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 2018

Revenue of the Company for the year 2018 amounted to approximately RMB128,402.63 million (in accordance with the International Financial Reporting Standards ("IFRSs")), representing an increase of 70.50% over that of 2017.

Net profit attributable to equity shareholders of the Company for the year 2018 amounted to approximately RMB 29,858.3 million (in accordance with the IFRSs), representing an increase of 87.80% over that of 2017.

Earnings per share for the year 2018 were RMB5.63 (in accordance with the IFRSs), representing an increase of 87.80% over that of 2017.

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 name	Conch Cement
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	Yu Shui	Liao Dan
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E-mail address	dms@chinaconch.com	dms@chinaconch.com

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	2018	2017	2016	2015	2014
Revenue	128,402,626	75,310,820	55,931,901	50,976,036	60,758,501
Net profit attributable to equity shareholders of the Company	29,858,303	15,898,689	8,573,868	7,538,700	10,980,917
Total assets	149,547,352	122,142,585	109,514,121	105,781,392	102,253,097
Total liabilities	33,358,169	30,453,291	29,536,289	32,236,883	33,026,013

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	2018	2017	Year-on-year change (%) between 2018 and 2017	2016
Revenue	128,402,626	75,310,820	70.50	55,931,901
Profit before taxation	39,629,196	21,228,756	86.68	11,653,206
Net profit attributable to equity shareholders of the Company	29,814,285	15,854,670	88.05	8,529,917
Net profit after extraordinary items attributable to equity shareholders of the Company	29,818,520	14,077,866	111.81	7,680,938

Basic earnings per share (RMB/share)	5.63	2.99	88.05	1.61
Diluted earnings per share (RMB/share)	5.63	2.99	88.05	1.61
Basic earnings per share after extraordinary items (RMB/share)	5.63	2.66	111.81	1.45
Diluted return on net assets (%)	26.46	17.73	Increased by 8.73 percentage points	11.13
Weighted average return on net assets (%)	29.66	19.12	Increased by 10.54 percentage points	11.59
Diluted return on net assets after extraordinary items (%)	26.46	15.75	Increased by 10.71 percentage points	10.03
Weighted average return on net assets after extraordinary items (%)	29.66	16.97	Increased by 12.69 percentage points	10.44
Net cash flow generated from operating activities	36,058,967	17,363,027	107.68	13,196,752
Net cash flow per share generated from operating activities (RMB/share)	6.80	3.28	107.68	2.49

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

Item	As at 31 December 2018	As at 31 December 2017	Year-on-year change (%) between 2018 and 2017	As at 31 December 2016
Total assets	149,547,352	122,142,585	22.44	109,514,121
Total equity attributable to equity shareholders of the Company	112,688,916	89,406,295	26.04	76,608,921
Net assets per share attributable to equity shareholders of the Company (RMB/share)	21.26	16.87	26.04	14.46

Ⅲ. Shareholders

1. Shareholders

(1) As at 31 December 2018, the total number of registered shareholders of the Company was 97,046 of which 91 were registered holders of H Shares. As at 28 February 2019, the total number of registered shareholders of the Company was 78,514 of which 94 were registered holders of H Shares.

(2) As at 31 December 2018, 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 2018 (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	1,298,343,633	24.50	H Share
3	Hong Kong Securities Clearing Company Limited	Foreign legal person	365,379,315	6.89	A Share
4	China Securities Finance Corporation Limited	State-owned legal person	158,706,413	2.99	A Share
5	Anhui Conch Venture Investment Co., Ltd.	Domestic non-state-owned legal person	145,623,539	2.75	A Share
6	Central Huijin Asset Management Ltd.	State-owned legal person	70,249,600	1.33	A Share
7	Bank Negara Malaysia	Others	29,702,495	0.56	A Share
8	FIL Investment Management (Hong Kong) Limited – Customer Funds	Others	21,933,761	0.41	A Share
9	Industrial & Commercial Bank of China – SSE 50 Trading Open-end Index Securities Investment Fund	Others	21,373,292	0.40	A Share
10	The National Social Security Fund 106 Composition	Others	18,934,548	0.36	A Share

Notes:

(1) During 1 January 2018 to 31 December 2018 ("the Reporting Period"), there was no change in the number of the shares of the Company held by Conch Holdings. The shares held by Conch Holdings were not subject to any pledge, freezing order or trust.

(2) HKSCC Nominees Limited held 1,298,343,633 H Shares, representing 24.50% of the total share capital of the Company, and 99.90% of the issued H Shares of the Company. These shares were held on behalf of its various clients.

(3) 45,000,000 floating shares of the Company held by Anhui Conch Venture Investment Co., Ltd. which were pledged to Guoyuan Securities Company Limited on 23 May 2017 were released during the Reporting Period.

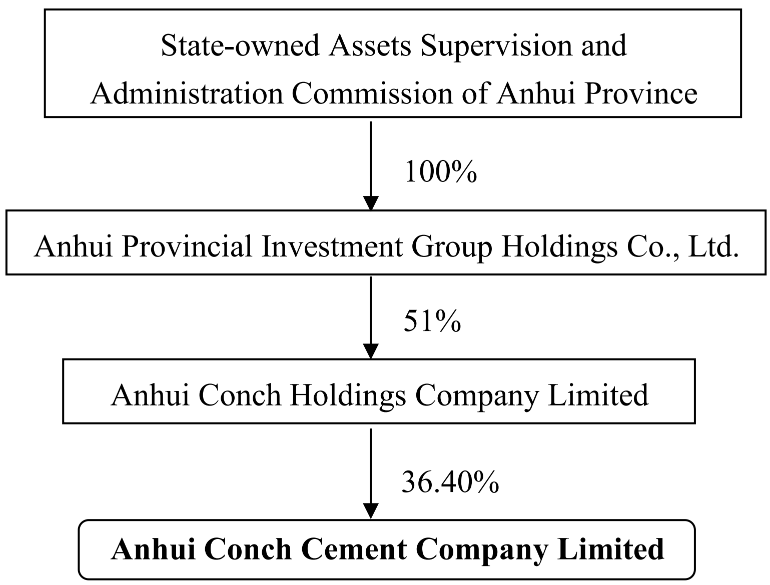
(4) All the above shares are floating shares not subject to trading restrictions.

(5) The board ("Board") of directors ("Directors") of the Company 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 and de facto controller of the Company.

As at 31 December 2018, 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, 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 Issuers 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 in Appendix 14 to the HKSE Listing Rules.

VI. Review of Annual Report

The financial report and results announcement of the Company for the year ended 31 December 2018 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 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 2018, applicable accounting policies have been adopted and applied consistently.

VII. Management Discussion and Analysis

ANALYSIS ON THE OPERATIONAL CONDITIONS FOR 2018

(1) Overview of operation development

In 2018, in the face of the complex and ever-changing domestic and international economic conditions, the Group strove to overcome a number of adverse factors such as rising prices for raw materials and fuel. By strengthening research and analysis on the market supply and demand and adhering to the marketing strategy of "one policy for one region, one policy for one plant and implementation of differential policies", the Group reasonably grasped the pace of production and sales and capitalized on market demands, achieving stable increase in sales volume of cement and clinker and significant growth in product price. Moreover, the Group made bulk procurement of raw materials and fuel, optimized resource allocation and 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 amounted to RMB128,403 million, representing an increase of 70.50% from that for the corresponding period of the previous year; the net profit attributable to equity shareholders of the Company amounted to RMB29,814 million, representing an increase of 88.05% from that for the corresponding period of the previous year; and earnings per share was RMB5.63, representing an increase of RMB2.64 per share from that for the corresponding period of the previous year. In accordance with the IFRSs, the revenue amounted to RMB128,403 million, representing an increase of 70.50% from that for the corresponding period of the previous year; the net profit attributable to equity shareholders of the Company amounted to RMB29,858 million, representing an increase of 87.80% from that for the corresponding period of the previous year; and earnings per share was RMB5.63.

During the Reporting Period, the Group continued to carry out the construction and acquisition of projects in the PRC. Construction for four cement grinding units for Yueqing Conch Cement Co., Ltd. and Jiande Conch Cement Co., Ltd.("Jiande Conch') and etc. had been completed and put into operation. Construction for the aggregates projects of Jiande Conch, Jianghua Conch Cement Co., Ltd., Yangchun Conch Cement Co., Ltd., Fenyi Conch Cement Co., Ltd. and Xingye Kuiyang Conch Cement Co., Ltd. etc. had been completed and put into operation. By acquiring Guangdong Qingyuan Guangying Cement Co., Ltd, the Group increased the production capacity of clinker, cement and aggregates by 2.7 million tonnes, 4 million tonnes and 1.3 million tonnes respectively.

Meanwhile, the Group proactively pushed forward the construction of overseas projects. Two clinker production lines and four cement grinding units of Battambang Conch Cement Co., Ltd ("Battambang Conch") of Cambodia and PT Conch North Sulawesi Cement of Indonesia had completed construction and been put into operation. The construction project of Luangprabang Conch Cement Co., Ltd ("Luangprabang Conch") in Laos has proceeded to the equipment installation phase, and construction for the projects of Myanmar Conch Cement (Mandalay) Co., Ltd ("Mandalay Conch") in Myanmar had begun. The preliminary preparation works for the projects of Vientiane Conch Cement Co., Ltd ("Vientiane Conch") in Laos and Qarshi Conch Cement Foreign Enterprise Co., Ltd ("Qarshi Conch") in Uzbekistan had made orderly progress.

As at the end of the Reporting Period, the production capacity of clinker, cement, aggregates and commercial concrete of the Company amounted to 252 million tonnes, 353 million tonnes, 38.70 million tonnes and 0.6 million cubic meters respectively.

(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 (sale of own products)	98,631,060	51,837,461	47.44	36.62	12.68	Increased by 11.17 percentage points
Building material industry (trading business)	25,209,594	25,166,419	0.17	1,699.14	1,706.42	Decreased by 0.4 percentage point
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 (%)
Building material industry (sale of own products) - 42.5-grade cement **Note 1**	65,733,982	35,178,060	46.48	49.14	24.16	Increased by 10.76 percentage points
Building material industry (sale of own products) - 32.5R-grade cement	25,374,427	12,723,372	49.86	23.16	-0.57	Increased by 11.97 percentage points
Building material industry (sale of own products) - Clinker	6,628,608	3,620,628	45.38	-2.70	-21.70	Increased by 13.26 percentage points

Building material industry (sale of own products) - Aggregate and carpolite	810,788	250,385	69.12	15.99	-0.57	Increased by 5.14 percentage points
Building material industry (sale of own products) - Commercial concrete	83,255	65,016	21.91	6,351	6,028	Increased by 4.11 percentage points
Building material industry (trading business)	25,209,594	25,166,419	0.17	1,699.14	1,706.42	Decreased by 0.4 percentage point
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 (%)
Building material industry (sale of own products) - East China Note 2	28,929,788	14,713,870	49.14	43.27	17.64	Increased by 11.08 percentage points
Building material industry (sale of own products) - Central China Note 3	31,834,966	16,212,950	49.07	35.37	7.89	Increased by 12.97 percentage points
Building material industry (sale of own products) - South China Note 4	13,990,259	7,378,730	47.26	35.08	19.82	Increased by 6.72 percentage points
Building material industry (sale of own products) - West China Note 5	21,343,200	11,707,829	45.14	35.39	10.92	Increased by 12.1 percentage points
Building material industry (sale of own products) - Export	1,183,016	862,867	27.06	-23.63	-28.44	Increased by 4.9 percentage points

Building material industry (sale of own products) - Overseas	1,349,831	961,215	28.79	66.58	74.27	Decreased by 3.14 percentage points
Building material industry (trading business)	25,209,594	25,166,419	0.17	1,699.14	1,706.42	Decreased by 0.4 percentage point

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 368 million tonnes, representing a year-on-year growth of 24.77%. Benefitting from an increase in both composite selling price and sales volume of products, the revenue generated from its principal activities reached RMB123.841 billion, representing a year-on-year growth of 68.28%. The operating cost from its principal activities increased by 62.46% on a year-on-year basis to RMB77.004 billion. The consolidated gross profit margin of products recorded a year-on-year increase of 2.23 percentage points to 37.82%.

The Group realized a sales volume of self-produced products of cement and clinker of 298 million tonnes, representing a year-on-year growth of 2.69%. The revenue from self-produced product sales amounted to RMB98.631 billion, representing a year-on-year growth of 36.62%. The operating cost of self-produced products increased by 12.68% on a year-on-year basis to RMB51.837 billion. The consolidated gross profit margin of self-produced products recorded a year-on-year increase of 11.17 percentage points to 47.44%.

In order to strengthen the construction of end-user sales markets, the Group created trading platforms in some regional markets. During the Reporting Period, the cement and clinker trading business recorded a sales volume of 70 million tonnes, representing a year-on-year increase of 12 times. The revenue of trading business amounted to RMB25.210 billion, representing a year-on-year growth of 17 times. The operating cost of trading business increased by 17 times on a year-on-year basis to RMB25.167 billion.

Sales by type of products

During the Reporting Period, the Group witnessed increase in the gross profit margins of the 42.5-grade cement and the 32.5R-grade cement by 2.64 percentage points and 3.87 percentage points year-on-year respectively, while the gross profit margin of the clinker decreased by 3.53 percentage points year-on-year, among which, the gross profit margins of Group's self-produced products of the 42.5-grade cement, the 32.5R-grade cement and the clinker increased by 10.76 percentage points, 11.97 percentage points and 13.26 percentage points year-on-year respectively. The consolidated gross profit margin of aggregate and carpolite increased by 5.14 percentage points year-on-year to 69.12%, which was mainly attributable to the significant increase in product selling price as a result of further improvement in the supply-and-demand condition of the aggregate market due to the efforts by the national and local governments to strengthen the management of mineral resources and environmental protection governance.

Sales by region

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

In East China and Central China, due to the stable demand of the market, and the further improvement of the supply-demand condition, the Company achieved growth in sales volume and significant increase in prices, recording a year-on-year increase in sales amount of 43.27% and 35.37% respectively and a year-on-year increase in gross profit margins of 11.08 and 12.97 percentage points respectively.

In South China, market demand was on the rise with growth in sales volume and increase in prices, resulting in a year-on-year increase in sales amount of 35.08% and a year-on-year increase in gross profit margin of 6.72 percentage points.

In West China, the Company seized the favorable opportunity arising from the recovering 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 35.39% and a year-on-year increase in gross profit margin of 12.1 percentage points.

Affected by the periodic shortage in clinker resources in the domestic market, the Group recorded a year-on-year decrease in export sales volume and sales amount of 33.53% and 23.63% 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 57.66% and the sales amount increased by 66.58% 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 (%)
	2018 (RMB'000)	2017 (RMB'000)	
Revenue from principal activities	123,840,654	73,592,382	68.28
Profit from operations	39,882,356	20,825,298	91.51
Profit before taxation	39,629,196	21,228,756	86.68
Net profit attributable to equity shareholders of the Company	29,814,285	15,854,670	88.05

During the Reporting Period, due to significant increase in the selling price of the Company's products as compared to that of the corresponding period of the previous year, coupled with the effect of increased trading income, the Group's revenue from principal activities increased by 68.28% year-on-year. Benefitting from the rise in product prices, 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 91.51%, 86.68 % and 88.05% respectively.

3. Analysis of costs and expenses

Consolidated costs of cement and clinker in 2018 and their year-on-year changes

Item	2018		2017		Change in unit costs (%)	Change in costs proportion (percentage points)
	Unit costs (RMB/ tonne)	Percentage (%)	Unit costs (RMB/ tonne)	Percentage (%)		
Raw materials	36.52	21.09	27.22	17.24	34.17	3.85
Fuel and power	98.97	57.16	97.77	61.92	1.23	-4.76
Depreciation expense	12.07	6.97	12.39	7.85	-2.58	-0.88
Labor cost and others	25.58	14.78	20.51	12.99	24.72	1.79
Total	**173.14**	**100**	**157.89**	**100**	**9.66**	**-**

Note: All costs mentioned above represent the costs of self-produced products of cement and clinker of the Company, excluding cost of the trading business.

During the Reporting Period, the consolidated costs of cement and clinker of the Company increased by 9.66% year-on-year, which was mainly due to optimization in product sales structure, and increase in bulk purchasing price of raw material and fuel.

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

Expenses for the period	2018 amount (RMB'000)	2017 (restated) amount (RMB'000)	Year-on-year change between 2018 and 2017 (%)	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	3,733,295	3,571,930	4.52	3.01	4.85	-1.84
Administrative expenses	3,752,167	3,417,304	9.80	3.03	4.64	-1.61
Research and development expenses	70,967	42,386	67.43	0.06	0.06	0.00
Financial expenses (income is stated in negative)	-474,091	215,620	-319.87	-0.38	0.29	-0.67
Total	**7,082,338**	**7, 247,240**	**-2.28**	**5.72**	**9.84**	**-4.12**

During the Reporting Period, the Group's research and development expenses increased by 67.43% on a year-on-year basis, mainly due to a year-on-year increase in the research and development expenses used by the Group's subsidiaries for the construction of intelligent factories and new products including refractory material. The Group's financial expenses decreased by 319.87% on a year-on-year basis, mainly due to a year-on-year decrease in loan interest expenses and a year-on-year increase in deposit interest income.

During the Reporting Period, the selling, administrative, research and development and financial expenses in aggregate as a percentage to revenue generated from principal activities was 5.72%, decreased by 4.12 percentage points as compared to that of the corresponding period of the previous year. The decrease was mainly attributable to the increase in revenue generated from principal activities. Excluding the effect of trading income, the selling, administrative, research and development and financial expenses in aggregate as a percentage to revenue generated from principal activities would be 7.18%, decreased by 2.86 percentage points as compared to that of the corresponding period of the previous year. The decrease was mainly attributable to the increase in revenue generated from principal activities and a substantial decrease in financial expenses as compared to that of the corresponding period of the previous year.

4. Financial position

Asset and liability overview

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

Item	31 December 2018 (RMB'000)	31 December 2017 (RMB'000)	Change as at the end of the Reporting Period as compared to those at the beginning of the year (%)
Fixed assets	60,320,464	59,667,633	1.09
Current and other assets	89,226,888	62,474,952	42.82
Total assets	149,547,352	122,142,585	22.44
Current liabilities	26,151,961	21,114,303	23.86
Non-current liabilities	6,977,517	9,064,175	-23.02
Total liabilities	33,129,478	30,178,478	9.78
Minority interests	3,728,958	2,557,812	45.79
Equity attributable to equity shareholders of the Company	112,688,916	89,406,295	26.04
Total liabilities and equity	**149,547,352**	**122,142,585**	**22.44**

As at the end of the Reporting Period, the Group's total assets prepared in accordance with the PRC Accounting Standards amounted to RMB149,547 million, representing an increase of 22.44% as compared to those at the end of the previous year. Total liabilities amounted to RMB33,129 million, representing an increase of 9.78% as compared to those at the end of the previous year; in which the current liabilities amounted to RMB26,152 million, representing an increase of 23.86% as compared to those at the end of the previous year; and non-current liabilities amounted to RMB6,977 million, representing a decrease of 23.02% as compared to those at the end of the previous year, which was mainly due to the transfer of the certain long-term loans which would be due within 1 year, from the non-current liabilities to the current liabilities. As at 31 December 2018, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 22.15%, representing a decrease of 2.56 percentage points as compared to that at the end of the previous year.

As at the end of the Reporting Period, equity attributable to equity shareholders of the Company amounted to RMB112.689 billion, representing an increase of 26.04% as compared to that at the end of the previous year; equity attributable to minority shareholders amounted to RMB3.729 billion, representing an increase of 45.79% 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 RMB21.26, representing an increase of RMB4.39/share as compared to that at the end of the previous year.

As at 31 December 2018, the total current assets and total current liabilities of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB72.053 billion and RMB26.152 billion respectively, with a current ratio of 2.76:1 (corresponding period last year: 2.18:1). 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 RMB72.192 billion and RMB26.152 billion respectively, with net gearing ratio of 0.003 (corresponding period last year: 0.04). 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 2018 (RMB'000)	**As at 31 December 2017 (RMB'000)**
Due within 1 year	4,128,170	3,120,771
Due after 1 year but within 2 years	779,710	2,616,794
Due after 2 years but within 5 years	1,266,955	1,590,715
Due after 5 years	559,917	652,972
Total	**6,734,752**	**7,981,252**

As at the end of the Reporting Period, the Group's bank borrowings were RMB6,735 million, representing a decrease of RMB1,246 million as compared to those at the beginning of the year. The decrease was mainly attributable to the Group's repayment of bank borrowings that was due during the Reporting Period.

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

During the Reporting Period, the Group's source of funding was mainly from 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

	2018 (RMB'000)	2017 (RMB'000)	Changes (%)
Net cash flows generated from operating activities	36,058,967	17,363,027	107.68
Net cash flows used in investment activities	-25,669,697	-5,202,648	-393.40
Net cash flows used in financing activities	-10,980,002	-7,499,608	-46.41
Effect of exchange rate movement on cash and cash equivalents	19,472	-31,406	162.00
Net increase / (decrease)in cash and cash equivalents	-571,260	4,629,365	-112.34
Balance of cash and cash equivalents at the beginning of the year	10,428,932	5,799,567	79.82
Balance of cash and cash equivalents at the end of the year	9,857,672	10,428,932	-5.48

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB36.059 billion, representing an increase of RMB18.696 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 RMB20.467 billion as compared to that of last year, mainly due to the increase in the Group's fixed 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 RMB3,480 million as compared to that of last year, primarily attributable to the year-on-year increase in the amount of cash dividends of the Group.

During the Reporting Period, effect of exchange rate movement on cash and cash equivalents of the Group increased by RMB50.88 million as compared to that of the corresponding period of last year, primarily attributable to the effect of increase in foreign exchange rates on the USD-denominated deposits held by the Group at the end of the Reporting Period.

5. Capital expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB5.638 billion, which was primarily used in the construction of cement and clinker production lines for overseas companies, the technology improvement in respect of energy conservation and environmental protection for domestic production lines, construction of the aggregate projects as well as used 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 2018 (RMB'000)	As at 31 December 2017 (RMB'000)
Authorized and contracted for	1,089,377	972,831
Authorized but not contracted for	1,426,958	1,829,774
Total	**2,516,335**	**2,802,605**

OUTLOOK FOR 2019

2019 marks the 70th anniversary of the founding of the PRC, and is a crucial year for building a moderately prosperous society in all respects. It is expected that the PRC government will adhere to the main theme of "making steady progress while maintaining stability", continue to embrace new development concepts and promote high quality development. Continuing to pursue supply-side structural reform as the main task, the government will further deepen market-oriented reform, expand high-level opening-up, and will continue to implement more proactive fiscal policy and prudent monetary policy, so as to keep the economy running within a reasonable range. A year-on-year GDP growth rate of 6%-6.5% is anticipated. (Source: Government Work Report of 2019)

In 2019, it is expected that China will continue to boost regional coordinated development by formulating new policies and measures for the development and opening-up of Western China, implementing and improving the reform and innovation measures for facilitating the overall revitalization of Northeastern China, rise of Central China and leading development of Eastern China. The government will also promote the nation's important strategies such as the implementation of coordinated development of Beijing-Tianjin-Hebei and development of the Yangtze River Economic Belt and Guangdong-Hong Kong-Macau Greater Bay Area, step up efforts in strengthening areas of weakness such as infrastructure, improve the density and network development of infrastructure, make solid progress in the rural revitalization strategy, facilitate infrastructure development in rural areas and construction of public utility facilities, reform and improve the housing market system and security system and promote the stable and healthy development of the real estate market, which is expected to sustain the support for the rigid demand for cement. In addition, the government continues to promote high quality development, further the implementation of supply-side structural reform, continue the implementation of off-peak season production and continuously enhance efforts for protection of ecological environment. Besides, the launching of the second round of central government eco-environmental protection inspection and the "Defending the Blue Sky, Clean Water and Rich Soil" campaign, coupled with the initiation of pollution prevention and control in key regions, will be beneficial for keeping a balanced supply-and-demand condition in the cement industry.

Sticking to the high quality development requirement and seizing the opportunities arising from the initiative of "The Belt and Road", the Group will push forward its internationalization development strategies in an orderly manner, and strive to improve the operation quality of the overseas operating projects. Efforts will be made to push ahead the construction of the projects of Mandalay Conch in Myanmar and Luangprabang Conch in Laos, and to accelerate the preliminary preparation works for projects of Vientiane Conch in Laos and Qarshi Conch in Uzbekistan. The Group will step up efforts for surveys and feasibility study for potential overseas projects, with an aim to secure project sources. On the domestic front, seizing the favorable opportunities arising from the supply-side structural reform of the industry and enhanced efforts in environmental protection by the government, and based on the principle of fine-tuning its domestic market planning and strengthening competitiveness, the Group will proactively seek for appropriate merger and acquisition targets and explore new cooperation model. Furthermore, the Group will speed up in nurturing new growth drivers by intensifying the development of the aggregate business, pushing ahead its commercial concrete projects in a stable pace and exploring the development of prefabricated construction.

In 2019, the Group's capital expenditure is expected to be approximately RMB10 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 in respect of energy conservation and environmental protection and as expenditures of acquisition and merger projects. It is expected that the cement production capacity will increase by approximately 4 million tonnes (exclusive of production capacity acquired) for the full year. Newly added aggregate capacity (including machine-made sand) amounted to 17 million tonnes.

In respect of operational management, the Group will closely monitor the domestic and overseas macro-economic environment, deepen its study and assessment on the supply-and-demand condition in the market, continue to implement differentiated marketing strategies, enhance construction and management of the end-user market, strengthen coordination of integrated regional marketing efforts and give full play to the trading platforms. Moreover, the Group will make bulk purchase planning for raw material in advance, deepen strategic cooperation with large-scale coal enterprises and expand long-term resource channels, so as to promote traceability and control of major raw material. In an effort to strictly comply with the decision and guideline for ecological civilization construction of the government, the Group will step up efforts in carrying out environmentally-friendly technology improvement and upgrading, and strengthen the research and application of advanced environmental protection technology. The Group will promote technology innovation and strive to improve management efficiency through integrated application of intelligent system and information system, and accelerate the construction of factories equipped with intelligent system, so as to enhance the core competitiveness of the Company. Furthermore, the Group will also step up efforts in introduction and cultivation of professional talents and continue to optimize the incentive mechanism, so as to build up talent reserve for the development of the Company.

In 2019, the Group plans a target of 300 million tonnes in respect of the net sales volume (net of trading volume) of cement and clinker. It is expected that the cost of products per tonne and the expenses of products per tonne will remain basically stable.

In 2019, the Group may be exposed to the following three major risks:

1. The cement industry in which the Company operates is relatively highly dependent on the construction industry and is relatively closely related to the growth rate of fixed asset investments and real estate investment. Being affected by the real estate control policy implemented by the government, the real estate industry may face certain downward pressure, which may have 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, continue to enhance construction of the end-user market, strengthen coordination of integrated regional marketing efforts, and seizing the increasing market demands driven by the government's policy to strengthen investment in areas of weakness in the infrastructure sector, in an effort to increase our market shares.

2. In order to fully implement the instruction from the 19th National Congress of the Communist Party, the government will strengthen ecological environmental protection, launch the second round of central government eco-environmental protection inspection and the "Defending the Blue Sky, Clean Water and Rich Soil" campaign and carry out pollution prevention and control in key regions, resulting in tighter environmental protection regulation and enforcement system and more stringent environmental protection management requirements against the enterprises. While it will help to promote high quality development, it is predicted to lead to increasing production and operation costs for the companies.

To address the above-mentioned risks, the Group will adhere to the philosophy of "Lucid Waters and Lush Mountains are Invaluable Assets" (綠水青山就是金山銀山), continue to increase investment in environmentally-friendly technology improvement, implement the improvement of wet desulphurization and SCR denitration, push ahead the modification of the electric dust collector on clinker production lines, reduce pollutant discharge, accelerate the technology improvement of noise abatement and closure of dumping ground corridors, and will be proactively engaged in research and development of advanced environmental protection technologies, so as to improve the overall environmental protection management of the Group. Though it will lead to increasing production and operating costs for the companies to certain extent, such efforts will help to facilitate industry transformation and upgrade and elimination of backward production capacity, and will further consolidate the Group's leading advantage in environmental protection.

3. The cost of coal and electricity accounts for around 57% of the consolidated cost of cement and clinker. Any substantial surge in coal and electricity price due to factors such as policy adjustment or changes in market supply-and-demand condition will result in increasing production costs for the Group. 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 affected to certain extent.

In order to address the above-mentioned risks, the Group will strive to reduce the procurement costs of raw material and fuel to the maximum extent by deeply studying the supply-side structural reform of the coal industry, watching closely trends and changes in the supply-and-demand condition in market, strengthening strategic cooperation with large-scale coal corporations, expanding long-term resource channels, increasing proportion of procurement and implementing cross-regional planning and allocation of coal resources. Meanwhile, continuous efforts will be made to push ahead innovation capability, strengthen the technology improvement on energy conservation and consumption reduction, and further enhance the refined operation of production lines, so as to constantly optimize the indicators of coal and electricity consumption and reduce the costs of coal and electricity.

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 2018 amounted to RMB29,814.28 million and RMB29,858.30 million respectively. The Board of the Company proposed the appropriation of the profit for the period ended 31 December 2018 as follows:

(1) Pursuant to the requirements of the Company Law of the PRC and the Articles of the Company , the Company shall allocate 10% of its profit after tax for the year 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 2018.

(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 2018, the payment of a final dividend of RMB1.69 per share (tax inclusive) is proposed, totaling RMB8,955.82 million.

(3) The date of payment of final dividend to the holders of the Company's H Shares is expected to be around Tuesday, 25 June 2019. Details of the payment of final dividend will be included in the circular of the Company in respect of profit appropriation and other matters 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 year 2018.

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 2018 and audited consolidated statement of financial position of the Group at 31 December 2018 together with the 2017 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 2018

	Note	*2018* RMB'000	*2017* RMB'000
Revenue	*4(3)*	128,402,626	75,310,820
Cost of sales and services rendered		(82,641,576)	(49,788,595)
Gross profit		45,761,050	25,522,225
Other revenue	*4(4)*	2,593,573	1,616,486
Other net (loss) / income	*4(4)*	(885,346)	1,742,375
Selling and marketing costs		(3,733,295)	(3,571,930)
Administrative expenses		(4,037,662)	(3,470,351)
Profit from operations		39,698,320	21,838,805
Finance costs	*4(5)*	(483,382)	(683,988)
Share of profits of associates		230,767	111,827
Share of profits of joint ventures		229,614	8,236
Profit before taxation		39,675,319	21,274,880
Income tax	*4(6)*	(8,993,181)	(4,800,022)
Profit for the year		30,682,138	16,474,858

1. Consolidated statement of profit or loss

for the year ended 31 December 2018 (continued)

	Note	*2018* RMB'000	*2017* RMB'000
Attributable to:			
Equity shareholders of the Company		29,858,303	15,898,689
Non-controlling interests		823,835	576,169
Profit for the year		30,682,138	16,474,858
Earnings per share	*4(8)*		
– Basic		RMB5.63	RMB3.00
– Diluted		RMB5.63	RMB3.00

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

for the year ended 31 December 2018

	Note	*2018*	*2017 Note (i)*
		RMB'000	RMB'000
Profit for the year		30,682,138	16,474,858
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		(152,047)	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(15,523)	(68,293)
Available-for-sale equity securities: net movement in the fair value reserve (recycling) (note (ii))		-	(227,501)
Share of other comprehensive income of the investees		(13,050)	(14,280)
Other comprehensive income for the year		(180,620)	(310,074)
Total comprehensive income for the year		30,501,518	16,164,784
Attributable to:			
Equity shareholders of the Company		29,677,379	15,599,043
Non-controlling interests		824,139	565,741
Total comprehensive income for the year		30,501,518	16,164,784

Notes:

(i) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 4(2).

(ii) This amount arose under the accounting policies applicable prior to 1 January 2018. As part of the opening balance adjustments of 1 January 2018, the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. See note 4(2)(i).

3. Consolidated statement of financial position

	Note	31 December 2018		31 December 2017 (note)	
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment					
- Investment properties			64,950		36,466
- Other property, plant and equipment			63,646,686		63,293,696
- Lease prepayments			5,024,099		4,904,924
Intangible assets			3,450,932		3,196,077
Goodwill			514,398		493,648
Interest in associates			1,782,230		1,587,953
Interest in joint ventures			1,399,760		1,202,810
Loans and receivables			259,414		263,376
Financial assets measured at fair value through other comprehensive income			258,680		-
Available-for-sale equity securities			-		461,409
Deferred tax assets			953,856		677,819
			77,355,005		76,118,178
Current assets					
Inventories		6,022,717		4,705,200	
Assets held for sale		62,640		-	
Trade receivables	*4(9)*	14,361,418		12,179,758	
Prepayments and other receivables		13,778,027		4,110,966	
Amounts due from related parties		283,489		219,659	
Tax recoverable		64,949		49,045	
Restricted cash deposits		257,838		330,847	
Bank deposits with maturity over three months		27,503,597		14,000,000	
Cash and cash equivalents		9,857,672		10,428,932	
		72,192,347		46,024,407	

3. Consolidated statement of financial position (continued)

	Note	*31 December 2018*		*31 December 2017(note)*	
		RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Trade payables	*4(10)*	6,341,351		4,967,098	
Other payables and accruals		7,940,936		8,423,956	
Contract liabilities		3,312,151		-	
Bank loans and other borrowings		4,128,170		5,620,076	
Amounts due to related parties		273,228		196,509	
Current taxation		4,156,125		1,906,664	
		26,151,961		21,114,303	
Net current assets			46,040,386		24,910,104
Total assets less current liabilities			123,395,391		101,028,282
Non-current liabilities					
Bank loans and other borrowings		6,105,332		8,358,942	
Deferred income		634,579		614,099	
Deferred tax liabilities		466,297		365,947	
			7,206,208		9,338,988
NET ASSETS			116,189,183		91,689,294

3. Consolidated statement of financial position (continued)

	Note	*31 December 2018*		*31 December 2017(note)*	
		RMB'000	RMB'000	RMB'000	RMB'000
CAPITAL AND RESERVES					
Share capital			5,299,303		5,299,303
Reserves			107,177,285		83,850,646
Total equity attributable to equity shareholders of the Company			112,476,588		89,149,949
Non-controlling interests			3,712,595		2,539,345
TOTAL EQUITY			116,189,183		91,689,294

Approved and authorised for issue by the board of directors on 21 March 2019.

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 4(2).

4. Notes

(1) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 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:

- equity investments; and
- derivative financial instruments.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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.

(2) Changes in accounting policies

The International Accounting Standards Board ("IASB") has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, Financial instruments
- IFRS 15, Revenue from contracts with customers
- International Financial Reporting Interpretations Committee ("IFRIC") 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

(i) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation*

(2) Changes in accounting policies (continued)

IFRS 9 replaces International Accounting Standards ("IAS") 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at fair value through other comprehensive income (FVOCI)	(312,150)
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) relating to equity securities now measured at FVOCI and increase in fair value reserve (non-recycling) at 1 January 2018	312,150

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

(2) Changes in accounting policies (continued)

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	IAS 39 carrying amount at 31 December 2017	*Reclassification*	*IFRS 9 carrying amount at 1 January 2018*
	RMB'000	RMB'000	RMB'000
Financial assets measured at FVOCI (non-recyclable)			
Equity securities (Note)	-	461,409	461,409
Financial assets classified as available-for-sale under IAS 39	461,409	(461,409)	-

Note:

Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in Anhui Xinli Finance Co., Ltd at FVOCI (non-recycling), as the investment is not held for trading purpose.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts. The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(2) Changes in accounting policies (continued)

b. Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, restricted cash deposits, bank deposits with maturity over three months, trade receivables, prepayments and other receivables, amounts due from related parties and loans and other receivables);
- contract assets as defined in IFRS 15; and
- financial guarantee contracts issued.

The Group did not make adjustment of opening loss allowance as at 1 January 2018, as the Group assessed that the closing loss allowance determined in accordance with IAS39 as at 31 December 2017 has no material difference from the opening loss allowance determined in accordance with IFRS9 as at 1 January 2018.

c. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

(2) Changes in accounting policies (continued)

- the determination of the business model within which a financial asset is held; and
- the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and the Group has not identified any material cumulative effect of the initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

There is no impact of transition to IFRS 15 on retained earnings and the related tax as at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

(2) Changes in accounting policies (continued)

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a material impact on when the Group recognises revenue from the sale and trading of clinker and cement products.

b. Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

"Receipts in advance from customers" amounting to RMB1,833,319,000 as at 1 January 2018 , which were previously included in "other payables and accruals" are now included under "contract liabilities".

c. Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018.

The following tables summarise the estimated impact of adoption of IFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under IFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under IAS 18 and IAS 11 if those superseded standards had continued to apply to 2018 instead of IFRS 15.

(2) Changes in accounting policies (continued)

The tables show only those line items impacted by the adoption of IFRS 15:

	Amounts reported in accordance with IFRS 15	*Hypothetical amounts under IAS18 and IAS 11*	*Difference: Estimated impact of adoption of IFRS 15 on 2018*
	(A)	(B)	(A)-(B)
	RMB'000	RMB'000	RMB'000
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of IFRS 15:			
Other payables and accruals	7,940,935	11,253,086	(3,312,151)
Contract liabilities	3,312,151	-	3,312,151

(iii) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

(3) Revenue and segment reporting

(a) Revenue

The principal activities of the Group are the manufacturing, sale and trading of clinker and cement products. Further details regarding the Group's revenue from principal activities are disclosed below.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

(3) Revenue and segment reporting (continued)

	2018	*2017*
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by service lines		
– Sales of clinker, cement products and other materials	98,902,138	72,954,296
– Trading of clinker, cement products and other materials	29,255,190	2,110,525
– Service income	245,298	245,999
	128,402,626	75,310,820
Disaggregated by geographical location of customers		
– Eastern China	39,648,021	23,349,307
– Central China	42,629,853	23,682,948
– Southern China	15,925,313	11,432,969
– Western China	28,619,793	15,841,142
– Overseas	1,579,646	1,004,454
	128,402,626	75,310,820

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(3)(b).

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

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for clinker and cement products such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of clinker and cement products that had an original expected duration of one year or less.

(3) Revenue and segment reporting (continued)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised geographically. 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 manufacture and sale of clinker and cement products. No operating segments have been aggregated to form the following 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 (continued)

Disaggregation of revenue from contracts with customers by the type and timing of revenue recognition, as well as 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 2018 and 2017 is set out below.

For the year ended 31 December 2018

	Eastern China	*Central China*	*Southern China*	*Western China*	*Overseas*	*Subtotal*	*Reconciling items (note 4(3)(b)(ii))*	*Total*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by type of business								
Sales of clinker, cement products and other materials	29,846,333	31,687,635	14,421,323	21,456,876	1,489,971	98,902,138	-	98,902,138
Trading	9,732,521	10,804,833	1,494,707	7,133,454	89,675	29,255,190	-	29,255,190
Service Income	69,167	137,385	9,283	29,463	-	245,298	-	245,298
Revenue from external customers	**39,648,021**	**42,629,853**	**15,925,313**	**28,619,793**	**1,579,646**	**128,402,626**	**-**	**128,402,626**
Disaggregated by timing of revenue recognition								
Point in time	39,578,854	42,492,468	15,916,030	28,590,330	1,579,646	128,157,328	-	128,157,328
Over time	69,167	137,385	9,283	29,463	-	245,298	-	245,298
Revenue from external customers	**39,648,021**	**42,629,853**	**15,925,313**	**28,619,793**	**1,579,646**	**128,402,626**	**-**	**128,402,626**
Inter-segment revenue	6,445,812	24,296,220	611,724	358,902	-	31,712,658	(31,712,658)	-
Reportable segment revenue	46,093,833	66,926,073	16,537,037	28,978,695	1,579,646	160,115,284	(31,712,658)	128,402,626
Reportable segment profit (profit before taxation)	5,106,939	33,578,990	6,310,737	7,832,772	(92,660)	52,736,778	(13,107,583)	39,629,195

(3) Revenue and segment reporting (continued)

For the year ended 31 December 2018

	Eastern China	*Central China*	*Southern China*	*Western China*	*Overseas*	*Subtotal*	*Reconciling items* (*note 4(3)(b)(ii)*)	*Total*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	13,040	1,199,607	6,201	16,696	3,519	1,239,063	(162,517)	1,076,546
Interest expense	(20,658)	(331,814)	(22,959)	(107,814)	(156,556)	(639,801)	156,419	(483,382)
Depreciation and amortisation for the year	(462,289)	(2,070,634)	(718,989)	(1,497,251)	(220,228)	(4,969,391)	15,978	(4,953,413)
Impairment losses of property, plant and equipment	(3,930)	(42,614)	-	(150,892)	(2,853)	(200,289)	-	(200,289)
Reportable segment assets (including investment in associates and joint ventures)	16,999,461	120,819,735	12,797,942	27,837,055	9,489,193	187,943,386	(38,396,034)	149,547,352
Investment in associates and joint ventures	-	1,356,367	-	1,731,031	94,592	3,181,990	-	3,181,990
Additions to non-current segment assets during the year	431,652	2,439,471	1,514,391	692,386	983,981	6,061,881	-	6,061,881
Reportable segment liabilities	11,150,306	16,001,696	1,906,839	12,872,603	8,525,856	50,457,300	(17,327,821)	33,129,479

(3) Revenue and segment reporting (continued)

For the year ended 31 December 2017

	Eastern China	*Central China*	*Southern China*	*Western China*	*Overseas*	*Subtotal*	*Reconciling items* *(note 4(3)(b)(ii))*	*Total*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by type of business								
Sales of clinker, cement products and other materials	22,266,714	22,439,147	11,427,127	15,816,854	1,004,454	72,954,296	-	72,954,296
Trading	999,744	1,110,781	-	-	-	2,110,525	-	2,110,525
Service Income	82,849	133,020	5,842	24,288	-	245,999	-	245,999
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**
Disaggregated by timing of revenue recognition								
Point in time	23,266,458	23,549,928	11,427,127	15,816,854	1,004,454	75,064,821	-	75,064,821
Over time	82,849	133,020	5,842	24,288	-	245,999	-	245,999
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

(3) Revenue and segment reporting (continued)

For the year ended 31 December 2017

	Eastern China	*Central China*	*Southern China*	*Western China*	*Overseas*	*Subtotal*	*Reconciling items (note 4(3)(b)(ii))*	*Total*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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)

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

	2018	*2017*
	RMB'000	RMB'000
Revenue		
Elimination of inter-segment revenue	(31,712,658)	(24,659,789)

	2018	*2017*
	RMB'000	RMB'000
Profit		
Elimination of inter-segment profits	(13,107,583)	(4,605,255)
Difference between CAS and IFRS*	46,124	46,124
	(13,061,459)	(4,559,131)

	2018	*2017*
	RMB'000	RMB'000
Assets		
Elimination of inter-segment balances	(38,396,034)	(38,899,876)

	2018	*2017*
	RMB'000	RMB'000
Liabilities		
Elimination of inter-segment balances	(17,327,821)	(18,801,717)
Difference between CAS and IFRS*	228,690	274,814
	(17,099,131)	(18,526,903)

* The difference mainly arises from deferred income in respect of certain government grants recognized 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	
	2018	*2017*	*2018*	*2017*
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC	126,074,679	72,980,063	69,836,406	69,230,272
Others	2,327,947	2,330,757	6,445,450	5,748,678
	128,402,626	75,310,820	76,281,856	74,978,950

(4) Other revenue and net (loss) / income

	2018	*2017*
	RMB'000	RMB'000
Other revenue		
Interest income on financial assets measured at amortised cost	1,076,546	643,830
Subsidy income*	1,318,923	925,929
Investment income on wealth management products issued by bank	198,104	44,910
Dividend income from listed securities	-	1,817
	2,593,573	1,616,486

* 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 (loss)/income (continued)

	2018	*2017*
	RMB'000	RMB'000
Other net (loss)/income		
Net (loss)/gain on disposal of property, plant and equipment and lease prepayments	(54,185)	41,240
Net realised and unrealised gain on derivative financial instruments	22,834	2,307
Net gain on disposal of available-for-sale equity securities	-	1,556,793
Net gain on disposal of interest in an associate	-	303,104
Net exchange loss	(113,970)	(164,789)
Others*	(740,025)	3,720
	(885,346)	1,742,375

* Others mainly include the expense incurred by the Group's subsidiary, Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch"), for supporting the government to implement the relocation of a water intake project.

(5) Profit before taxation

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

		2018	*2017*
		RMB'000	RMB'000
(a)	Finance costs		
	Interest expense on financial liabilities not at fair value through profit or loss	522,650	718,700
	Less: Interest expense capitalised into construction-in-progress*	(39,268)	(34,712)
		483,382	683,988

* The borrowing costs have been capitalised at rates of 2.65% ~ 5.99% (2017: 1.97% ~ 8.80%).

(5) Profit before taxation (continued)

		2018	*2017*
		RMB'000	RMB'000
(b)	Staff costs*		
	Salaries, wages and other benefits	5,426,643	4,579,551
	Contributions to defined contribution retirement plans	503,057	424,125
	Annuity	218,674	-
		6,148,374	5,003,676

		2018	*2017*
		RMB'000	RMB'000
(c)	Other items		
	Amortisation		
	- interest in leasehold land held for own use under operating leases	131,005	124,320
	- intangible assets	175,109	118,578
	Depreciation		
	- investment properties	1,519	1,445
	- property, plant and equipment	4,645,780	4,588,833
	Impairment losses		
	- trade receivables	1,338	-
	- prepayments and other receivables	1,094	-
	- property, plant and equipment	200,289	-
	- inventories	6,702	-
	Reversal of impairment losses		
	- prepayments and other receivables	-	(12)
	Auditors' remuneration		
	- audit services	5,262	5,200
	- other services	71	439
	Research and development costs (other than amortisation costs)	70,967	42,386
	Cost of inventories*	81,061,621	48,198,704

* Cost of inventories includes RMB7,544,505,000 (2017: RMB6,761,627,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note4(5)(b) for each of these types of expenses.

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

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

	2018	*2017*
	RMB'000	RMB'000
Current tax		
Provision for the year	9,124,625	4,997,607
Under/(over) -provision in respect of prior years	22,379	(13,144)
	9,147,004	4,984,463
Deferred tax		
Origination and reversal of temporary differences	(153,823)	(184,441)
	8,993,181	4,800,022

No provision for Hong Kong Profits Tax is made for 2018 and 2017 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

The corporate income tax rates of the subsidiaries outside mainland China are as following:

Conch International Holding (HK) Co., Ltd. (a subsidiary in Hong Kong)	16.5%
Luangprabang Conch and Vientiane Conch (subsidiaries in Laos)	24%
Conch Cement Volga Limited Liability Company (a subsidiary in Russia)	20%
Battambang Conch (a subsidiary in Cambodia)	20%
Qarshi Conch (a subsidiary in Uzbekistan)	14%

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. (Note (i))	15%
Dazhou Conch Cement Co., Ltd. (Note (i))	15%
Guangyuan Conch Cement Co., Ltd. (Note (i))	15%
Chongqing Conch Cement Co., Ltd. (Note (i))	15%
Liquan Conch Cement Co., Ltd. (Note (i))	15%
Guiyang Conch Panjiang Cement Co., Ltd. (Note (i))	15%
Guiding Conch Panjiang Cement Co., Ltd. (Note (i))	15%
Zunyi Conch Panjiang Cement Co., Ltd. (Note (i))	15%
Qianyang Conch Cement Co., Ltd. (Note (i))	15%
Bazhong Conch Cement Co., Ltd. (Note (i))	15%
Wenshan Conch Cement Co., Ltd. (Note (i))	15%

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

Longan Conch Cement Co., Ltd. (Note (i))	15%
Linxia Conch Cement Co., Ltd. (Note (i))	15%
Tongren Conch Panjiang Cement Co., Ltd. (Note (i))	15%
Guizhou Liukuangruian Cement Co., Ltd. (Note (i))	15%
Qianxian Conch Cement Co., Ltd. (Note (i))	15%
Qianxinan Resource Development Co., Ltd. (Note (i))	15%
Sichuan Nanwei Cement Co., Ltd. (Note (i))	15%
Yunnan Zhuangxiang Cement Co., Ltd. (Note (i))	15%
Liangping Conch Cement Co., Ltd. (Note (i))	15%
Baoji Zhongxi Jinlinghe Cement Co., Ltd. (Note (i))	15%
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. (Note (i))	15%
Guangxi Lingyun Tonghong Cement Co., Ltd. (Note (i))	15%
Baoshan Conch Cement Co., Ltd. (Note (i))	15%
Ganzhou Conch Cement Co., Ltd. (Note (i))	15%
Hami Hongyi Construction Co., Ltd. (Note (i))	15%
Yingjiangyunhan Cement Co., Ltd. (Note (i))	15%
Kunming Conch Cement Co., Ltd. ("Kunming Conch") (Note (i))	15%
Shaanxi Tongchuan Fenghuang Construction Co., Ltd. ("Fenghuang Construction") (Note (i))	15%
Chongqing Material Trading Co., Ltd. ("Chongqing Trading")(Note (i))	15%
Anhui Wuhu Conch Construction and Installation Co., Ltd. ("Conch Construction") (Note (ii))	15%
Anhui Conch Siam Refractory Material Co., Ltd. ("Refractory Material") (Note (ii))	15%

Notes:

(i) Pursuant to Notice No.4 issued by the State Administration of Taxation of PRC 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 are entitled to a preferential income tax rate of 15% in 2018, among which, Kunming Conch and Fenghuang Construction are first entitled corporate income tax rate of 15% in 2018 (2017: 25%).

(ii) Pursuant to Chapter 28 of the Law of the PRC 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 and obtained a renewed certification in 2018. Accordingly, it is entitled to a preferential income tax rate of 15% from 2018 to 2020.

Refractory Material has obtained a high and new technology enterprise certification 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:

	2018	*2017*
	RMB'000	RMB'000
Profit before taxation	39,675,319	21,274,880
Notional tax on profit before taxation calculated at 25% (2017: 25%)	9,918,830	5,318,720
Tax effect of subsidiaries subject to tax rates other than 25%	(838,350)	(396,896)
Tax effect of non-deductible expenses	41,597	60,419
Tax effect of non-taxable income	(136,188)	(123,196)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	(7,603)	(21,960)
Under/(over)-provision in respect of prior years	22,379	(13,144)
Others	(7,484)	(23,921)
Actual tax expense	8,993,181	4,800,022

(7) Dividends

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

	2018	*2017*
	RMB'000	RMB'000
Final dividend proposed after the statement of financial position date of RMB1.69 (2017: RMB1.20) per ordinary share	8,955,821	6,359,163

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:

	2018	*2017*
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB1.2 (2017: RMB0.5) per ordinary share	6,359,163	2,649,651

(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 2018 of RMB 29,858,303,000 (2017: RMB15,898,689,000) and the weighted average number of shares in issue during the year ended 31 December 2018 of 5,299,303,000 shares (2017: 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 2018 and 2017, 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 bills receivable (net of allowance for doubtful debts) with the following ageing analysis based on invoice date as of the statement of financial position date:

	31 December 2018	*31 December 2017*
	RMB'000	RMB'000
Within 1 year	14,358,735	12,179,758
Between 1 year and 2 years	2,683	-
Between 2 years and 3 years	-	-
Over 3 years	-	-
	14,361,418	12,179,758

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. Bills 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:

	31 December 2018	*31 December 2017*
	RMB'000	RMB'000
Within 1 year (inclusive)	6,330,341	4,957,436
Between 1 year and 2 years (inclusive)	4,938	2,335
Between 2 years and 3 years (inclusive)	622	1,676
Over 3 years	5,450	5,651
	6,341,351	4,967,098

(11) Business combination

The Group acquired one subsidiary from third parties on 6 August 2018. The acquired subsidiary is located in the PRC and is principally engaged in the manufacture and sale of clinker and cement related products.

During the period from the acquisition date to 31 December 2018, the acquired subsidiary contributed a revenue of RMB388,849,000 and profit of RMB72,287,000 to the Group's results. Had the acquisition occurred on 1 January 2018, management estimates that the consolidated revenue of the Group for the year ended 31 December 2018 would have been RMB128,947,257,000 and the consolidated profit for the year would have been RMB30,758,802,000. 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 2018. Details of the acquired subsidiary is as follows:

Name of the company	*Voting right/ equity interests*	*Date of acquisition*	*Principal activities*
Guangdong Qingyuan Guangying Cement Co., Ltd. ("Guangying Cement")	80%	6 August 2018	Manufacture and sale of clinker and cement products

Summary of net assets acquired in Guangying Cement and the goodwill arising at the acquisition date is as follows:

Fair value of identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	710,939
Intangible assets	49,247
Lease prepayments	112,544
Inventories	85,462
Cash and cash equivalents	10,021
Trade receivables, prepayments and other receivables	8,198
Bank loans and other borrowings	(25,770)
Trade payables and other liabilities	(41,009)
Deferred tax liabilities	(28,818)
Total net identifiable assets of the acquiree	880,814

Goodwill

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

	RMB'000
Total cash consideration	725,401
Non-controlling interests, based on their proportionate interest in recognised amount of the assets and liabilities of the acquiree	176,163
Fair value of net identifiable assets	(880,814)
Goodwill arising from the above acquisition	20,750

The goodwill arises from the acquisition represents the benefits of expected synergies to be achieved from integrating the business into the Group's existing business, future market development and the acquired workforce.

(12) Contingent liabilities

At 31 December 2018, the Company has issued guarantees to banks in respect of bank loans of its subsidiaries amounting to RMB6,722,287,000 (2017: RMB8,234,435,000). The Company has issued guarantees to banks in respect of banking facilities of its subsidiaries amounting to RMB 850,896,000 (2017: RMB 716,876,000). The directors do not consider it probable that a claim will be made against the Company under any of these guarantees.

At 31 December 2018, outstanding letters of credit issued by the Group amounted to RMB 92,291,000 (2017: RMB48,523,000). The directors do not consider it probable that the outstanding letters of credit issued would cause additional financial risk.

At 31 December 2018, the Group has issued guarantees to banking facilities of its related parties, PT SDIC Papua Cement Indonesia, Sino-Myanmar International Trading Co., Ltd. and Huaibei Mining Xiangshan Cement Company Limited, amounting to RMB 995,992,000 in aggregate (2017: RMB1,038,413,000). These guarantees were utilised to the extent of RMB 995,992,000 (2017: RMB1,038,413,000) as at 31 December 2018. The directors do not consider it probable that a claim will be made against the Group under any of these guarantees.

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

Wuhu City, Anhui Province, the People's Republic of China
21 March 2019

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