.44	Increased by 6.53 percentage points	7.78
Net cash flow generated from operating activities	17,363,027	13,196,752	31.57	9,908,174
Net cash flow per share generated from operating activities (RMB/share)	3.28	2.49	31.57	1.87

Table 2: *(Unit: RMB'000)*

Item	**As at 31 December 2017**	**As at 31 December 2016**	**Year-on-year change (%) between 2017 and 2016**	**As at 31 December 2015**
Total assets	122,142,585	109,514,121	11.53	105,781,392
Total equity attributable to equity shareholders of the Company	89,406,295	76,608,921	16.70	70,491,888
Net assets per share attributable to equity shareholders of the Company (RMB/share)	16.87	14.46	16.70	13.30

Ⅲ. Shareholders

1. Shareholders

(1) As at 31 December 2017, the total number of registered shareholders of the Company was 76,040 of which 106 were registered holders of H Shares. As at 28 February 2018, the total number of registered shareholders of the Company was 87,082 of which 96 were registered holders of H Shares.

(2) As at 31 December 2017, the shareholdings of the top 10 registered shareholders of the Company are set out as follows:

No.	Name of shareholder	Nature of shareholder	Number of shares held as at 31 December 2017 (share)	Percentage of shareholding (%)	Class of shares
1	Anhui Conch Holdings Co., Ltd.("Conch Holdings")(Note 1)	State-owned legal person	1,928,870,014	36.40	A Share
2	HKSCC Nominees Limited (Note 2)	Foreign legal person	1,298,207,634	24.50	H Share
3	Anhui Conch Venture Investment Co., Ltd.("Conch Venture") (Note 1)	Domestic non-state-owned legal person	248,447,888	4.69	A Share
4	China Securities Finance Corporation Limited	State-owned legal person	210,090,110	3.96	A Share
5	Hong Kong Securities Clearing Company Limited	Foreign legal person	136,236,371	2.57	A Share
6	Central Huijin Asset Management Ltd.	State-owned legal person	70,249,600	1.33	A Share
7	Bank Negara Malaysia	Others	31,852,495	0.60	A Share
8	FIL Investment Management (Hong Kong) Limited – Customer Funds	Others	23,061,806	0.44	A Share
9	GIC PRIVATE LIMITED	Others	18,550,800	0.35	A Share
10	T. Rowe Price – Customer Funds	Others	16,535,547	0.31	A Share

Notes:

(1) During the Reporting Period, Conch Holdings decreased its shareholding in the Company by 19,999,913 shares, representing approximately 0.38% of the total share capital of the Company, details of which were set out in the announcement of the Company dated 1 December 2017 published on the SSE's website; Conch

Venture and its concert party Wuhu Conch Property Management Co., Ltd. decreased their shareholdings in the Company by 49,999,928 shares, representing approximately 0.94% of the total share capital of the Company, details of which were set out in the announcement of the Company dated 21 November 2017 published on the SSE's website. The shares held by Conch Holdings were not subject to any pledge, freezing order or trust. 45,000,000 shares of the Company held by Conch Venture were pledged to Guoyuan Securities Company Limited during the Reporting Period for a term of one year, details of which were set out in the announcement of the Company dated 2 June 2017 published on the SSE's website.

(2) As at 31 December 2017, HKSCC Nominees Limited held 1,298,207,634 H Shares of the Company, representing 24.50% of the total share capital of the Company, and 99.89% of the total number of H Shares issued by the Company.

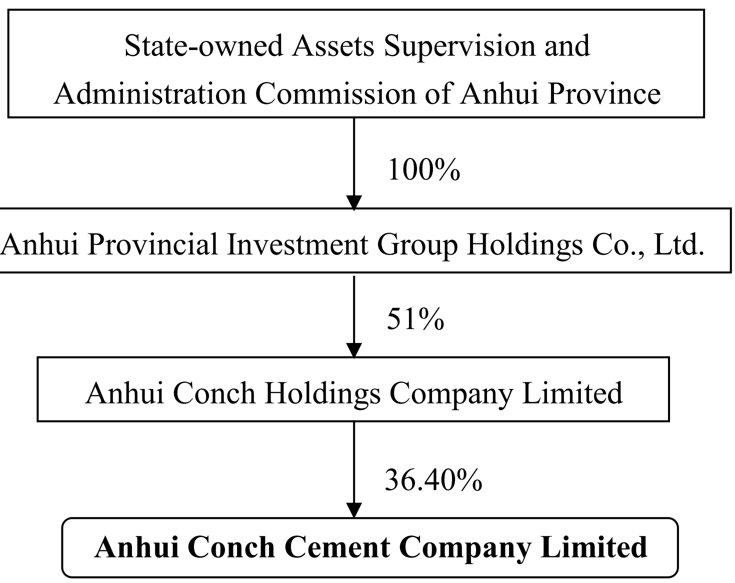
(3) All the above shares are floating shares not subject to trading restrictions.

(4) The board ("Board") is not aware of any connected relationship or acting in concert relationship among the above-mentioned shareholders.

2. Information on the controlling shareholder and de facto controller

During the Reporting Period, there was no change in the controlling shareholder or de facto controller of the Company.

As at 31 December 2017, Conch Holdings was the controlling shareholder of the Company and State-owned Assets Supervision and Administration Commission of Anhui Province was the de facto controller of the Company. The shareholding relationship structure between the Company and its de facto controller is set out as follows:



3. Purchase, sale or redemption of listed securities

During the Reporting Period, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

IV. Interests of directors, supervisors and chief executive in share capital

During the Reporting Period, none of the directors ("Directors"), supervisors and chief executive of the Company and their respective spouses and children under the age of 18 had any interests and/or short positions in shares, underlying shares, debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), nor had they been granted any rights to subscribe for or exercised the above rights to subscribe for shares or debentures of the Company or its associated corporation as defined in Part XV of the SFO. Such interests or short positions shall be recorded in the register required to be kept and prepared by the Company under Section 352 of the SFO; or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under Appendix 10 to the Rules Governing the Listing of Securities of the Stock Exchange ("HKSE Listing Rules").

V. Corporate Governance

During the Reporting Period, the Company complied with all the code provisions as set out in the Corporate Governance Code and the Corporate Governance Report in Appendix 14 to the HKSE Listing Rules.

VI. Review of Annual Report

The financial report and results announcement of the Company for year 2017 have been reviewed by the audit committee of the Board. All of the Directors agree and acknowledge their individual and joint responsibility for preparing the accounts as contained in the financial report for the year under review. The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the financial performance, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2017, applicable accounting policies have been adopted and applied consistently.

VII. Management Discussion and Analysis

ANALYSIS ON THE OPERATIONAL CONDITIONS FOR 2017

(1) Overview of operation development

In 2017, the Group overcame a number of adverse factors including rising prices of raw materials and fuel and great changes in the market conditions and seized the favorable opportunities arising from the State's further deepening of supply-side structural reform and the promotion of off-peak season production. By strengthening research and analysis on the market supply-and-demand condition and adhering to the marketing strategy of "one policy for one region, one policy for one plant and implementation of differential policies", the Company achieved stable increase in sales volume and significant increase in product price. The Group made bulk procurement of raw materials and fuel and optimized resource allocation, thereby effectively controlling procurement costs. Moreover, the Group strengthened indicator management and control over production and operation, leading to continued improvement of operation quality and substantial improvement in operating results.

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue generated from its principal activities amounted to RMB73.592 billion, representing an increase of 34.22% from that for the corresponding period of last year; the net profit attributable to equity shareholders of the Company amounted to RMB15.855 billion, representing an increase of 85.87% from that for the corresponding period of last year; and earnings per share was RMB2.99, representing an increase of RMB1.38 per share from that for the corresponding period of last year. In accordance with the IFRSs, the revenue amounted to RMB75.311 billion, representing an increase of 34.65% from that for the corresponding period of last year; the net profit attributable to equity shareholders of the Company amounted to RMB15.899 billion, representing an increase of 85.43% from that for the corresponding period of last year; and earnings per share was RMB3.00.

During the Reporting Period, the Group continued to promote the construction and mergers and acquisitions of domestic projects. Eight cement grinding units, including Quanjiao Conch Cement Co., Ltd., Anhui Xuancheng Conch Cement Co., Ltd. and Nantong Conch Cement Co., Ltd., had successfully completed construction and been put into operation. The aggregates projects of Pingliang Conch Cement Co., Ltd. and Jining Conch Cement Co., Ltd. and the commercial concrete project of Zunyi Haihui New Materials Co., Ltd. had completed construction and been put into operation. After the acquisition of Shaanxi Tongchuan Phoenix Cement Ltd., the production capacity of clinker, cement and aggregates of the Group increased by 1.80 million tonnes, 2.20 million tonnes and 2.00 million tonnes respectively. The Group also acquired the minority interests of five subsidiaries of the Company in Guizhou Province.

Meanwhile, the Group proactively pushed forward the construction of overseas projects. Phase two of the Merak grinding mill project in Indonesia had completed construction and been put into production. The main construction for the cement projects of PT Conch North Sulawesi Cement ("North Sulawesi Conch") of Indonesia and Battambang Conch Cement Co., Ltd. ("Battambang Conch") of Cambodia had completed, and it is estimated that these projects will be put into operation in 2018; the projects of Luang Prabang Conch Cement Co., Ltd. ("Luang Prabang Conch") of Laos had entered the peak construction phase. The preliminary works for the projects of Conch Cement Volga Co., Ltd. ("Volga Conch") of Russia, Vientiane of Laos and Mandalay of Myanmar had made smooth progress.

As at the end of the Reporting Period, the production capacity of clinker, cement, aggregates and commercial concrete of the Company amounted to 246 million tonnes, 335 million tonnes, 28.90 million tonnes and 0.6 million cubic meters respectively.

Adhering to the sustainable development approach, the Group continued to strengthen environmental management and push ahead technology improvement in respect of energy conservation and environmental protection. The Group carried out upgrade and improvement of the SNCR denitration technology and explored and developed effective desulphurization technology, so as to ensure the discharge of pollutants such as NOX and SO2 meets the specified standards. The Group continued to implement technology improvement on the cement roller presses, decomposition furnaces of clinker production lines and raw mill's three-fan systems, and achieved positive results in energy conservation and emission reduction. In order to implement the low-carbon development strategy advocated by the government, the Baimashan Cement Plant of the Group piloted the construction of the "Demonstration Project for Collection and Purification of CO2 from the Smoke Emitted by Cement Kilns", which had been expected to be put into operation in the first half year of 2018, with an aim to lower carbon emission and perform our social responsibility as a major enterprise. For detailed description of major measures taken by the Group to comply with the environmental protection policies and regulations and perform its environmental protection responsibility, please refer to the 2017 Social Responsibility Report of the Company, which will be published on the websites of the SSE, the Stock Exchange and the Company on the same day as the publication of the 2017 annual report of the Company.

(2) Major operational information during the Reporting Period

1. Analysis of revenue and cost

Principal activities by industry, product and region

Principal activities by industry						
Industry	Operating revenue (RMB'000)	Operating cost (RMB'000)	Gross profit margin (%)	Year-on-year change in operating revenue (%)	Year-on-year change in operating cost (%)	Year-on-year change in gross profit margin (%)
Building material industry	73,592,382	47,399,107	35.59	34.22	28.73	Increased by 2.74 percentage points
Principal activities by product						
Product	Operating revenue (RMB'000)	Operating cost (RMB'000)	Gross profit margin (%)	Year-on-year change in operating revenue (%)	Year-on-year change in operating cost (%)	Year-on-year change in gross profit margin (%)
42.5-grade cement [Note 1]	45,022,595	29,265,306	35.00	48.00	41.71	Increased by 2.89 percentage points
32.5-grade cement	20,602,198	12,796,363	37.89	19.28	18.30	Increased by 0.52 percentage point
Clinker	7,267,280	5,084,557	30.03	7.25	-1.40	Increased by 6.14 percentage points
Aggregate and carpolite	699,018	251,820	63.98	92.78	28.90	Increased by 17.86 percentage points

Commercial concrete	1,291	1,061	17.80	-	-	-
Principal activities by region						
Region	Operating revenue (RMB’000)	Operating cost (RMB’000)	Gross profit margin (%)	Year-on-year change in operating revenue (%)	Year-on-year change in operating cost (%)	Year-on-year change in gross profit margin (%)
East China Note 2	21,594,042	13,901,112	35.63	42.13	31.93	Increased by 4.97 percentage points
Central China Note 3	23,517,202	15,027,011	36.10	45.71	41.06	Increased by 2.11 percentage points
South China Note 4	10,357,145	6,158,398	40.54	8.90	2.24	Increased by 3.87 percentage points
West China Note 5	15,764,536	10,555,274	33.04	33.86	30.90	Increased by 1.51 percentage points
Overseas and export	2,359,457	1,757,312	25.52	6.78	13.76	Decreased by 4.57 percentage points

Notes:
1. *The 42.5-grade cement includes cement of grade 42.5 and above;*
2. *East China mainly includes Jiangsu, Zhejiang, Shanghai, Fujian and Shandong;*
3. *Central China mainly includes Anhui, Jiangxi and Hunan;*
4. *South China mainly includes Guangdong and Guangxi;*
5. *West China mainly includes Sichuan, Chongqing, Guizhou, Yunnan, Gansu, Shaanxi and Xinjiang.*

Sales by industry

During the Reporting Period, the Group realized an aggregate net sales volume of cement and clinker of 295 million tonnes, representing a year-on-year growth of 6.6%, of which the sales volume of self-produced products amounted to 290 million tonnes. Due to a substantial rise in product composite selling prices, the consolidated gross profit margin recorded a year-on-year increase of 2.74 percentage points to 35.59%, among which, the consolidated gross profit margin of products produced and marketed by the Group increased by 3.43 percentage points year-on-year to 36.27%.

Sales by type of products

The gross profit margins of the 42.5-grade cement, the 32.5-grade cement and the clinker increased by 2.89 percentage points, 0.52 percentage point and 6.14 percentage points year-on-year respectively. The consolidated gross profit margin of aggregate and carpolite increased by 17.86 percentage points year-on-year to 63.98%, which was mainly attributable to the significant increase in product selling price as a result of further improvement in the aggregate market supply-and-demand condition due to the efforts by the national and local governments to strengthen the management of mineral resources.

Sales by region

During the Reporting Period, sales amount of the Group increased by varying degrees between regions due to an increase in both composite selling price and sales volume of products.

In East China and **Central China**, through market operation, the Company achieved growth in sales volume and significant increase in prices, recording a year-on-year increase in sales amount of 42.13% and 45.71% respectively and a year-on-year increase in gross profit margins of 4.97 and 2.11 percentage points respectively.

In South China, the Company took proactive initiatives in response to the effect of new production capacity, with slight decrease in sales volume and increase in prices, resulting in a year-on-year increase in sales amount of 8.90% and a year-on-year increase in gross profit margin of 3.87 percentage points.

In West China, the Company seized the favorable opportunity arising from increasing market demand and promotion of off-peak season production due to the seasonal characteristics of the industry to achieve steady increase in both sales volume and prices, recording a year-on-year increase in sales amount of 33.86% and a year-on-year increase in gross profit margin of 1.51 percentage points.

Affected by the increasing demand from the domestic market and periodic shortage in clinker resources, the Group recorded year-on-year decrease in export sales volume and sales amount of 27.56% and 9.11% respectively. With the commencement of operation of overseas projects and continued sales market network improvement, the sales volume of overseas project companies recorded a year-on-year increase of 82.76% and the sales amount increased by 81.90% year-on-year.

2. Profit analysis

Major items in the income statement prepared in accordance with

the PRC Accounting Standards

Item	Amount		Change from that of the corresponding period of last year (%)
	2017 (RMB'000)	2016 (Restated) (RMB'000)	
Revenue from principal activities	73,592,382	54,830,637	34.22
Profit from operations	20,825,298	10,867,100	91.64
Profit before taxation	21, 228,756	11,653,206	82.17

Net profit attributable to equity shareholders of the Company	15, 854,670	8,529,917	85.87

Note: In accordance with the relevant regulations under the "Notice on Revision of the General Format of Financial Statements of Business Enterprises" (Caikuai [2017] No.30) issued by the Ministry of Finance, the Company has restated the figures on its financial statements for the year 2016.

During the Reporting Period, benefitting from the growth in product sales volume, rise in product prices and increase in investment income, the Group's profit from operations, profit before taxation and net profit attributable to equity shareholders of the Company recorded a year-on-year increase of 91.64 %, 82.17 % and 85.87 % respectively.

During the Reporting Period, the Group received investment income of RMB1.860 billion from disposal of its equity interests in several listed companies within the same industry.

3. Analysis of costs and expenses

Consolidated costs of cement and clinker in 2017 and their year-on-year changes

Item	2017		2016		Change in unit costs (%)	Change in costs proportion (percentage points)
	Unit costs (RMB/ tonne)	Percent -age (%)	Unit costs (RMB/ tonne)	Percen- tage (%)		
Raw materials	27.83	17.42	22.88	17.30	21.63	0.12
Fuel and power	98.71	61.78	78.30	59.19	26.07	2.59
Depreciation expense	12.52	7.84	12.55	9.49	-0.24	-1.65
Labor cost and others	20.70	12.96	18.55	14.02	11.59	-1.06
Total	**159.76**	**100**	**132.28**	**100.00**	**20.77**	**-**

During the Reporting Period, the consolidated costs of the Company increased by 20.77% or RMB27.48/tonne year-on-year to RMB159.76/tonne, which was mainly due to the substantial increase in purchasing price of raw coal.

Changes in major expense items prepared in accordance with the PRC Accounting Standards

Expenses for the period	2017 amount (RMB'000)	2016 amount (RMB'000)	As a percentage of revenue from principal activities for the Reporting Period (%)	As a percentage of revenue from principal activities for the same period last year (%)	Change in percentage of revenue from principal activities (percentage points)

Selling expenses	3,571,930	3,276,414	4.85	5.98	-1.13
Administrative expenses	3,459,690	3,143,600	4.70	5.73	-1.03
Financial expenses (net)	215,620	336,857	0.29	0.61	-0.32
Total	**7, 247,240**	**6,756,871**	**9.84**	**12.32**	**-2.48**

During the Reporting Period, the Group's financial expenses decreased by 35.99% year-on-year, mainly due to a year-on-year decrease in interest expenses as a result of the repayment of the corporate bonds with a principal amount of RMB7 billion that were already due by the Group last year.

During the Reporting Period, the Group's selling, administrative and financial expenses in aggregate as a percentage to revenue generated from principal activities was 9.84%, having decreased by 2.48 percentage points as compared to the corresponding period of last year. The decrease was mainly attributable to the increase in revenue from principal activities. The Group's selling, administrative and financial expenses in aggregate per tonne was RMB24.56/tonne, basically the same as that of the corresponding period last year.

4. Financial position

Asset and liability overview

Changes in assets and liabilities prepared in accordance with the PRC Accounting Standards

Item	**31 December 2017 (RMB'000)**	**31 December 2016 (RMB'000)**	**Change as at the end of the Reporting Period as compared to those at the beginning of the year (%)**
Fixed assets	59,667,633	62,278,022	-4.19
Current and other assets	62,474,952	47,236,099	32.26
Total assets	122,142,585	109,514,121	11.53
Current liabilities	21,114,303	17,049,224	23.84
Non-current liabilities	9,064,175	12,166,126	-25.50
Total liabilities	30,178,478	29,215,350	3.30
Minority interests	2,557,812	3,689,850	-30.68
Equity attributable to equity shareholders of the Company	89,406,295	76,608,921	16.70
Total liabilities and equity	**122,142,585**	**109,514,121**	**11.53**

As at the end of the Reporting Period, the Group's total assets prepared in accordance with the PRC Accounting Standards amounted to RMB122,143 million, representing an increase of 11.53%. Total liabilities amounted to RMB30,178 million representing an increase of 3.30% as compared to those at the end of the previous year; in which the current liabilities amounted to RMB21,114 million, representing an increase of 23.84% as compared to those at the end of the previous year; and non-current liabilities amounted to RMB9,064 million, representing a decrease of 25.50% as compared to those at the end of the previous year, which was mainly due to the transfer of the corporate bonds due within one year to the current liabilities. As at 31 December 2017, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 24.71%, representing a decrease of 1.97 percentage points as compared to that at the end of the previous year.

Please refer to note 12 to the financial statements prepared in accordance with the PRC Accounting Standards for information on the contingent liabilities of the Group.

As at the end of the Reporting Period, equity attributable to equity shareholders of the Company amounted to RMB89.406 billion, representing an increase of 16.70% as compared to that at the end of the previous year; equity attributable to minority shareholders amounted to RMB2.558 billion, representing a decrease of 30.68% as compared to that of the previous year; as at the end of the Reporting Period, net assets per share attributable to equity shareholders of the Company amounted to RMB16.87, representing an increase of RMB2.41/share as compared to that at the end of the previous year.

As at 31 December 2017, the total current assets and total current liabilities of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB45.953 billion and RMB21.114 billion respectively, with a current ratio of 2.18:1 (corresponding period last year: 1.72:1). The year-on-year increase in current ratio was mainly due to the increase in current assets including cash balance and notes receivable. The total current assets and total current liabilities of the Group prepared in accordance with the IFRSs amounted to RMB46.024 billion and RMB21.114 billion respectively, with net gearing ratio of 0.04 (corresponding period last year: 0.10). Net gearing ratio was calculated as follows: interest-bearing liabilities minus cash and cash equivalents divided by shareholders' equity.

Liquidity and source of funds

Maturity analysis of bank loans and other borrowings of the Group as at the end of the Reporting Period is as follows:

	As at 31 December 2017 (RMB'000)	**As at 31 December 2016 (RMB'000)**
Due within 1 year	3,120,771	2,037,987
Due after 1 year but within 2 years	2,616,794	2,209,147
Due after 2 years but within 5 years	1,590,715	2,883,278
Due after 5 years	652,972	354,825
Total	**7,981,252**	**7,485,237**

As at the end of the Reporting Period, the Group's aggregate bank borrowings were

RMB7,981 million, representing an increase of RMB496 million as compared to those at the beginning of the year. The increase was mainly attributable to the additional borrowings of some of the Group's overseas subsidiaries during the Reporting Period. Please refer to note 8 in the financial report prepared in accordance with the PRC Accounting Standards for information on the borrowings bearing fixed interest rate.

Save for the aforesaid borrowings, the Group had outstanding corporate bonds in a principal amount of RMB6.0 billion, of which RMB2.5 billion would be due within 1 year and RMB3.5 billion would be due after 2 years but within 5 years.

During the Reporting Period, the Group's source of funding was mainly the net cash flow generated from operating activities and the cash flow generated from realization of investment.

Analysis of cash flow

Comparison of net cash flow prepared in accordance with the PRC Accounting Standards

	2017 (RMB'000)	2016 (RMB'000)	Changes (%)
Net cash flows generated from operating activities	17,363,027	13,196,752	31.57
Net cash flows generated from investment activities	-5,202,648	-4,552,247	-14.29
Net cash flows generated from financing activities	-7,499,608	-7,150,950	-4.88
Effect of exchange rate movement on cash and cash equivalents	-31,406	20,978	-249.71
Net increase in cash and cash equivalents	4,629,365	1,514,533	205.66
Balance of cash and cash equivalents at the beginning of the year	5,799,567	4,285,034	35.34
Balance of cash and cash equivalents at the end of the year	10,428,932	5,799,567	79.82

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB17.363 billion, representing an increase of RMB4.166 billion as compared to that of last year. Such increase was mainly due to the increase in the Group's operating revenue.

During the Reporting Period, the Group's net cash outflows from investment activities increased by RMB650 million as compared to that of last year, mainly due to the increase in the Group's term deposits with a maturity of over three months and the expenditure of wealth management funds.

During the Reporting Period, the Group's net cash outflows from financing activities increased by RMB349 million as compared to that of last year, primarily attributable to the increase in cash payment for acquiring minority interests by the Group.

5. Capital expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB6.485 billion, which was primarily used in the investment in construction of cement and clinker production lines, the residual heat electricity generation projects and the aggregate projects as well as the expenditure in merger and acquisition of projects.

As at the end of the Reporting Period, capital commitments in respect of the purchase of machinery and equipment for production that were committed but have not been provided for in the accounts are set out as follows:

	As at 31 December 2017 (RMB'000)	**As at 31 December 2016 (RMB'000)**
Authorized and contracted for	972,831	2,057,963
Authorized but not contracted for	1,829,774	3,062,212
Total	**2,802,605**	**5,120,175**

OUTLOOK FOR 2018

2018 is a critical transitional year for the implementation of the "Thirteenth Five-year Plan". It is expected that the PRC government will adhere to the main theme of "making steady progress while maintaining stability" and continue to implement proactive fiscal policy and prudent monetary policy, so as to promote the sustainable and healthy development of the economy and society. A year-on-year GDP growth rate of about 6.5% is anticipated. (Source: Government Work Report of 2018)

In 2018, it is expected that China will continue to implement the strategy of regional coordinated development by promoting the construction and development of urban agglomerations such as the Yangtze River Economic Belt, Xiong'an New Area and Guangdong-Hong Kong-Macau Greater Bay Area, continuing to push forward the development of Western China and boosting the development of Central China, with an aim to achieve a relatively balanced development of infrastructure and basic public services among these regions, thus maintaining investments in infrastructure at a high and stable level. The construction area and land acquisition area of real estate both maintained a growing trend in 2017, which is expected to continue in 2018, providing strong support for the cement market demand. At the same time, it is expected that China will continue to deepen the supply-side structural reform and eliminate excessive capacities and backward capacities by insisting on adopting approaches based on market mechanism and the rule of law as well as strictly implementing the regulations and standards in terms of environmental protection, quality and safety, etc. Coupled with the continuous promotion of off-peak season production and the continuous implementation of industry consolidation and restructuring, the market concentration will steadily increase and the business environment of the industry will be constantly improved.

In an active response to the national initiative of "The Belt and Road", the Group will proactively and prudently promote its internationalization development strategies, and further improve the operational quality of its projects in operation including PT Conch South Kalimantan Cement, PT Conch Cement Indonesia and Myanmar Conch Cement Co., Ltd. The Group will make efforts to push ahead with the construction of the cement projects in North Sulawesi of Indonesia, Battambang of Cambodia and Luang Prabang of Laos to ensure that the North Sulawesi Conch and Battambang Conch projects will commence operation as scheduled and create favorable conditions for product launch. The Group will expedite the preparation of the preliminary works for the projects in Vientiane of Laos, Mandalay of Myanmar and projects of Volga Conch of Russia, and actively seek new development opportunities in the countries along the "The Belt and Road" route. Meanwhile, seizing the good opportunity arising from the supply-side structural reform of the industry, the Group will continue to improve its domestic market planning and seek appropriate merger and acquisition targets and explore new equity cooperation model. The Group will proactively extend its industrial chain by accelerating the development of its aggregate business and further expanding its concrete business presence.

In 2018, the Group’s capital expenditure is expected to be approximately RMB6.8 billion, which will be funded primarily by internal resources and supplemented by bank loans and will mainly be used for the construction of projects, technology improvement of production lines and as up-front expenditures of acquisition and merger projects. It is expected that the clinker, cement, aggregate and commercial concrete production capacity will increase by approximately 3.6 million tonnes, 14.8 million tonnes (exclusive of production capacity acquired), 14.50 million tonnes and 1.20 million cubic meters respectively for the full year.

In respect of operation management, the Group will closely monitor changes in the domestic and overseas economic environment, and will study and assess the market trend more closely, adhere to the marketing strategy of “one policy for one region, one policy for one plant and implementation of differential policies” and enhance market operation, so as to steadily expand its market share. Leveraging the price movement of bulk raw material and fuel such as coal, the Group will strive to lower procurement costs of coal by means of consolidation of existing coal supply channels, proactive exploration of new channels and cross-regional allocation of coal resources. The Group will continue to strengthen its environmental management to further improve the environmental management system, and promote technological modification for energy conservation and emission reduction, so as to enhance its production and management efficiency. The Group will make efforts to promote technology innovation, push ahead with the construction of factories equipped with information system and intelligent system, so as to increase efficiency and reduce operating costs. Furthermore, the Group will steadily push forward remuneration and incentive mechanism reform to attract more outstanding talents and strengthen high-end talent reserve, so as to secure the human resources required for the sustainable and healthy development of the Company. In 2018, the Group plans to maintain its net sales volume of cement and clinker, substantially the same as to that of the corresponding period last year. It is expected that the cost of products per tonne will slightly increase, while the expenses of products per tonne will remain basically stable.

In 2018, the Group may be exposed to the following three major risks:

1. The cement industry in which the Company operates is highly dependent on the construction industry and is closely related to the growth rate of fixed asset investments. With China's economy entering into a new stage where it shifted from high growth to high quality development, the slowdown in the growth of fixed asset investment and the tightening real estate control policy will have some impact on the cement market demand.

To address the above-mentioned risks, the Group will closely monitor changes in the State's macro-economic policies and step up efforts in conducting analysis and research on the relevant policies and factors that affect the demands of the cement industry, so as to have proper understanding of the market supply-and-demand condition. The Group will timely adjust its marketing strategies according to changes in the market conditions and promote the integrated operation of regional sales, with an aim to improve the quality of production and operation of the Company.

2. The cost of coal and electricity accounts for around 60% of the total manufacturing cost of cement. In the event of substantial surge in coal price due to factors such as policy adjustment or changes in market supply and demand, the Company will be under pressure of rising production costs. If the increase in cost resulting from the above factors could not be entirely transferred to the product price, the Company's profitability will be adversely affected.

In order to address the above-mentioned risks, the Group will strive to save the procurement costs of raw material and fuel to the maximum extent by continuing to watch closely changes in the supply-and-demand condition in coal and other raw material and fuel market, taking full advantage of bulk procurement, enhancing strategic cooperation with large-scale coal corporations, expanding the procurement channels of resources with high quality and competitive prices and implementing cross-regional planning and allocation of coal resources. Meanwhile, continuous efforts will be made to accelerate technology improvement of energy conservation and emission reduction and enhance the refined management of production lines, so as to further reduce the indicators of coal and electricity consumption.

3. In recent years, the government has implemented stricter environmental protection standards and enhanced enforcement actions regarding environmental protection. At the 19th National Congress of the Communist Party of the PRC, the government called for the acceleration of ecological civilization construction and promotion of green development. With the full implementation of the Environmental Protection Tax Law and strengthened efforts in environmental protection, expenditures for environmental protection incurred by enterprises will be increased, leading to further increase in production costs.

To address the above risks, the Group has completed the SNCR flue gas denitration technology modification to all of its production lines and upgrade and modification of dust collectors. The Group also continued to increase investments to develop more advanced denitration technology. Moreover, the Group has proactively researched and promoted desulphurization technology modification in an all-round manner and accelerated research and development of carbon capture technology, with a view to realise energy conservation and emission reduction and meet the discharge standards. Meanwhile, the Company has strictly complied with the relevant PRC laws and regulations in relation to environmental protection and required its subsidiaries to improve standards on environment management. The strengthened environmental protection governance will enable the Group to leverage and benefit from its advantages and also accelerate the structural optimization and upgrade of the cement industry by speeding up the elimination of backward production capacity.

VIII. Profit appropriation proposal

Based on the financial data prepared in accordance with the PRC Accounting Standards and IFRSs respectively, the Group's profit after tax and minority interests for the year 2017 amounted to RMB15,854.67 million and RMB15,898.69 million respectively. The Board proposed the appropriation of the profit for the year ended 31 December 2017 as follows:

(1) Pursuant to the requirements of the Articles of the Company, the Company shall allocate 10% of its profit after tax to the statutory surplus reserve, provided that no allocation is required if the accumulated statutory surplus reserve exceeds 50% of the registered capital of the Company. As the statutory surplus reserve had reached 50% of the registered capital of the Company, no allocation was made for the year 2017.

(2) Based on the Company's total number of issued shares of 5,299,302,579 shares in its share capital as at 31 December 2017, the payment of a final dividend of RMB1.20 per share (tax inclusive) is proposed, totaling RMB6,359.16 million.

(3) The date of payment of final dividend to the Company's H shareholders is expected to be around Wednesday, 27 June 2018. Details of the payment of final dividend will be included in the circular of the Company to be despatched to its shareholders in due course.

The above profit appropriation proposal is subject to consideration and approval by shareholders at the annual general meeting for 2017.

IX. Financial Information

Financial information extracted from the audited consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2017 and audited consolidated statement of financial position of the Group at 31 December 2017 together with the 2016 comparative figures, prepared in accordance with IFRSs and presented on the basis described in Note 4(1) below are as follows:

1. Consolidated statement of profit or loss

for the year ended 31 December 2017

	Note	*2017* RMB'000	*2016* RMB'000
Revenue	4(3)	75,310,820	55,931,901
Cost of sales and services rendered		(49,788,595)	(38,396,285)
Gross profit		25,522,225	17,535,616
Other revenue	4(4)	1,616,486	1,187,329
Other net income	4(4)	1,742,375	671,364
Selling and marketing costs		(3,571,930)	(3,276,414)
Administrative expenses		(3,470,351)	(3,529,618)
Profit from operations		21,838,805	12,588,277
Finance costs	4(5)	(683,988)	(792,038)
Share of profits/(losses) of associates		111,827	(64,695)
Share of profits/(losses) of joint ventures		8,236	(32,215)
Profit before taxation		21,274,880	11,699,329
Income tax	4(6)	(4,800,022)	(2,702,563)
Profit for the year		16,474,858	8,996,766

1. Consolidated statement of profit or loss

for the year ended 31 December 2017 (continued)

	Note	*2017* RMB'000	*2016* RMB'000
Attributable to:			
Equity shareholders of the Company		15,898,689	8,573,868
Non-controlling interests		576,169	422,898
Profit for the year		16,474,858	8,996,766
Earnings per share	4(8)		
– Basic		RMB3.00	RMB1.62
– Diluted		RMB3.00	RMB1.62

2. Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2017

	Note	*2017* RMB'000	*2016* RMB'000
Profit for the year		16,474,858	8,996,766
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(68,293)	55,391
Available-for-sale equity securities: net movement in the fair value reserve		(227,501)	(202,967)
Share of other comprehensive income of the investees		(14,280)	23,258
		(310,074)	(124,318)
Total comprehensive income for the year		16,164,784	8,872,448
Attributable to:			
Equity shareholders of the Company		15,599,043	8,439,684
Non-controlling interests		565,741	432,764
Total comprehensive income for the year		16,164,784	8,872,448

3. Consolidated statement of financial position

at 31 December 2017

	Note	2017		2016	
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment					
- Investment properties			36,466		27,967
- Other property, plant and equipment			63,293,696		64,660,953
- Lease prepayments			4,904,924		4,819,674
Intangible assets			3,196,077		2,912,630
Goodwill			493,648		493,648
Interest in associates			1,587,953		2,143,046
Interest in joint ventures			1,202,810		1,172,383
Loans and receivables			263,376		206,830
Available-for-sale equity securities			461,409		2,935,177
Deferred tax assets			677,819		529,547
Prepayment for long-term assets			-		28,912
			76,118,178		79,930,767
Current assets					
Inventories		4,705,200		4,548,534	
Trade receivables	4(9)	12,179,758		7,145,293	
Prepayments and other receivables		4,110,966		1,904,169	
Amounts due from related parties		219,659		301,952	
Tax recoverable		49,045		97,423	
Restricted cash deposits		330,847		286,417	
Bank deposits with maturity over three months		14,000,000		9,500,000	
Cash and cash equivalents		10,428,932		5,799,566	
		46,024,407		29,583,354	

3. Consolidated statement of financial position

at 31 December 2017 (continued)

	Note	*2017*		*2016*	
		RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Trade payables	4(10)	4,967,098		4,362,893	
Other payables and accruals		8,423,956		7,293,525	
Bank loans and other borrowings		5,620,076		4,537,632	
Amounts due to related parties		196,509		235,716	
Current taxation		1,906,664		619,459	
		21,114,303		17,049,225	
Net current assets			24,910,104		12,534,129
Total assets less current liabilities			101,028,282		92,464,896
Non-current liabilities					
Bank loans and other borrowings		8,358,942		11,443,109	
Deferred income		614,099		569,580	
Deferred tax liabilities		365,947		474,375	
			9,338,988		12,487,064
NET ASSETS			91,689,294		79,977,832

3. Consolidated statement of financial position

at 31 December 2017 (continued)

	Note	*2017*		*2016*	
		RMB'000	RMB'000	RMB'000	RMB'000
CAPITAL AND RESERVES					
Share capital			5,299,303		5,299,303
Reserves			83,850,646		71,009,251
Total equity attributable to equity shareholders of the Company			89,149,949		76,308,554
Non-controlling interests			2,539,345		3,669,278
TOTAL EQUITY			91,689,294		79,977,832

Approved and authorised for issue by the board of directors on 22 March 2018.

4. Notes

(1) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as available-for-sale or as trading securities; and
- derivative financial instruments.

The preparation of financial statements 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 statements and major sources of estimation uncertainty are discussed in the audited financial report of the Group for the year ended 31 December 2017.

(2) Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note of audited financial statements for the year ended 31 December 2017 to satisfy the new disclosure requirements introduced by the amendments to IAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(3) Revenue and segment reporting

(a) Revenue

The principal activities of the Group are the manufacturing and sale of clinkers and cement products.

Revenue represents the sales value of goods supplied to customers, net of value-added tax and surcharges and service income. The amount of each significant category of revenue is as follows:

	2017	*2016*
	RMB'000	RMB'000
Sales of clinkers and cement products	73,592,382	54,830,637
Sales of materials and other products	1,386,572	555,191
Service income	331,866	546,073
	75,310,820	55,931,901

The Group's customer base is diversified and there is no single customer with whom transactions have exceeded 10% of the Group's revenue.

Further details regarding the Group's principal activities are disclosed below:

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments based on the region in which the Group's business operates: Eastern China, Central China, Southern China, Western China and Overseas. All segments are primarily engaged in the manufacturing and sale of clinkers and cement products. No operating segments have been aggregated to form the reportable segments.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets in the financial statements prepared in accordance with Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS") issued by the Ministry of Finance ("MOF") of the PRC. Segment liabilities include all liabilities in the financial statements prepared in accordance with CAS.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments in accordance with CAS.

The measure used for reporting segment profit is profit before taxation in accordance with CAS.

In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter-segment revenue), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment revenue are priced with reference to prices charged to external parties for similar orders.

(3) Revenue and segment reporting

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below:

For the year ended 31 December 2017

	Eastern China RMB'000	*Central China* RMB'000	*Southern China* RMB'000	*Western China* RMB'000	*Overseas* RMB'000	*Subtotal* RMB'000	*Reconciling Items (note b(ii))* RMB'000	*Total* RMB'000
Revenue from external customers	23,349,307	23,682,948	11,432,969	15,841,142	1,004,454	75,310,820	-	75,310,820
Inter-segment revenue	3,682,582	20,428,097	386,273	162,837	-	24,659,789	(24,659,789)	-
Reportable segment revenue	27,031,889	44,111,045	11,819,242	16,003,979	1,004,454	99,970,609	(24,659,789)	75,310,820
Reportable segment profit (profit before taxation)	2,916,270	16,459,038	3,074,583	3,465,786	(81,666)	25,834,011	(4,559,131)	21,274,880
Interest income	10,034	880,868	4,224	16,332	6,581	918,039	(274,209)	643,830
Interest expense	(46,148)	(542,244)	(48,147)	(201,451)	(97,087)	(935,077)	251,089	(683,988)
Depreciation and amortisation for the year	(445,958)	(2,148,107)	(627,243)	(1,487,955)	(139,891)	(4,849,154)	15,978	(4,833,176)
Reportable segment assets (including investment in associates and joint ventures)	14,385,422	99,378,618	11,223,326	27,768,550	8,286,545	161,042,461	(38,899,876)	122,142,585
Investment in associates and joint ventures	-	1,109,057	-	1,534,583	147,123	2,790,763	-	2,790,763
Additions to non-current segment assets during the year	562,376	795,701	227,435	322,222	1,908,361	3,816,095	-	3,816,095
Reportable segment liabilities	8,927,018	16,660,651	2,725,563	13,195,308	7,471,654	48,980,194	(18,526,903)	30,453,291

(3) Revenue and segment reporting (continued)

For the year ended 31 December 2016

	Eastern China	*Central China*	*Southern China*	*Western China*	*Overseas*	*Subtotal*	*Reconciling items (note b(ii))*	*Total*
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Revenue from external customers	14,705,007	17,939,532	10,597,502	11,887,347	802,513	55,931,901	-	55,931,901
Inter-segment revenue	2,910,557	13,840,975	160,274	83,715	-	16,995,521	(16,995,521)	-
Reportable segment revenue	17,615,564	31,780,507	10,757,776	11,971,062	802,513	72,927,422	(16,995,521)	55,931,901
Reportable segment profit (profit before taxation)	1,352,427	9,383,547	2,559,452	1,662,728	102,245	15,060,399	(3,361,070)	11,699,329
Interest income	17,813	660,971	4,100	10,256	9,135	702,275	(339,517)	362,758
Interest expense	(76,452)	(668,480)	(78,084)	(222,407)	(66,755)	(1,112,178)	320,140	(792,038)
Depreciation and amortisation for the year	(430,020)	(2,110,796)	(659,165)	(1,458,200)	(107,811)	(4,765,992)	13,273	(4,752,719)
Impairment of plant and machinery	29,311	-	-	348,645	-	377,956	-	377,956
Reportable segment assets (including investment in associates and joint ventures)	10,971,027	87,690,990	11,511,490	27,800,616	6,146,670	144,120,793	(34,606,672)	109,514,121
Investment in associates and joint ventures	-	1,008,089	-	2,101,482	205,858	3,315,429	-	3,315,429
Additions to non-current segment as during the year	460,482	2,493,487	286,344	567,428	1,846,840	5,654,581	-	5,654,581
Reportable segment liabilities	6,600,568	15,541,530	3,511,758	15,669,681	5,339,998	46,663,535	(17,127,246)	29,536,289

(3) Revenue and segment reporting (continued)

(ii) Reconciliations of reportable segment revenues, profit, assets and liabilities

	2017 RMB'000	*2016* RMB'000
Revenue		
Elimination of inter-segment revenue	(24,659,789)	(16,995,521)

	2017 RMB'000	*2016* RMB'000
Profit		
Elimination of inter-segment profits	(4,605,255)	(3,407,194)
Difference between CAS and IFRS*	46,124	46,124
	(4,559,131)	(3,361,070)

	2017 RMB'000	*2016* RMB'000
Assets		
Elimination of inter-segment balances	(38,899,876)	(34,606,672)

	2017 RMB'000	*2016* RMB'000
Liabilities		
Elimination of inter-segment balances	(18,801,717)	(17,448,184)
Difference between CAS and IFRS*	274,814	320,938
	(18,526,903)	(17,127,246)

* The difference mainly arises from deferred income in respect of certain government grants recognised under IFRS.

(3) Revenue and segment reporting (continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill, interests in associates and joint ventures, loans and receivables ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical locations of the assets or the locations of the operations.

	Revenue from external customers		Specified non-current assets	
	2017	*2016*	*2017*	*2016*
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC	72,980,063	53,516,935	69,230,272	72,254,996
Others	2,330,757	2,414,966	5,748,678	4,039,376
	75,310,820	55,931,901	74,978,950	76,294,372

(4) Other revenue and net income

	2017	*2016*
	RMB'000	RMB'000
Other revenue		
Interest income	643,830	362,758
Subsidy income*	925,929	820,632
Investment income on wealth management products issued by bank	44,910	-
Dividend income from listed securities	1,817	3,939
	1,616,486	1,187,329

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

(4) Other revenue and net income (continued)

	2017 RMB'000	*2016* RMB'000
Other net income		
Net gain on disposal of property, plant and equipment and lease prepayments	41,240	100,696
Net realised and unrealised gain/(loss) on derivative financial instruments	2,307	(2,912)
Net gain on disposal of available-for-sale equity securities:	1,556,793	501,365
Net gain on disposal of interest in an associate	303,104	-
Net exchange (loss)/gain	(164,789)	100,593
Others	3,720	(28,378)
	1,742,375	671,364

(5) Profit before taxation

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

	2017 RMB'000	*2016* RMB'000
(a) Finance costs		
Interest expense on financial liabilities not at fair value through profit or loss	718,700	811,237
Less: interest expense capitalised into construction-in-progress*	(34,712)	(19,199)
	683,988	792,038

* The borrowing costs have been capitalised at rates of 1.97% ~ 8.80% (2016: 1.42% ~ 8.80%).

(5) Profit before taxation (continued)

(b) Staff costs

	2017 RMB'000	*2016* RMB'000
Salaries, wages and other benefits	4,579,551	3,866,879
Contributions to defined contribution retirement plans	424,125	412,341
	5,003,676	4,279,220

(c) Other items

	2017 RMB'000	*2016* RMB'000
Amortisation		
– interest in leasehold land held for own use under operating leases	124,320	117,481
– intangible assets	118,578	137,603
Depreciation		
– investment properties	1,445	1,054
– property, plant and equipment	4,588,833	4,496,581
Impairment losses		
– property, plant and equipment	-	377,956
Reversal of impairment losses		
– prepayments and other receivables	(12)	(109)
Auditors' remuneration		
– audit services	5,200	5,200
– other services	439	199

(6) Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2017 RMB'000	*2016* RMB'000
Current tax-PRC Corporate Income Tax		
Provision for the year	4,997,607	2,822,112
Over-provision in respect of prior years	(13,144)	(27,621)
	4,984,463	2,794,491
Deferred tax		
Origination and reversal of temporary differences	(184,441)	(91,928)
	4,800,022	2,702,563

No provision for Hong Kong Profits Tax is made for 2017 and 2016 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

Conch International Holding (HK) Co., Ltd., a subsidiary in Hong Kong, is taxed at corporate income tax rates of 16.5%. Luang Prabang Conch and Vientiane Conch Cement Co., Ltd., subsidiaries in Laos, are taxed at corporate income tax rates of 24%. Conch Cement Volga Co., Ltd., a subsidiary in Russia, is taxed at corporate income tax rates of 20%. Battambang Conch Cement Company Limited a subsidiary in Cambodia, is taxed at corporate income tax rates of 20%. Other individual companies within the Group are generally subject to Corporate Income Tax at 25% on taxable income determined according to the relevant income tax rules and regulations, except for:

Pingliang Conch Cement Co., Ltd. 平涼海螺水泥有限責任公司 (Note (i))	15%
Dazhou Conch Cement Co., Ltd. 達州海螺水泥有限責任公司 (Note (i))	15%
Guangyuan Conch Cement Co., Ltd. 廣元海螺水泥有限責任公司(Note (i))	15%
Chongqing Conch Cement Co., Ltd. 重慶海螺水泥有限責任公司 (Note (i))	15%
Liquan Conch Cement Co., Ltd. 禮泉海螺水泥有限責任公司 (Note (i))	15%
Guiyang Conch Panjiang Cement Co., Ltd. 貴陽海螺盤江水泥有限責任公司 (Note (i))	15%
Guiding Conch Panjiang Cement Co., Ltd. 貴定海螺盤江水泥有限責任公司 (Note (i))	15%
Zunyi Conch Panjiang Cement Co., Ltd. 遵義海螺盤江水泥有限責任公司 (Note (i))	15%
Qianyang Conch Cement Co., Ltd. 千陽海螺水泥有限責任公司 (Note (i))	15%
	15%

Bazhong Conch Cement Co., Ltd. 巴中海螺水泥有限責任公司(Note (i))	
Wenshan Conch Cement Co., Ltd. 文山海螺水泥有限公司 (Note (i))	15%
Longan Conch Cement Co., Ltd. 隆安海螺水泥有限責任公司(Note (i))	15%
Linxia Conch Cement Co., Ltd. 臨夏海螺水泥有限責任公司(Note (i))	15%
Tongren Conch Panjiang Cement Co., Ltd. 銅仁海螺盤江水泥有限責任公司 (Note (i))	15%
Guizhou Liukuangruian Cement Co., Ltd. 貴州六礦瑞安水泥有限公司 (Note (i))	15%
Qianxian Conch Cement Co., Ltd. 乾縣海螺水泥有限責任公司 (Note (i))	15%
Qianxinan Resource Development Co., Ltd. 黔西南州發展資源開發有限公司 (Note (i))	15%
Sichuan Nanwei Cement Co., Ltd. 四川南威水泥有限公司 (Note (i))	15%
Yunnan Zhuangxiang Cement Co., Ltd. 雲南壯鄉水泥股份有限公司 (Note (i))	15%
Liangping Conch Cement Co., Ltd. 梁平海螺水泥有限責任公司 (Note (i))	15%
Baoji Zhongxi Jinlinghe Cement Co., Ltd. 寶雞市眾喜金陵河水泥有限公司 (Note (i))	15%
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. 寶雞眾喜鳳凰山水泥有限公司 (Note (i))	15%
Guangxi Lingyun Tonghong Cement Co., Ltd. 廣西淩雲通鴻水泥有限公司 (Note (i))	15%
Baoshan Conch Cement Co., Ltd. 保山海螺水泥有限責任公司 (Note (i))	15%
Ganzhou Conch Cement Co., Ltd. 贛州海螺水泥有限責任公司 (Note (i))	15%
Hami Hongyi Construction Co., Ltd. 哈密弘毅建材有限責任公司 (Note (i))	15%
Yingjiangyunhan Cement Co., Ltd. 盈江縣允罕水泥有限公司 (Note (i))	15%
Anhui Wuhu Conch Construction and Installation Co., Ltd. ("Conch Construction") 安徽蕪湖海螺建築安裝工程有限責任公司(Note (ii))	15%
Anhui Conch Siam Refractory Material Co., Ltd. ("Refractory Material") 安徽海螺暹羅耐火材料有限公司(Note (ii))	15%

Notes:

(i) Pursuant to Notice No.4 issued by the State Administration of Taxation on 10 March 2015 and relevant local tax authorities' notices, these companies are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC. These companies mentioned above obtained approval from local tax authorities and are entitled to a preferential income tax rate of 15% in 2017.

(ii) Pursuant to Chapter 28 of the Law of the People's Republic of China on Enterprise Income Tax, enterprises are entitled to a preferential income tax rate of 15% after the recognition of high and new technology enterprise. Conch Construction has obtained a high and new technology enterprise certification in 2015, obtained approval from local tax authority in 2016 and is entitled to a preferential income tax rate of 15% from 2015 to 2017. Refractory Material has obtained a high and new technology enterprise certification and approval from local tax authority in 2016 and is entitled to a preferential income tax rate of 15% from 2016 to 2018.

(6) Income tax in the consolidated statement of profit or loss (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2017 RMB'000	*2016* RMB'000
Profit before taxation	21,274,880	11,699,329
Notional tax on profit before taxation calculated at 25% (2016: 25%)	5,318,720	2,924,832
Tax effect of subsidiaries subject to tax rates other than 25%	(396,896)	(203,634)
Tax effect of non-deductible expenses	60,419	79,274
Tax effect of non-taxable income	(123,196)	(36,690)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	(21,960)	(14,627)
Over-provision in respect of prior years	(13,144)	(27,621)
Others	(23,921)	(18,971)
Actual tax expense	4,800,022	2,702,563

(7) Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year:

	2017	*2016*
	RMB'000	RMB'000
Final dividend proposed after the statement of financial position date of RMB1.2 (2016: RMB0.5) per ordinary share	6,359,163	2,649,651

The final dividend proposed for shareholders' approval after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2017	*2016*
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.5 (2016: RMB0.43) per ordinary share	2,649,651	2,278,700

(8) Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2017 of RMB 15,898,689,000 (2016: RMB 8,573,868,000) and the weighted average number of shares in issue during the year ended 31 December 2017 of 5,299,303,000 shares (2016: 5,299,303,000 shares).

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the years ended 31 December 2017 and 2016, therefore, diluted earnings per share is the same as the basic earnings per share.

(9) Ageing analysis of trade receivables

Included in trade receivables are trade debtors and notes receivable (net of allowance for doubtful debts) with the following ageing analysis based on invoice date as of the statement of financial position date:

	2017	*2016*
	RMB'000	RMB'000
Within 2 months	12,176,929	7,144,324
2 to 4 months	2,829	969
	12,179,758	7,145,293

Trade debtors are due within 30 to 60 days from the date of billing, except for retention money in respect of certain sales contracts which is due upon the expiry of the retention period. Notes receivable are due within 1 year from the date of issuance.

(10) Ageing analysis of trade payables

Included in trade payables are trade creditors with the following ageing analysis based on invoice dates as of the statement of financial position date:

	2017	*2016*
	RMB'000	RMB'000
Within 1 year (inclusive)	4,957,436	4,330,228
Between 1 year and 2 years (inclusive)	2,335	17,748
Between 2 years and 3 years (inclusive)	1,676	6,807
Over 3 years	5,651	8,110
	4,967,098	4,362,893

(11) Business combination

The Group acquired one subsidiary from an independent third party on 19 September 2017. The acquired subsidiary is located in the PRC and is principally engaged in the manufacture and sale of clinkers and cement and other related products.

During the period from the acquisition date to 31 December 2017, the acquired subsidiary contributed revenue of RMB 65,289,000 and loss of RMB 6,146,000 to the Group's results. If the acquisition had occurred on 1 January 2017, management estimates that the consolidated revenue of the Group for the year ended 31 December 2017 would have been RMB 75,438,709,000, and the consolidated profit for the year would have been RMB 16,418,490,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition date would remain the same as if the acquisition had occurred on 1 January 2017.

Name of the company	*Voting right/equity interests*	*Date of acquisition*	*Principal activities*
Shaanxi Tongchuan Phoenix Cement Ltd. ("Shaanxi Phoenix") 陕西銅川鳳凰建材有限公司	65%	19 September 2017	Manufacture and sale of clinker and cement products

Summary of net assets acquired in Shaanxi Phoenix and the negative goodwill arising at the acquisition date is as follows:

Fair value of identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	487,130
Intangible assets	111,936
Lease prepayments	170,320
Inventories	17,128
Cash and cash equivalents	3,774
Deferred tax assets	14,477
Trade receivables, prepayments and other receivables	136,949
Deferred tax liabilities	(18,053)
Trade payables and other liabilities	(571,609)
Total net identifiable assets of the acquiree	352,052

Negative Goodwill

Negative goodwill has been recognised as a result of the above acquisition as follows:

	RMB'000
Total cash consideration	228,343
Non-controlling interests, based on their proportionate interest in recognised amount of the assets and liabilities of the acquirees	123,218
Fair value of net identifiable assets	(352,052)
Goodwill arising from the above acquisition	(491)

(12) Contingent liabilities

At 31 December 2017, the Company has issued guarantees to banks in respect of bank loans of its subsidiaries amounting to RMB8,234,435,000 (2016: RMB6,408,715,000). The Company has issued guarantees to banks in respect of banking facilities of its subsidiaries amounting to RMB716,876,000 (2016: RMB730,000,000). The directors do not consider it probable that a claim will be made against the Company under any of these guarantees.

At 31 December 2017, outstanding letters of credit issued by the Group amounted to RMB48,523,000 (2016: RMB63,557,000).

At 31 December 2017, the Group has issued guarantees to banking facilities of its related parties, PT SDIC Papua Cement Indonesia and Sino-Myanmar International Trading Co., Limited, amounting to RMB1,038,413,000 in aggregate (2016: RMB1,176,796,000). These facilities were utilised to the extent of RMB1,038,413,000 (2016: RMB1,096,203,000) as at 31 December 2017.

By Order of the Board
Anhui Conch Cement Company Limited
Gao Dengbang
Chairman

Wuhu City, Anhui Province, the People's Republic of China
22 March 2018

As at the date of this announcement, the Board comprises (i) Mr Gao Dengbang, Mr Wang Jianchao, Mr Wu Bin, Mr Ding Feng, and Mr Zhou Bo as executive Directors; (ii) Mr Yang Mian Zhi, Mr Tai Kwok Leung and Mr Leung Tat Kwong Simon as independent non-executive Directors.