Anhui Conch Cement Company Limited

(H Share: 00914, A Share: 600585)

2019 ANNUAL REPORT

Important

1. The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company warrant that the information in this report, for which they jointly and severally accept legal liability, is truthful, accurate and complete, and does not contain any misrepresentation, misleading statement or material omission.

2. All Directors of the Company attended the third meeting of the eighth session of the Board.

3. KPMG and KPMG Huazhen LLP issued a standard unqualified audit report for the Company.

4. Mr. Gao Dengbang, Chairman, Mr. Wu Bin, officer-in-charge of the accounting function and Ms. Liu Yan, officer-in-charge of the accounting department, have declared that they warrant the financial statements contained herein are true, accurate and complete.

5. As considered by the third meeting of the eighth session of the Board of the Company, the annual profit distribution proposal for 2019 is a cash dividend of RMB2.0 per share (tax inclusive). No capitalization of common reserve fund was made.

6. Declaration of risks with respect to the forward-looking statements: the Company's plans for 2020 concerning its capital expenditure, new production capacity and net sales objectives as disclosed herein do not constitute any substantive commitment to investors. Investors and the public are advised to be cautious of any investment risks.

7. There was no appropriation of the Company's funds for non-operating purpose by the controlling shareholder of the Company and its related parties.

8. There was no external guarantee provided in violation of the established decision-making procedures.

9. Material risk alert: Chapter 5 of this report discloses the risks that the Company may be exposed to in 2020, including risks related to the policies, environmental protection regulations, and fluctuation of price of energy resources. Investors are reminded to read it carefully.

Contents

1. Definitions

The following terms and expressions contained in this report shall, unless the context otherwise requires, have the meanings assigned to them as follows:

The Company/Conch Cement :	Anhui Conch Cement Company Limited
The Group :	the Company and its subsidiaries
Board :	the Board of Directors of the Company
Director(s) :	the Director(s) of the Company
Supervisory Committee :	the supervisory committee of the Company
Supervisor(s) :	the supervisor(s) of the Company
Remuneration and Nomination Committee: :	the remuneration and nomination committee of the Board
Audit Committee: :	the audit committee of the Board
Xinli Finance :	Anhui Xinli Finance Co., Ltd., a company listed on the SSE (stock code: 600318)
WCC :	West China Cement Limited, a company listed on the Stock Exchange (stock code: 2233)
Conch Holdings :	Anhui Conch Holdings Co., Ltd.
Conch Profiles and Science :	Wuhu Conch Profiles and Science Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000619)
Conch Investment Company :	Anhui Conch Investment Co., Ltd.
Conch Design Institute :	Anhui Conch Construction Materials Design Institute Co., Ltd.

1. Definitions

Conch New Materials Company	:	Anhui Conch New Materials Technology Co., Ltd.
CV Investment	:	Anhui Conch Venture Investment Co., Ltd.
Conch Venture Property	:	Wuhu Conch Venture Property Co., Ltd.
Conch Venture	:	China Conch Venture Holdings Limited, a company listed on the Stock Exchange (stock code: 0586)
Conch (HK)	:	Conch International Holdings (HK) limited
SPIC Anhui Conch Power Selling	:	Anhui Conch Power Selling Co., Ltd. under SPIC Group
SPIC Anhui Conch Clean Energy	:	Anhui Conch Clean Energy Co., Ltd. under SPIC
Baimashan Cement Plant	:	Baimashan Cement Plant of Anhui Conch Cement Company Limited
Basu Conch	:	Basu Conch Cement Co., Ltd.
North Sulawesi Conch	:	PT Conch North Sulawesi Cement
Southeast Asia Company	:	Wuhu Southeast Asia International Trading Co., Ltd.
Zhongguo Cement Plant	:	Zhongguo Cement Plant Co., Ltd.
Jiangsu Conch Building Materials	:	Jiangsu Conch Building Materials Co., Ltd.
Jiande Conch	:	Jiande Conch Cement Co., Ltd.
Jining Conch	:	Jining Conch Cement Co., Ltd.

1. Definitions

Liukuangruian	:	Guizhou Liukuangruian Cement Co., Ltd.
Battambang Conch	:	Battambang Conch Cement Co., Ltd.
Mandalay Conch	:	Myanmar Conch Cement (Mandalay) Co., Ltd.
Indonesia South Conch	:	PT Conch South Kalimantan Cement
Myanmar Conch	:	Myanmar Conch Cement Co., Ltd.
Shaoyang Yeafing	:	Shaoyang Yeafing New Energy Co., Ltd.
Tongling Conch	:	Anhui Tongling Conch Cement Co., Ltd.
Papua Company	:	PT SDIC Papua Cement Indonesia
Indonesia Conch	:	PT Conch Cement Indonesia
Regional Committee(s)	:	Regional management unit(s) specially established by the Company for implementation of regional management in order to strengthen the Company's management over its subsidiaries and enhance management efficiency by organising certain subsidiaries located in a particular province or neighboring areas into a regional management unit
Reporting Period	:	The period from 1 January 2019 to 31 December 2019
PRC Accounting Standards	:	China Accounting Standards for Business Enterprises
Stock Exchange	:	The Stock Exchange of Hong Kong Limited

1. Definitions

HKSE Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the HKSE Listing Rules
SSE	Shanghai Stock Exchange
SSE Listing Rules	The Rules Governing the Listing of Stocks on the SSE
SZSE	Shenzhen Stock Exchange
A Shares	ordinary shares in the capital of the Company listed on the SSE, with a nominal value of RMB1.00 per share, which are subscribed for and traded in RMB
H Shares	foreign shares in the capital of the Company listed on the Stock Exchange, with a nominal value of RMB1.00 per share, which are subscribed for and traded in Hong Kong dollars
Clinker	semi-finished products made in the manufacturing process of cement
Hong Kong	Hong Kong Special Administrative Region of the PRC
RMB	Renminbi, the lawful currency of the PRC

1. Definitions

PRC	:	The People's Republic of China
CSRC	:	China Securities Regulatory Commission (中國證券監督管理委員會)
Articles	:	Articles of Association of the Company

2. Corporate Profile and Major Financial Indicators

(1)	Official Chinese name of the Company	:	安徽海螺水泥股份有限公司
	Abbreviation in Chinese	:	海螺水泥
	Official English name of the Company	:	ANHUI CONCH CEMENT COMPANY LIMITED
	Abbreviation in English	:	ACC
(2)	Legal Representative of the Company	:	Gao Dengbang
(3)	Secretary to the Board (Company Secretary)	:	Yu Shui
	Phone number	:	0086 553 8398976
	Fax number	:	0086 553 8398931
	Company secretary (Hong Kong)	:	Leo P. Y. Chiu
	Phone number	:	00852 21113220
	Fax number	:	00852 21113299
	Securities Affairs Representative	:	Liao Dan
	Phone number	:	0086 553 8398911
	Fax number	:	0086 553 8398931
	E-mail	:	dms@chinaconch.com
(4)	Registered address of the Company	:	39 Wenhua Road, Wuhu City, Anhui Province, the PRC
	Office address of the Company	:	39 Wenhua Road, Wuhu City, Anhui Province, the PRC
	Postal code	:	241000
	Email address of the Company	:	dms@chinaconch.com
	Website of the Company	:	http://www.conch.cn
	Contact address in Hong Kong	:	40/F Jardine House, 1 Connaught Place, Central, Hong Kong
(5)	Company's designated newspaper for information disclosure in the PRC	:	Shanghai Securities Journal, Securities Times
	Website for publication of this report	:	http://www.sse.com.cn
	Location where the Company's annual report is available for inspection	:	Secretariat to the Board of the Company, SSE

2. Corporate Profile and Major Financial Indicators

(6)	Exchange on which the Company's shares are listed:		
	H Shares	:	Stock Exchange
	Stock code	:	00914
	A Shares	:	SSE
	Stock code	:	600585
	Stock name	:	Conch Cement
(7)	Legal adviser as to PRC law	:	Jingtian & Gongcheng 34th Floor, Tower 3, China Central Place, 77 Jianguo Road, Chaoyang District, Beijing, the PRC
	Legal adviser as to Hong Kong law	:	Chiu & Partners 40/F Jardine House, 1 Connaught Place, Central, Hong Kong
(8)	International auditors	:	KPMG, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
	Authorised signatory of the Accountant	:	Frankie C.Y. Lai
	PRC auditors	:	KPMG Huazhen LLP 8th Floor, Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing, the PRC
	Authorised signatory of the Accountant	:	Xu Min, Liu Xuyou
(9)	H Shares share registrar and transfer office		Hong Kong Registrars Limited 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

2. Corporate Profile and Major Financial Indicators

(10) FINANCIAL SUMMARY PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") FOR THE YEAR ENDED 31 DECEMBER

(Unit: RMB'000)

Items	**2019**	2018	2017	2016	2015
Net revenue	**157,030,328**	128,402,626	75,310,820	55,931,901	50,976,036
Net profit attributable to equity shareholders of the Company	**33,629,803**	29,858,303	15,898,689	8,573,868	7,538,700
Total assets	**178,777,182**	149,547,352	122,142,585	109,514,121	105,781,392
Total liabilities	**36,646,408**	33,358,169	30,453,291	29,536,289	32,236,883

(11) ACCOUNTING DATA PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS

1. Major accounting data and financial indicators for the preceding three years

Table 1:

(Unit: RMB'000)

Items	**2019**	2018	Year-on-year change between 2019 and 2018 (%)	2017
Revenue	**157,030,328**	128,402,626	22.30	75,310,820
Profit before taxation	**44,556,845**	39,629,196	12.43	21,228,756
Net profit attributable to equity shareholders of the Company	**33,592,755**	29,814,285	12.67	15,854,670
Net profit after extraordinary items attributable to equity shareholders of the Company	**32,719,396**	29,818,520	9.73	14,077,866
Basic earnings per share (RMB/share)	**6.34**	5.63	12.67	2.99
Diluted earnings per share (RMB/share)	**6.34**	5.63	12.67	2.99
Basic earnings per share after extraordinary items (RMB/share)	**6.17**	5.63	9.73	2.66
Diluted return on net assets (%)	**24.46**	26.46	Decreased by 2.00 percentage points	17.73

2. Corporate Profile and Major Financial Indicators

Items	2019	2018	Year-on-year change between 2019 and 2018 (%)	2017
Weighted average return on net assets (%)	**27.03**	29.66	Decreased by 2.63 percentage points	19.12
Diluted return on net assets after extraordinary items (%)	**23.82**	26.46	Decreased by 2.64 percentage points	15.75
Weighted average return on net assets after extraordinary items (%)	**26.33**	29.66	Decreased by 3.33 percentage points	16.97
Net cash flow generated from operating activities	**40,738,205**	36,058,967	12.98	17,363,027
Net cash flow per share generated from operating activities (RMB/share)	**7.69**	6.80	12.98	3.28

Table 2:

(Unit: RMB'000)

Items	As at 31 December 2019	As at 31 December 2018	Year-on-year change between 2019 and 2018 (%)	As at 31 December 2017
Total assets	**178,777,182**	149,547,352	19.55	122,142,585
Equity attributable to equity shareholders of the Company	**137,361,682**	112,688,916	21.89	89,406,295
Net assets per share attributable to equity shareholders of the Company (RMB/share)	**25.92**	21.26	21.89	16.87

2. Corporate Profile and Major Financial Indicators

2. Major financial data for 2019 by quarters

(Unit: RMB'000)

Items	First quarter	Second quarter	Third quarter	Fourth quarter
Revenue	30,500,532	41,143,294	39,112,557	46,273,945
Net profit attributable to equity shareholders of the Company	6,081,261	9,178,441	8,555,946	9,777,107
Net profit after extraordinary items attributable to equity shareholders of the Company	5,928,409	8,995,075	8,269,271	9,526,641
Net cash flow generated from operating activities	5,012,393	9,491,931	11,511,150	14,722,731

3. Extraordinary items and amount for the Reporting Period

(Unit: RMB'000)

Extraordinary items	**2019**	2018	2017
(1) Gains or losses on disposal of non-current assets	**-39,614**	–54,185	344,344
(2) Government subsidy (exclusive of those that are closely related to the operation of the Company and received in a certain amount or fixed quantity according to the State standards)	**530,707**	545,409	426,103
(3) Investment gains from fair value changes of held-for-trading financial assets, and investment income on disposal of held-for-trading financial assets other than the hedging business that is related to the normal business of the Company	**414,912**	22,833	1,559,100
(4) Entrusted fee income obtained from entrusted operation	**18,700**	10,624	699
(5) Charges on share of funds received from non-financial enterprises included in the current income statement	**5,000**	1,710	2,647
(6) Gains or losses from external entrusted loans	**1,605**	1,701	1,701
(7) Gains arising from the excess of the Group's share of the fair values of the subsidiaries' identifiable net assets over the investment costs for acquisition of the subsidiaries	**–**	–	491
(8) Gains on entrusted investment or asset management	**169,401**	198,104	44,910
(9) Other non-operating income and expenses other than the above items	**67,371**	-740,024	3,720
(10) Effect of extraordinary items on income tax	**-286,583**	7,958	–589,958
(11) Effect of extraordinary items on minority interests	**-8,139**	1,635	–16,953
Total	**873,360**	-4,235	1,776,804

2. Corporate Profile and Major Financial Indicators

4. Items at fair value

(Unit: RMB'000)

Items	Opening balance of the Reporting Period	Closing balance of the Reporting Period	Changes during the Reporting Period	Impact on the profit for the current period
Financial assets at fair value through profit or loss	25,140	16,782,737	16,757,597	414,912
Other investments in equity instruments	258,680	326,096	67,416	–
Financing of receivables	4,066,653	3,350,586	716,067	–
Financial liabilities at fair value through profit or loss	–	–	–	–

(12) EXPLANATIONS FOR DIFFERENCES BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS AND IFRSs

(Unit: RMB'000)

	Net profit attributable to parent company		Equity attributable to equity shareholders of parent company	
	1 January to 31 December 2019 (Audited)	1 January to 31 December 2018 (Audited)	**31 December 2019 (Audited)**	31 December 2018 (Audited)
As reported in the statutory financial statements prepared in accordance with the PRC Accounting Standards	**33,592,755**	29,814,285	**137,361,682**	112,688,916
– Deferral of subsidy income not subject to "China Accounting Standards for Business Enterprises No.16 – Government Subsidy" in accordance with IFRSs	**37,048**	44,018	**-175,280**	–212,330
As reported in accordance with IFRSs	**33,629,803**	29,858,303	**137,186,402**	112,476,586

Luangprabang Conch (Laos) Ribbon Cutting Ceremony for the Production Commencement

Quanjiao Prefabricated Building Project Signing Ceremony

Fusui Conch 10 Million-Tonne New Building Materials Project Signing Ceremony

Fenyi Aggregate Project Signing Ceremony


Chairman Gao Dengbang introduced intelligent factory

3. Business Overview of the Company

(1) OVERVIEW OF THE CEMENT INDUSTRY

In 2019, the cement industry remained stable in general. Domestic demand increased slightly. The industry was characterized by the rise of both the volume and price of cement, but the divergence in regional market performance remained notable. On the supply side, the state has adhered to the main theme of structural reforms on the supply side and launched a series of measures to stabilize growth. The central government persisted in the fight against pollution with the same direction and unfaltering intensity. Meanwhile, affected by policies such as staggered production, energy conservation and emission reduction, and overall regulations on mining, the supply side remained contracted. The demand for infrastructure investment remained slow and steady, and supplementary infrastructure projects continued to advance, further underlining their importance in adjustment. Real estate development remained resilient, where investment continued to grow rapidly. The demand for cement remained stable with moderate growth throughout the year. In 2019, the national cement output was approximately 2.33 billion tonnes, representing a year-on-year increase of 6%, recording the fastest growth in the 5 recent years. The industry's profitability remained robust. (Data source: Digital Cement)

(2) INTRODUCTION OF THE MAIN BUSINESS OF THE COMPANY

During the Reporting Period, the Group was principally engaged in production and sale of cement, commodity clinker and aggregate. According to market demands, the Group's main cement products included 32.5-grade cement, 42.5-grade cement and 52.5-grade cement, which are widely used in construction projects of large-scale national infrastructures such as railways, expressways, airports and hydraulic power as well as urban property, cement products and the rural markets.

As part of the basic raw material industry, cement is a regional product as its sales radium is subject to mode of transportation and local cement price, resulting in a sales model different from that of the consumer goods. The Group has adopted a sales model focusing on direct sales and is supplemented by distribution, and has established over 500 marketing departments in the market places where the Company operates across the PRC and overseas, building up a relatively extensive marketing network. Meanwhile, the Group continuously improved its marketing strategy by accelerating the construction or lease of the transfer storages and other landing stages in the Yangtze River Delta, Pearl River Delta, and coastal areas of Zhejiang and Fujian to proactively pursue trading business, further improve the market planning and strengthen the control of the market.

During the Reporting Period, the Group continued to improve its planning for domestic and overseas market and steadily promote its development strategy of internationalization. Meanwhile, the Group proactively extended upstream and downstream industrial chain, and steadily implemented its development strategy.

(3) CHANGES IN THE PRIMARY ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

As at the end of the Reporting Period, the Group's balance of currency capital increased by 46.14% from the beginning of the year, mainly due to the year-on-year increase in product operating income and the increase in cash flow from operating activities during the Reporting Period. The balance of financial assets held for trading increased by 667 times from the beginning of the year, and other receivables decreased by 68.29% from the beginning of the year, mainly due to the increase in wealth management products purchased during the Reporting Period and expiration of wealth management products purchased in the previous year. Assets held for sale decreased by 84.34% from the beginning of the year, mainly due to the disposal of assets held for sale by certain subsidiaries during the Reporting Period. The balance of construction in progress increased by 80.37% compared with the beginning of the year, mainly due to the increase in expenses of engineering construction and technological transformation projects in domestic and overseas projects. Save as disclosed above, there was no material change in the fixed assets, intangible assets and other major assets of the Group.

As at the end of the reporting period, the overseas assets of the Group was RMB12.633 billion, accounting for 7.07% of the total assets.

(4) CHANGES IN CORE COMPETITIVENESS OF THE COMPANY DURING THE REPORTING PERIOD

Since its listing in 1997, the Company has focused on developing and growing its core cement business by promoting independent innovation and technology advancement, proactively promoting energy conservation and emission reduction and developing our recycling business. After over 20 years of constant, healthy and steady development, and by refining internal management, strengthening market construction and promoting technological innovation, the Company has created the unique "Conch model", enjoying a relatively strong advantage in resources, technology, human resources, funding, market share and brand recognition.

During the Reporting Period, the Group made continuous efforts in enhancing regional market operation, strengthening cost control, increasing investment in safety and environmental protection, and speeding up the construction of factories equipped with digital system, information system and intelligent system, so as to further consolidate and improve its aforesaid competitive advantages, and maintain the core competitiveness of the Group.

4. Report of the Directors

(1) INVESTMENTS DURING THE REPORTING PERIOD

1. Establishment and acquisition of project companies and capital increase in subsidiaries during the Reporting Period

(1) In January 2019, the Company invested in and established Linquan Conch Cement Co., Ltd. with a registered capital of RMB50 million. The Company holds 100% of its equity interest.

(2) In January 2019, the Company and Yu Xueming, a natural person, jointly invested in and established Tongchuan Conch New Materials Co., Ltd. with a registered capital of RMB40 million. The Company and Yu Xueming contributed RMB26 million and RMB14 million respectively, representing 65% and 35% of the registered capital of Tongchuan Conch New Materials Co., Ltd. respectively.

(3) In May 2019, the Company invested in and established Zhuhai Haizhong Trading Co., Ltd. with a registered capital of RMB10 million. The Company holds 100% of its equity interest.

(4) In June 2019, the Company invested in and established Fenyi Conch Building Materials Co., Ltd. with a registered capital of RMB150 million. The Company holds 100% of its equity interest.

(5) In July 2019, the Company and Sichuan Southwest Cement Co., Ltd. ("Southwest Cement") jointly invested in and established Nanjiang Conch Cement Co., Ltd. with a registered capital of RMB300 million. The Company and Southwest Cement contributed RMB153 million and RMB147 million respectively, representing 51% and 49% of the registered capital of Nanjiang Conch Cement Co., Ltd. respectively.

(6) In July 2019, Conch (HK), a wholly-owned subsidiary of the Company, and Hong Soun, president of KT Pacific Group, jointly invested in and established Conch KT Cement (Phnom Penh) Co., Ltd. with an initial registered capital of US$10 million. The Company and Hong Soun contributed US$5.5 million and US$4.5 million respectively, representing 55% and 45% of the registered capital.

(7) In September 2019, the Company invested in and established Haimen Conch New Materials Co., Ltd. with a registered capital of RMB150 million. The Company holds 100% of its equity interest.

4. Report of the Directors

(8) In November 2019, the Company and Yiyang County Urban Construction Investment and Development Co., Ltd. ("Yiyang Urban Investment") jointly invested in and established Jiangxi Yiyang Conch New Building Materials Co., Ltd. with a registered capital of RMB100 million. Conch Cement and Yiyang Urban Investment contributed RMB70 million and RMB30 million respectively, representing 70% and 30% of the registered capital of Jiangxi Yiyang Conch New Building Materials Co., Ltd. respectively.

(9) In November 2019, the Company and Yiyang Urban Investment jointly invested in and established Jiangxi Yiyang Conch New Materials Co., Ltd. with a registered capital of RMB12 million. Conch Cement and Yiyang Urban Investment contributed RMB8.4 million and RMB3.6 million respectively, representing 70% and 30% of the registered capital of Jiangxi Yiyang Conch New Materials Co., Ltd. respectively.

(10) In November 2019, the Company and Quanjiao County Urban Infrastructure Development and Construction Co., Ltd. ("Quanjiao Urban Construction") jointly invested in and established Quanjiao Conch Construction Technology Co., Ltd. with a registered capital of RMB200 million. Conch Cement and Quanjiao Urban Construction contributed RMB180 million and RMB20 million respectively, representing 90% and 10% of the registered capital of Quanjiao Conch Construction Technology Co., Ltd. respectively.

(11) During the reporting period, the Group increased the capital of the following subsidiaries, and the amounts of capital increase are as follows:

Name of companies	Capital contribution by the Company	Registered capital after capital increase	Percentage of shareholding after capital increase
Anhui Jiangbei Haizhong Construction Trading Co., Ltd.	RMB504.90 million	RMB1,000.00 million	51%
Basu Conch	RMB420.00 million	RMB827.50 million	70%
PT Conch International Trade Indonesia	US$20.00 million	US$30.00 million	100%
Conch (HK)	US$44.15 million	US$83.15 million	100%
Qarshi Conch Cement Foreign Enterprise Co., Ltd.	US$20.00 million	US$24.00 million	100%
Vientiane Conch Cement Co., Ltd.	US$5.25 million	US$10.00 million	75%

There was no change in shareholding percentage of the Company in the above subsidiaries before and after the capital contribution.

2. Shareholding in other listed companies and trading of shares of other listed companies

During the Reporting Period, the Company had no trading of shares of other listed companies. As at the end of the Reporting Period, the Group's shareholdings in other listed companies are set out as follows:

Stock code	Short name	Initial investment costs (RMB)	Percentage of shareholding at the beginning of the Reporting Period (%)	Percentage of shareholding at the end of the Reporting Period (%)	Carrying amount as at the end of the Reporting Period (RMB)	Profit/loss recognized during the Reporting Period (RMB)
600318	Xinli Finance	45,209,210	7.51	7.08	254,319,800	-
2233	WCC	1,449,828,915	21.11	21.11	2,057,500,841	381,609,532
Total		1,495,038,125	**-**	**-**	**2,311,820,641**	**381,609,532**

Note: The shares held by the Group in Xinli Finance were recognized as "other investments in equity instruments", while the shares in WCC were recognized as "long-term equity investments".

During the Reporting Period, the number of shares held by the Group in Xinli Finance did not change. However, as Xinli Finance privately issued 29,364,429 A shares, its total number of shares increased. As a result, the Group's percentage of shareholding decreased from 7.51% to 7.08%.

3. Major investments during the Reporting Period

During the Reporting Period, the Company did not have major investment project with a total investment amount exceeding 10% of the audited net assets of the Company of the previous year. For details of the investment projects of the Company during the Reporting Period, please refer to the paragraph headed "(1) Overview of operation development" under the section headed "ANALYSIS ON THE OPERATIONAL CONDITIONS FOR 2019" in Chapter 5 "Management Discussion and Analysis on the Operations of the Group" in this report as well as item 16 under note 5 to the financial statements prepared in accordance with the PRC Accounting Standards.

4. Principal majority-owned subsidiaries and joint venture entities

As at the end of the Reporting Period, the Company had 165 majority-owned subsidiaries, 7 jointly-controlled entities and 1 associated entity, details of which were set out in notes 16, 17 and 18 to the financial statements of the Company prepared in accordance with the IFRSs.

During the Reporting Period, there was no single subsidiary or invested company in which the Company's share of its net profit or investment income accounted for more than 10% of the net profit of the Company.

(2) PROFIT APPROPRIATION POLICY AND ITS IMPLEMENTATION

1. Formulation and implementation of the Company's cash dividend policy

The Articles provides that "the Company shall implement a proactive profit appropriation method, and its profit appropriation policy shall maintain continuity and stability. When distributing profit, the Company shall have regard to the importance of maintaining a reasonable return to investors as well as the sustainable development of the Company. The Company adopts cash dividend distribution as its main profit distribution policy, and the independent non-executive Directors shall expressly give their opinion on the matters concerned. Cash dividends to be distributed by the Company for any financial year shall not be less than 10% of the total distributable profit of the same financial year. When the Board submits a cash dividend distribution proposal to the general meeting of shareholders, it shall proactively communicate with shareholders of the Company, in particular the minority shareholders."

4. Report of the Directors

The Board of the Company has attached importance to the implementation of the cash dividend policy. In formulating the profit distribution proposal, the Board shall strictly follow the requirements of the Articles, consult with the independent Directors and sufficiently consider the opinion of and requests by the minority shareholders. The Board shall implement the consideration and approval procedures of general meetings and execute the profit distribution proposal in accordance with the resolution of general meetings.

During the Reporting Period, the Company executed the profit distribution proposal for the year 2018 which was approved at the 2018 annual general meeting of the Company. Based on the total number of issued shares of 5,299,302,579 shares at the end of 2018, a cash final dividend of RMB1.69 (tax inclusive) was paid to all the shareholders of the Company for every one share held, totaling RMB8,955,821,358.51 (tax inclusive). In June 2019, the above dividend was paid to all the shareholders whose names were recorded in the register of members on the relevant record date. The announcement regarding the implementation of the aforesaid dividend distribution was published on the SSE website, Shanghai Securities Journal and Securities Times on 11 June 2019, as well as the HKEXnews website of the Stock Exchange and the Company's website on 10 June 2019 respectively.

The profit appropriation plans or proposals and capitalization of capital reserve fund in the past three years (including the Reporting Period) are as follows:

Year	**Capitalization of capital reserve fund for the year**	**Cash dividend paid per share**	**Total dividend for the year** (RMB'000)	**Cash dividend for the year to net profit attributable to equity shareholders of the Company**
2017	/	RMB1.2	6,359,163	40.11%
2018	/	RMB1.69	8,955,821	30.04%
2019	/	RMB2.0	10,598,605	31.55%

2. 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 2019 amounted to RMB33,592.76 million and RMB33,629.80 million respectively. The Board of the Company proposed the appropriation of the profit for the period ended 31 December 2019 as follows:

(1) Pursuant to the requirements of 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 2019.

(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 2019, the payment of a final dividend of RMB2.0 per share (tax inclusive) is proposed, totaling RMB10,598.61 million.

The above profit appropriation proposal is subject to consideration and approval by shareholders at the annual general meeting for year 2019.

As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend proposed to be distributed for the year 2019.

4. Report of the Directors

According to the Corporate Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the relevant implementation rules, and the Notice on Issues relating to Withholding and Payment of Corporate Income Tax by Chinese Resident Enterprise over Dividends Distributable to their Holders of H-Shares Who are Overseas Non-resident Enterprises (Guoshuihan [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》 (國稅函[2008]897號)) promulgated by the State Administration of Taxation on 6 November 2008, the Company is required to withhold and pay corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders whose names appear on the H Shares register of members of the Company (including HKSCC Nominees Limited, other nominees, trustees or other entities and organizations, who will be deemed as non-resident enterprise shareholders).

According to the relevant provisions under the Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Programme (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號) 》) (hereinafter referred to as the "Shanghai-Hong Kong Stock Connect Taxation Policy"), enterprise income tax will be levied according to law on dividend income (included in total income) obtained by mainland corporate investors from investing in H shares through Shanghai-Hong Kong Stock Connect, among which, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises that hold H shares for at least 12 consecutive months. The Company shall not withhold income tax on dividends derived by mainland enterprise investors, and such enterprises shall report and make tax payment by themselves.

According to the Shanghai-Hong Kong Stock Connect Taxation Policy, the Company shall withhold individual income tax at the rate of 20% with respect to dividends received by mainland individual investors for investing in H shares through Shanghai-Hong Kong Stock Connect. For mainland securities investment funds investing in H shares through Shanghai-Hong Kong Stock Connect, individual income tax shall be levied on dividends derived therefrom.

4. Report of the Directors

Pursuant to the Notice on Issues relating to Collecting Individual Income Tax after Repealing the Document of Guoshuifa [1993] No. 045 (《關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》) promulgated by the State Administration of Taxation and the letter entitled "Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies" issued by the Stock Exchange, overseas resident individual holders of the shares issued in Hong Kong by domestic non-foreign invested enterprises are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax treaties entered into between the countries where they reside and China and the tax arrangements between the Mainland China and Hong Kong (Macau). The Company shall determine the identity of individual holders of H Shares whose names appear on the H Shares register of members of the Company on 9 June 2020 (Tuesday) based on their registered addresses. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H Shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H Shares or any disputes over the withholding mechanism or arrangements. The relevant arrangements are detailed as follows:

(1) For individual holders of H Shares who are Hong Kong or Macau residents or whose country of domicile has entered into a tax treaty with China stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H Shares in the distribution of dividend.

(2) For individual holders of H Shares whose country of domicile has entered into a tax treaty with China stipulating a dividend tax rate of less than 10%, shareholders shall determine by themselves whether they are eligible to the treaty benefits. Those who wish to enjoy treaty benefits shall submit to the Company the information required under the Announcement of the State Administration of Taxation in relation to the Issuing of Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Guo Shui Zong [2019] No. 35)《國家税務總局關於發佈<非居民納税人享受協定待遇管理辦法>的公告》(國税總[2019]35號) before 16 June 2020. If the information is found to be true and complete upon review, the Company will withhold and pay individual income tax at the treaty tax rate on behalf of the individual holders of H Shares. Otherwise, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H Shares. Shareholders who are entitled to but have not enjoyed the treaty treatment and overpay taxes as a result thereof may, by themselves or through the Company, apply to competent tax authorities for the refund of overpaid taxes within the time limit stipulated in the tax levying related laws.

(3) For individual holders of H Shares whose country of domicile has entered into a tax treaty with China stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual applicable tax rate stipulated in the relevant tax treaty on behalf of the individual holders of H Shares.

(3) TAXATION

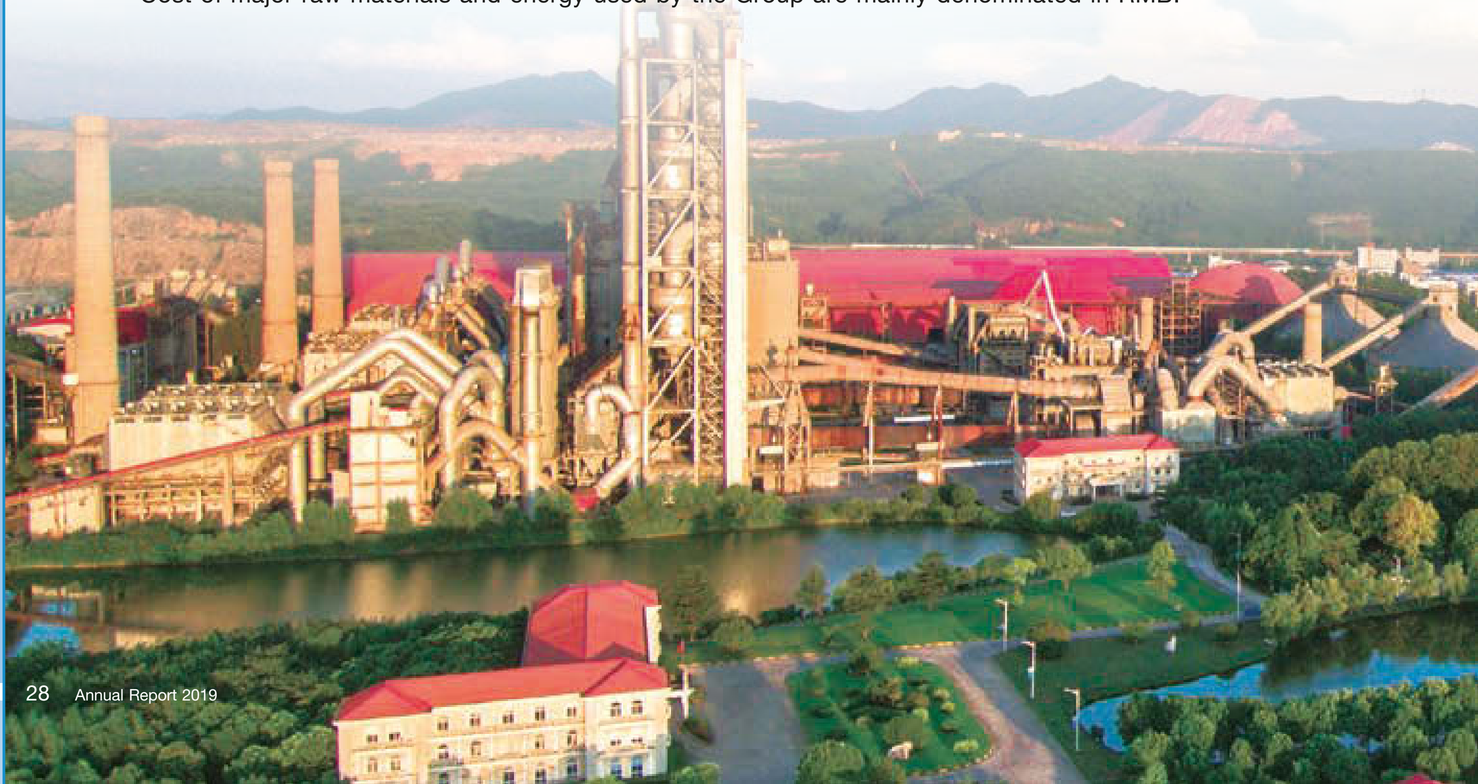
Details of taxation are set out in notes 7 and 38 to the financial statements prepared in accordance with the IFRSs, and in note IV "Taxation" and notes 19, 25, 38 and 50 under note V of "Notes to Consolidated Financial Statements" to the financial statements prepared in accordance with the PRC Accounting Standards.

(4) MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, in the business operation of the Group, the aggregate sales amount of the Group to its five largest customers amounted to RMB3.311 billion, representing 2.11% of the total sales amount of the Group; and the largest customer accounted for 0.66% of the total sales amount of the Group; the aggregate purchase amount from the five largest suppliers amounted to RMB38.436 billion, representing 36.70% of the total purchase amount of the Group; and the largest supplier accounted for 18.04% of the total purchase amount of the Group. So far as is known to the Group, the five largest customers and suppliers have no connection with the Group.

None of the Directors, Supervisors or their respective close associates (as defined in the HKSE Listing Rules) nor, to the knowledge of the Board, shareholders holding more than 5% of the number of issued shares of the Company had interests in any of the five largest customers or five largest suppliers of the Group for the year ended 31 December 2019.

Cost of major raw materials and energy used by the Group are mainly denominated in RMB.



(5) LEASEHOLD LAND, PROPERTY, PLANT AND EQUIPMENT

Changes in leasehold land, property, plant and equipment of the Company for the year ended 31 December 2019 were set out in notes 13 to the financial statements prepared in accordance with the IFRSs.

(6) TOTAL ASSETS

As at 31 December 2019, the Group's total assets as determined in accordance with the IFRSs amounting to approximately RMB178.8 billion, representing an increase of approximately RMB29.2 billion over that of the end of last year.

(7) RESERVES

Changes in the reserves of the Company and the Group for the year ended 31 December 2019 were set out in the consolidated statement of changes in equity and note 39 to the financial statements prepared in accordance with the IFRSs.

(8) DEPOSITS, LOANS AND CAPITALIZED INTEREST

Details of the Group's loans as at 31 December 2019 were set out in notes 32, 33 and 34 to the financial statements prepared in accordance with the IFRSs. The Group's deposits as at 31 December 2019 were placed with reputable commercial banks. The Group has no entrusted deposits and fixed-term deposits which cannot be withdrawn upon expiry. During the Reporting Period, interest capitalized in respect of construction-in-progress amounted to RMB1.0918 million, details of which were set out in note 6 to the financial statements prepared in accordance with the IFRSs.

(9) EXCHANGE RATE RISK AND RELATED HEDGING BY FINANCIAL INSTRUMENTS

During the Reporting Period, the Group proactively prevented foreign exchange fluctuation risks. In the construction of overseas projects, the payment of which was principally made in local currency, Renminbi and US dollars. The equipment, fire-resistant tiles and spare parts imported by the Group were mainly settled in US dollars and Euro dollars, while cement and clinker and equipment for export were usually settled in RMB or US dollars. The purchase of raw materials and sales of commodities by overseas companies were mainly settled in local currencies. Any change in the exchange rates of such foreign currencies against RMB will directly affect the project construction costs, material procurement costs and export sales revenues of the Group.

In order to effectively reduce foreign exchange risk to ensure that the risk level is overall under control, the Group made appropriate financing and foreign exchange payment arrangements based on the construction progress of overseas projects by adjusting its foreign exchange fund management plan on a timely basis. The Group proactively implemented centralized management, allocation and utilization over foreign funds in domestic and overseas markets by continuing to promote a management model of foreign fund pool, so as to lower costs of exchange settlement and sales, effectively reducing financial expenses. The Group implemented a regional fund pool management model in the same country which the Group invested in, so as to complement each other's capital advantage, enhance capital economies of scale, reduce loss from currency exchange and reduce financing costs. Meanwhile, the Group made appropriate allocation of foreign assets in active response to the adverse impact from the fluctuation of USD exchange rate due to the expected rate reduction of the Federal Reserve, so as to reasonably match the loans in accordance with the changes in exchange rate and interest rate, and leverage swap instruments to hedge foreign exchange risks based on currency performance. Furthermore, the Group made appropriate foreign exchange fund payment arrangements based on its import and export plan, with an aim to improve the efficiency of using foreign exchange funds, lower costs of exchange settlement and sales and reduce financial expenses.

(10) BUSINESS REVIEW, OUTLOOK AND MAJOR RISK FACTORS

For details on the business review, outlook for 2020 and the major risk factors of the Group, please refer to the sections headed "3. Business Overview of the Company" and "5. Management Discussion and Analysis on the Operations of the Group" in this annual report.

(11) COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2019, the Group has complied with the relevant laws and regulations which have a significant impact on the Company.

5. Management Discussion and Analysis on the Operations of the Group

ANALYSIS ON THE OPERATIONAL CONDITIONS FOR 2019

(1) Overview of operation development

In 2019, in the face of complex domestic and international circumstances, the Group focused on the supply-side structural reform of the industry to promote high-quality development. By strengthening research and analysis on the market supply and demand and adhering to the differentiated marketing strategy, the Group reasonably grasped the pace of production and sales and proactively captured market demands, thereby achieving stable increase in the sales volume of cement and clinker and 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 record-high operating results.

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue amounted to RMB157,030 million, representing an increase of 22.30% from that for the corresponding period of the previous year; the net profit attributable to equity shareholders of the Company amounted to RMB33,593 million, representing an increase of 12.67% from that for the corresponding period of the previous year; and earnings per share was RMB6.34, representing an increase of RMB0.71 per share from that for the corresponding period of the previous year. In accordance with the IFRSs, the revenue amounted to RMB157,030 million, representing an increase of 22.30% from that for the corresponding period of the previous year; the net profit attributable to equity shareholders of the Company amounted to RMB33,630 million, representing an increase of 12.63% from that for the corresponding period of the previous year; and earnings per share was RMB6.35.

5. Management Discussion and Analysis on the Operations of the Group

During the Reporting Period, the Group continued to carry out the construction of projects in the PRC, completing construction and commencing operations of 2 cement grinding units, 10 aggregates projects, and 3 commercial concrete projects. At the same time, the Group actively and steadily accelerated internationalized development strategy through strengthening its overseas presence and increasing its efforts in market expansion, resulting in significant gradual improvement in the quality of the overall operation of the projects in operation. The Luangprabang project in Laos completed construction and commenced production, while the projects under construction and projects planned for construction in Southeast Asia, Central Asia and other regions had been carried out in an orderly manner. In addition, with the focus around the initiative of “The Belt and Road”, the Group also continued to step up efforts for surveys and feasibility study for overseas projects, with an aim to secure project sources.

During the Reporting Period, the Group increased the production capacity of clinker, cement, aggregates, and commercial concrete by 0.90 million tonnes, 6.25 million tonnes, 16.90 million tonnes and 2.40 million cubic meters, respectively. As at the end of the Reporting Period, the Group’s production capacity of clinker, cement, aggregates and commercial concrete of the Company amounted to 253 million tonnes, 359 million tonnes, 55.30 million tonnes and 3 million cubic meters respectively.

5. Management Discussion and Analysis on the Operations of the Group

(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 self-produced products)	109,765,715	58,027,654	47.13	11.29	11.94	Decreased by 0.31 percentage point
Building material industry (trading business)	38,348,548	38,285,906	0.16	52.12	52.13	Decreased by 0.01 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 self-produced products) – 42.5-grade cement Note 1	79,106,506	42,154,254	46.71	20.34	19.83	Increased by 0.23 percentage point
Building material industry (sale of self-produced products) – 32.5-grade cement	20,444,295	10,522,745	48.53	-19.43	–17.30	Decreased by 1.33 percentage points
Building material industry (sale of self-produced products) – Clinker	9,121,757	4,996,985	45.22	37.61	38.01	Decreased by 0.16 percentage point
Building material industry (sale of self-produced products) – Aggregate and carpolite	1,022,439	300,592	70.60	26.10	20.05	Increased by 1.48 percentage points
Building material industry (sale of self-produced products) – Commercial concrete	70,718	53,078	24.94	-15.06	–18.36	Increased by 3.04 percentage points
Building material industry (trading business)	38,348,548	38,285,906	0.16	52.12	52.13	Decreased by 0.01 percentage point

5. Management Discussion and Analysis on the Operations of the Group

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 self-produced products) – East China Note 2	30,823,221	15,571,255	49.48	14.46	13.69	Increased by 0.34 percentage point
Building material industry (sale of self-produced products) – Central China Note 3	34,986,917	17,718,289	49.36	9.90	9.28	Increased by 0.29 percentage point
Building material industry (sale of self-produced products) – South China Note 4	17,835,902	9,447,152	47.03	11.54	12.52	Decreased by 0.46 percentage point
Building material industry (sale of self-produced products) – West China Note 5	22,981,889	13,334,085	41.98	7.68	13.89	Decreased by 3.16 percentage points
Building material industry (sale of self-produced products) – Export	781,604	553,349	29.20	-33.93	–35.87	Increased by 2.14 percentage points
Building material industry (sale of self-produced products) – Overseas	2,356,182	1,403,524	40.43	74.55	46.02	Increased by 11.64 percentage points
Building material industry (trading business)	38,348,548	38,285,906	0.16	52.12	52.13	Decreased by 0.01 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, etc;
3. Central China mainly includes Anhui, Jiangxi and Hunan, etc;
4. South China mainly includes Guangdong, Guangxi and Hainan;
5. West China mainly includes Sichuan, Chongqing, Guizhou, Yunnan, Gansu, Shaanxi and Xinjiang, etc.

5. Management Discussion and Analysis on the Operations of the Group

Sales by industry

During the Reporting Period, the Group realized an aggregate net sales volume of cement and clinker of 432 million tonnes, representing a year-on-year growth of 17.44%. Benefiting from an increase in both composite selling price and sales volume of products, the revenue generated from principal activities reached RMB148,114 million, representing a year-on-year growth of 19.60%. The operating cost increased by 25.08% on a year-on-year basis to RMB96,314 million. The consolidated gross profit margin of products recorded a year-on-year decrease of 2.85 percentage points to 34.97%.

The Group realized a sales volume of self-produced products of cement and clinker of 323 million tonnes, representing a year-on-year growth of 8.60%. The sales revenue from self-produced products amounted to RMB109,766 million, representing a year-on-year growth of 11.29%. The cost of sales of self-produced products increased by 11.94% year-on-year to RMB58,028 million. The consolidated gross profit margin of self-produced products recorded a year-on-year decrease of 0.31 percentage point to 47.13%.

In order to strengthen the development of end-user sales markets, during the Reporting Period, the Group realised a sales volume of 109 million tonnes for its cement and clinker trading business, representing a year-on-year increase of 54.64%. The revenue from the trading business amounted to RMB38,349 million, representing a year-on-year growth of 52.12%. The cost of the trading business increased by 52.13% year-on-year to RMB38,286 million.

Sales by type of products

During the Reporting Period, the gross profit margins of the Group's 42.5-grade cement and the 32.5-grade cement decreased by 1.76 percentage points and 5.09 percentage points year-on-year respectively, while the gross profit margin of the clinker decreased by 2.07 percentage points year-on-year, among which, the gross profit margins of the Group's self-produced products of the 42.5-grade cement increased by 0.23 percentage point year-on-year, and the gross profit margins of the Group's 32.5-grade cement and the clinker decreased by 1.33 percentage points and 0.16 percentage point year-on-year, respectively. The consolidated gross profit margin of aggregate and carpolite increased by 1.48 percentage points year-on-year to 70.60%, which was mainly attributable to the stable 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 regulation. The consolidated gross profit margin of commercial concrete was 24.94%, representing a year-on-year increase of 3.04 percentage points.

5. Management Discussion and Analysis on the Operations of the Group

Sales by region

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

In East China and Central China, sales volume rose and prices remained high as the overall market demand continued to increase while maintaining stability, and supply-demand relationship further improved, as a result sales amount in East China and Central China increased by 14.46% and 9.90% respectively, while gross profit margins rose by 0.34 percentage point and 0.29 percentage point respectively.

In South China, through strengthening marketing coordination and management, the Group achieved increases in sales volume and selling price, and recorded a year-on-year increase of 11.54% in sales amount; gross profit margin decreased by 0.46 percentage point year-on-year.

In West China, the Group actively expanded the market and captured effective market demand, as a result, sales volume increased steadily, while sales amount increased by 7.68% year-on-year; gross profit margin decreased by 3.16 percentage points year-on-year.

Affected by the periodic shortage in clinker resources in the domestic market, the export sales volume decreased by 41.63% year-on-year and export sales amount dropped by 33.93% year-on-year. With the successive completion and inauguration of overseas projects and continued improvement of sales market network, overseas project companies recorded year-on-year increases of 52.17% and 74.55% in sales volume and sales amount respectively.

2. Profit analysis

Major items in the income statement prepared in accordance with the PRC Accounting Standards

Items	**Amount**		Change from that of the corresponding period of the previous year
	2019	2018	
	(RMB'000)	(RMB'000)	(%)
Revenue from principal activities	**148,114,263**	123,840,654	19.60
Profit from operations	**44,057,338**	39,882,356	10.47
Profit before taxation	**44,556,845**	39,629,196	12.43
Net profit attributable to equity shareholders of the Company	**33,592,755**	29,814,285	12.67

During the Reporting Period, due to the year-on-year increase in the selling price of the Company's products and the impact of the trading income, the revenue from principal activities increased by 19.60% year-on-year. Benefiting from this, the Group's profit from operations, profit before taxation and net profit attributable to equity shareholders of the Company recorded year-on-year increases of 10.47%, 12.43% and 12.67% respectively.

3. Analysis of costs and expenses

Consolidated costs of cement and clinker for 2019 and their year-on-year changes

Items	**2019** Unit costs (RMB/tonne)	**2019** Percentage (%)	2018 Unit costs (RMB/tonne)	2018 Percentage (%)	Change in costs (%)	Change in costs proportion (percentage points)
Raw materials	**44.17**	**24.75**	36.52	21.09	20.95	3.66
Fuel and power	**94.47**	**52.93**	98.97	57.16	-4.55	-4.20
Depreciation expense	**12.03**	**6.74**	12.07	6.97	-0.33	-0.23
Labor cost and others	**27.80**	**15.58**	25.58	14.78	8.68	0.79
Total	**178.47**	**100**	173.14	100	3.08	–

Note: All cost items mentioned above represent the costs of the Company's self-produced products, excluding cost of the trading business.

During the Reporting Period, the consolidated costs of the Company's cement and clinker of the Company increased by 3.08% year-on-year, which was mainly due to changes in product sales structure, increase in the volume of externally purchased clinker, and increase in purchasing price of raw materials.

5. Management Discussion and Analysis on the Operations of the Group

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

Expenses for the period	**2019 amount (RMB'000)**	2018 amount (RMB'000)	Change from that of the corresponding period of the previous year (%)	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	**4,416,575**	3,733,295	18.30	2.98	3.01	-0.03
Administrative expenses	**4,741,154**	3,752,167	26.36	3.20	3.03	0.17
Research and development expenses	**187,199**	70,967	163.78	0.13	0.06	0.07
Financial expenses (income is stated in negative)	**-1,338,169**	–474,091	–182.26	–0.90	–0.38	–0.52
Total	**8,006,759**	7,082,338	13.05	5.41	5.72	-0.31

During the Reporting Period, the Group's research and development expenses increased by 163.78% on a year-on-year basis, mainly due to a year-on-year increase in the expenses used for the rotary kiln process research and development and the desulfurization technology development projects used by the Group's subsidiaries for technology modification. The Group's financial expenses decreased by 182.26% on a year-on-year basis, mainly due to a year-on-year increase in the Group's interest income. Selling expenses and administrative expenses increased by 18.30% and 26.36% year-on-year, respectively, mainly due to the increase in sales volume of the Group's products and increase in salary expenses.

During the Reporting Period, the Group's selling, administrative, research and development and financial expenses in aggregate as a percentage to revenue generated from principal activities was 5.41%, representing a year-on-year decrease of 0.31 percentage point. The decrease was mainly attributable to the increase in the revenue generated from principal activities. Excluding the effect of trading business income, the Group's selling, administrative, research and development and financial expenses in aggregate as a percentage to revenue generated from principal activities was 7.29%, which was approximately the same compared to that of the corresponding period of last year.

4. Financial position

Asset and liability overview

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

Item	As at 31 December 2019 (RMB'000)	As at 31 December 2018 (RMB'000)	Change as at the end of the Reporting Period as compared to those at the beginning of the year (%)
Fixed assets	**58,858,416**	60,320,464	-2.42
Current and other assets	**119,918,766**	89,226,888	34.40
Total assets	**178,777,182**	149,547,352	19.55
Current liabilities	**27,421,190**	26,151,961	4.85
Non-current liabilities	**9,035,543**	6,977,517	29.50
Total liabilities	**36,456,733**	33,129,478	10.04
Minority interests	**4,958,767**	3,728,958	32.98
Equity attributable to equity shareholders of the Company	**137,361,682**	112,688,916	21.89
Total liabilities and equity	**178,777,182**	149,547,352	19.55

5. Management Discussion and Analysis on the Operations of the Group

As at the end of the Reporting Period, the Group's total assets prepared in accordance with the PRC Accounting Standards amounted to RMB178.777 billion, representing an increase of 19.55% as compared to those at the end of the previous year. Total liabilities amounted to RMB36.457 billion, representing an increase of 10.04% as compared to those at the end of the previous year; among which the current liabilities amounted to RMB27.421 billion, representing an increase of 4.85% as compared to those at the end of the previous year; and non-current liabilities amounted to RMB9.036 billion, representing an increase of 29.50% as compared to those at the end of the previous year, which was mainly due to the increase in the Company's long-term borrowings. As at 31 December 2019, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 20.39%, representing a decrease of 1.76 percentage points as compared to that at the end of the previous year.

Please refer to note XII to the financial report 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 RMB137.362 billion, representing an increase of 21.89% as compared to that at the end of the previous year; shareholders' equity attributable to minority shareholders amounted to RMB4.959 billion, representing an increase of 32.98% as compared to that of the end of previous year; as at the end of the Reporting Period, net assets per share attributable to equity shareholders of the Company amounted to RMB25.92, representing an increase of RMB4.66 per share as compared to that at the end of the previous year.

As at 31 December 2019, the total current assets and total current liabilities of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB97.110 billion and RMB27.421 billion respectively, with a current ratio of 3.54:1 (corresponding period last year: 2.76:1). The year-on-year increase in current ratio was mainly due to the increase in current assets including cash balance. The total current assets and total current liabilities of the Group prepared in accordance with the IFRSs amounted to RMB97.212 billion and RMB27.421 billion respectively, with a net gearing ratio of -0.072 (corresponding period last year: 0.003). 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 2019 (RMB'000)	As at 31 December 2018 (RMB'000)
Due within 1 year	**3,917,815**	4,128,170
Due after 1 year but within 2 years	**991,555**	779,710
Due after 2 years but within 5 years	**2,524,737**	1,266,955
Due after 5 years	**355,000**	559,917
Total	**7,789,107**	6,734,752

As at the end of the Reporting Period, the Group's bank borrowings were RMB7.789 billion, representing an increase of RMB1.054 billion as compared to those at the beginning of the year. The increase was mainly attributable to the new loans of certain overseas subsidiaries used for project construction during the Reporting Period. Please refer to note VIII to 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 corporate bonds in a principal amount of RMB3.499 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.

5. Management Discussion and Analysis on the Operations of the Group

Analysis of cash flow

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

	2019 (RMB'000)	2018 (RMB'000)	Changes (%)
Net cash flow generated from operating activities	**40,738,205**	36,058,967	12.98
Net cash flows generated from investment activities	**-20,688,848**	–25,669,697	–19.40
Net cash flows generated from financing activities	**-7,911,895**	–10,980,002	–27.94
Effect of exchange rate movement on cash and cash equivalents	**19,011**	19,472	-2.37
Net increase in cash and cash equivalents	**12,156,473**	-571,260	2,228.01
Balance of cash and cash equivalents at the beginning of the year	**9,857,672**	10,428,932	-5.48
Balance of cash and cash equivalents at the end of the year	**22,014,145**	9,857,672	123.32

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB40.738 billion, representing a year-on-year increase of RMB4.679 billion. Such increase was mainly due to the increase in the Group's operating revenue.

5. Management Discussion and Analysis on the Operations of the Group

During the Reporting Period, the Group's net cash outflows from investment activities decreased by RMB4.981 billion as compared to that of last year, mainly due to the recovery of the Group's matured fixed term deposits with a maturity of over three months and the recovery of expired wealth management funds.

During the Reporting Period, the Group's net cash outflows from financing activities decreased by RMB3.068 billion as compared to that of last year, primarily because the Group repaid RMB2.5 billion of expired corporate bonds in the previous year while no such payment was made this year.

5. Capital expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB9.082 billion, which was primarily used in the construction of cement and clinker production lines, the technology modification in respect of energy conservation and environmental protection, investment in residual heat generation projects and the construction of aggregate projects, as well as used for the expenditure in mergers and acquisitions 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 2019 (RMB'000)	As at 31 December 2018 (RMB'000)
Authorized and contracted for	**3,979,444**	1,089,377
Authorized but not contracted for	**871,538**	1,426,958
Total	**4,850,982**	2,516,335

5. Management Discussion and Analysis on the Operations of the Group

OUTLOOK FOR 2020

2020 marks the last year for building an overall moderately prosperous society and implementing the "Thirteenth Five-Year Plan". The PRC government will adhere to the main theme of "making steady progress while maintaining stability", and ensure effective epidemic prevention and control as well as economic and social development, and continue to embrace new development concepts. Continuing to pursue supply-side structural reform as the main task and leverage opening and reform as the prime engine, the central government will promote high-quality economic development, resolutely win the three tough battles (i.e. targeted poverty alleviation, pollution control and preventing major risks) and maintain stable employment, finance, foreign trade, foreign and domestic investments, and expectations, and minimize the impact of the epidemic, thereby striving to achieve the goals of economic and social development for the year.

In 2020, the state will accelerate the implementation of regional development strategies, improve regional policies and geographic layout, promote the implementation of major national strategies such as the coordinated development of Beijing, Tianjin, and Hebei, the integrated development of the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, and the Xiong'an New Area, and implement measures to promote environmental protection of the Yangtze River Economic Belt. At the same time, the state will enhance the construction of municipal pipeline networks and urban parking lots, and accelerate the construction of rural roads, water conservation projects, and other infrastructure projects. In addition, due to the impact of the COVID-19 outbreak, infrastructure investment is expected to play a greater role in counter-cyclical growth stabilization. Greater efforts will be made to commence construction of new investment projects, while progress of construction of projects under construction will be expedited; the expected increase in the issuance of local governments' special purpose bonds, coupled with accelerating issuance of urban investment bonds will promote the continuous recovery of infrastructure investment growth. In respect of the property sector, the central government clearly stipulated that property investment would not be used as a means of stimulating the economy in the short run, and austerity measures will be aimed at maintaining "stability". Property investment growth will remain relatively resilient. As such, strong demand for cement is expected to sustain. Meanwhile, the state will continue to deepen the supply-side structural reform. 2020 is the last year of the Three-Year Action Plan Aims for Blue Skies. Environmental regulation on air pollution will not be relaxed, and local governments will tighten their control measures. In addition, the ongoing impacts from policies such as off-peak season production, energy conservation and emission reduction, and mine management will help balance the supply-demand relationship in the cement industry.

5. Management Discussion and Analysis on the Operations of the Group

In respect of investment and development, the Group will adhere to high quality development, and seize the opportunities arising from "The Belt and Road" initiative to actively and steadily implement its internationalization development strategies. The Group will continue to improve the operational quality of its overseas projects that have been put into operation, accelerate the construction of contracted projects, and continue to carry out feasibility study to secure potential project sources. On the aspect of domestic development, the Group will grasp the favorable opportunities brought by the supply-side structural reforms on the industry and the state's tightened environmental regulation, to actively identify suitable targets for merger and acquisition, coordinate development plans, fine-tune market planning, and further strengthen its dominance in regional markets. The Group will speed up the industrial chain extension, actively push forward with the development of large-scale aggregate projects, steadily expand the concrete business, test-drive its venture into prefabricated construction business, with an aim to cultivate new growth drivers.

In 2020, the Group's planned capital expenditures will amount to approximately RMB10.0 billion, which will be funded primarily by internal resources and will be used mainly for project construction, energy conservation and environmental protection technological modification projects, and merger and acquisition projects. It is expected that the production capacities of clinker and cement will be increased by 4.50 million tonnes and 7.70 million tonnes respectively (excluding those acquired from mergers and acquisitions) for the full year.

In terms of operation and management, the Group will pay close attention to the macroeconomic situations at home and abroad, continuously monitor the impacts of the COVID-19 outbreak on the Company's production and operation, conduct in-depth study on market supply-demand relationship, adhere to the differentiated marketing strategy, and continue to enhance the development of the end-user market; it will fully leverage the fundamental role of material procurement in cost control, strengthen the control of key resources, accelerate the development of alternative resources, intensify the expansion of key channels, continue to consolidate strategic cooperation with large coal companies, and explore resource channels via long-term agreement. In an effort to comply with the state's decision to plan for ecological civilization construction, the Group will continue to carry out environmental technological modification, increase environmental protection investment, implement forward-looking development and application of cutting-edge environmental technologies, so as to consolidate its comparative advantage. Committed to being innovation-driven, the Group will push forward with technology upgrade and modification that meet the requirements for intelligentization, informatization, and environmental protection; it will enhance the development and application of new technologies by accelerating the transformation of research outcome into innovations; it will step up efforts to push forward with the construction of smart factories, to strengthen its core competitiveness. The Group will speed up the development of talent echelon and constantly optimize its incentive mechanism to stimulate employees' creativity and innovation, with an aim to promote high-quality development.

5. Management Discussion and Analysis on the Operations of the Group

The Group plans to achieve a net sales volume (net of trading volume) of 318 million tonnes of cement and clinker for 2020, approximately the same when compared with that of the previous year. It is expected that the cost of products per tonne and the expenses of products per tonne will remain generally stable.

In 2020, 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 rates of fixed asset investment and property investment. Risk factors such as the continued decline in the growth rate of fixed asset investment, increased pressure on local governments to repay debts, insufficient funding for major engineering projects, and continued cooling in land purchases may have impact on the cement market demand. In addition, the COVID-19 outbreak may have certain periodic impact on the market demand.

   To address the above-mentioned risks, the Group will closely monitor changes in the country's macro-economic conditions, continue to pay close attention to the impacts of the COVID-19 outbreak on the Company's production and operation, enhance its study and assessment on market supply and demand condition, further intensify end-user market development, strengthen coordination of integrated regional marketing efforts, and capture the increasing market demands driven by the government's policy to use infrastructure investment to boost economic growth, in an effort to increase its market share.

2. 2020 is the last year of the Three-Year Action Plan Aims for Blue Skies. The state's environmental regulation on air pollution will be increasingly tightened, and local governments will continue to step up efforts in pollution prevention and control, raising the environmental protection management requirements of enterprises. While the aforesaid will help promote high-quality development, it is expected to result in increasing production and operation costs for enterprises.

   To address the above-mentioned risks, the Group will comply with the state's laws and regulations in relation to environmental protection, continue to enhance fundamental environmental protection management, increase investment in environmentally-friendly technology modification, continue to implement the improvement of wet desulphurization, steadily push forward with the improvement of SCR denitration, accelerate the modification of dust collection of production lines, lower particulate emission, expedite the technology improvement of noise abatement, and proactively carry out research and development of advanced environmental protection technologies, so as to improve the overall environmental protection management and further consolidate the Group's leading advantage in environmental protection.

3. The cost of coal and electricity accounts for over 50% of the production cost of clinker. Any substantial surge in coal 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 conducting in-depth study and assessment on the changes of the trend for the market supply and demand for coal and other raw material and fuel, strengthening strategic cooperation with large-scale coal corporations, expanding resource channels via long-term agreements, increasing proportion of procurement of high-quality resources, and implementing cross-regional planning and allocation of coal resources. Meanwhile, the Group will strengthen technological improvement on energy conservation and consumption reduction, and continue to enhance the refined management of production lines, so as to ensure continuous optimization of the indicators of coal and electricity consumption and reduce the costs of coal and electricity.

6. Significant Events

(1) COMMITMENTS

In 2007, the Company issued A Shares to CV Investment as consideration for the purchase of the relevant assets of CV Investment. CV Investment has made the following undertakings in relation to the shareholders' rights arrangements in respect of the shares held: except the rights of a shareholder of a proprietary nature (including but not limited to rights to receive dividends), CV Investment will forgo its other shareholder's rights of the Company such as rights to vote, nominate and elect Directors/Supervisors of the Company, so long as it holds the Company's shares. During the Reporting Period, CV Investment has complied with the above undertakings.

(2) APPROPRIATION OF FUNDS FOR NON-OPERATING PURPOSE

During the Reporting Period, there was no appropriation of the Company's funds for non-operating purpose by the controlling shareholder of the Company and its related parties. A detailed explanation issued by KPMG Huazhen LLP will be published on the SSE website, the website of the Stock Exchange and the Company's website on the same date as this report.

(3) ANALYSIS AND EXPLANATION ON THE REASONS AND IMPACT OF THE CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATION

During the Reporting Period, according to the Ministry of Finance's "Accounting Standards for Business Enterprises No.21 – Leases" (the "New Standards on Leases") which was revised in 2018, "Accounting Standards for Business Enterprises No.7 – Exchange of Non-Monetary Assets", and "Accounting Standards for Business Enterprises No.12 – Debt Restructurings", both revised in 2019, the Company is required to adopt the aforementioned accounting standards for enterprises in its preparation of financial reports for the year 2019 and subsequent periods. In addition, the Ministry of Finance released the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for 2019 (Cai Kuai (2019) No.6) on 30 April 2019 and Notice on Revising and Issuing the Format of Financial Statements of General Enterprises (Cai Kuai (2019) No.16) on 19 September 2019, which required enterprises that had adopted the new financial standards or the new revenue standards to prepare the financial statements in accordance with the new format.

The above changes in the accounting policies and adjustments to the presentation of financial statements are reasonable adjustments made in accordance with the requirement of the Ministry of Finance of the PRC, which have no material impact on the financial position and operating results etc. of the Company.

(4) AUDITORS AND REMUNERATION

Pursuant to the resolution considered and approved by the 2018 annual general meeting of the Company, the Company engaged KPMG Huazhen LLP and KPMG (collectively "KPMG") as the PRC auditors and the international auditors of the Company for the year ended 31 December 2019, respectively, and engaged KPMG Huazhen LLP as the internal control auditor of the Company for the year of 2019. The financial audit services fees and internal control audit services fees payable to KPMG by the Company for the year ended 31 December 2019 amounted to RMB4.85 million and RMB0.65 million, totaling RMB5.50 million.

KPMG was first appointed as the auditors of the Company in 2006 and has provided audit services for the Company for 14 consecutive years. In accordance with the Requirements on the Regular Rotation of the Endorsing Accountants for Securities and Futures Auditing Services (《關於證券期貨審計業務簽字註冊會計師定期輪換的規定》) promulgated by the CSRC and the Ministry of Finance of the PRC, KPMG has regularly rotated the endorsing accountant.

(5) EVENTS REGARDING INSOLVENCY AND RESTRUCTURING

During the Reporting Period, there was no event regarding insolvency or restructuring of the Group.

(6) MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group was not involved in any material litigation and arbitration.

(7) PENALTIES AND/OR REMEDIES IN RELATION TO THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the Reporting Period, none of the Company, its existing Directors, Supervisors, senior management, controlling shareholder and de facto controller was subject to any penalties by the relevant authorities.

(8) STATUS OF INTEGRITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the Reporting Period, there was no unenforced effective judgment of court, and no default in payment of outstanding due debt of relatively large amount by the Company, its controlling shareholder and de facto controller.

(9) STOCK OPTION INCENTIVE SCHEME

During the Reporting Period, the Group did not implement any stock option incentive scheme.

(10) MATERIAL CONNECTED TRANSACTIONS

During the Reporting Period, the Group entered into the following significant connected transactions under the SSE Listing Rules and the HKSE Listing Rules:

1. Connected transactions or continuing connected transactions related to daily operations

(1) Use of trademarks

On 23 September 1997, the Company and Conch Holdings, being its controlling shareholder, entered into a trademark licensing agreement ("Trademark Licensing Agreement"), pursuant to which the Company has been granted a license to use certain permitted trademarks (including trademarks of "海螺" and "CONCH") on permitted products in permitted regions for the period as set out in the Trademark Licensing Agreement. The validity period of the Trademark Licensing Agreement is provided to be the same as the validity period of the permitted trademarks, and where the validity period of the permitted trademarks is extended, the validity period of the Trademark Licensing Agreement in respect of the trademarks would be extended automatically. On 22 March 2018, the Company and Conch Holdings entered into a supplemental agreement to the Trademark Licensing Agreement, pursuant to which it was agreed that the annual fees paid by the Company to Conch Holdings in respect of the use of the trademarks consist of fixed license fee and variable license fee, of which the fixed license fee is RMB15 million per annum, and the variable license fee is a license fee for the use of the permitted trademarks by the companies (not being wholly-owned subsidiaries of the Company) in which the Company holds not less than 20% shares, equity interest or registered capital, at an amount to be determined according to the sales volume of cement and clinker.

During the Reporting Period, the fees payable by the Company to Conch Holdings in respect of the use of the trademarks amounted to RMB31.3669 million. Pursuant to the HKSE Listing Rules and the SSE Listing Rules, no announcements were required to be made in respect of such connected transaction, nor was such connected transaction subject to the independent shareholders' approval requirement.

(2) Transaction with Jiangsu Conch Building Materials – sale of cement and procurement of materials

On 3 January 2019, the Company entered into a sale and purchase of cement contract and a procurement of materials contract with Jiangsu Conch Building Materials, both for a term starting from the signing date of the contract to 31 December 2019. Pursuant to the sale and purchase of cement contract, certain subsidiaries of the Company located in East China shall sell cement to Jiangsu Conch Building Materials in a quantity of approximately 7.5 million tonnes, with the total contract price not exceeding RMB2.5 billion. Pursuant to the procurement of materials contract, the three subsidiaries of the Company in the Shanghai region shall purchase approximately 130,000 tonnes of fly ash and approximately 70,000 tonnes of desulfurized gypsum from Jiangsu Conch Building Materials, with a total contract price not exceeding RMB21.2 million.

The price under the sale and purchase of cement contract signed by the Company and Jiangsu Conch Building Materials was determined with reference to the factory/freight on board prices and the prevailing market price of relevant cement products and was negotiated and agreed between the parties on arm's length basis after taking full account of factors such as the seasonality of cement prices, historical product prices and market conditions.

The price under the material purchasing contract signed by the Company and Jiangsu Conch Building Materials was determined by both parties on arm's length basis after taking full account of factors such as the market prices of these products, and the purchase price was not higher than the Company's purchase of the same materials from independent third-party suppliers in the same area.

During the Reporting Period, the actual transaction amount was RMB2.351 billion (including tax) for the sale and purchase of cement contract and RMB15.7499 million (including tax) for the procurement of materials contract.

6. Significant Events

Jiangsu Conch Building Materials is a non-wholly-owned subsidiary of the Company, which is owned as to 51% by the Company and 49% by Conch Profiles and Science. Conch Profiles and Science is a Controlling subsidiary of Conch Holdings, the controlling shareholder of the Company. Accordingly, Conch Profiles and Science is an associate of Conch Holdings and hence a connected person of the Company. According to Chapter 14A of the HKSE Listing Rules, Jiangsu Conch Building Materials is a connected subsidiary of the Company and thereby a connected person of the Company, and the transactions under the sale and purchase of cement contract and the procurement of materials contract constitute continuing connected transactions of the Company. Pursuant to Rule 14A.81 of the Listing Rules of the Stock Exchange, the connected transactions under the above two contracts shall be aggregated and treated as one transaction, as they are all conducted within 12 months with the same counterparty. For details, please refer to the announcement published by the Company on the website of the Stock Exchange and the website of the Company on 3 January 2019, respectively. According to the SSE Listing Rules, Jiangsu Conch Building Materials is not a connected party of the Company.

On 31 December 2019, the Company and Jiangsu Conch Building Materials entered into the sale and purchase of cement contract for the year 2020, pursuant to which certain subsidiaries of the Company located in East China will sell cement to Jiangsu Conch Building Materials in a quantity of approximately 6 million tonnes, with the total contract price not exceeding RMB2.5 billion, for a term starting from 1 January 2020 to 31 December 2020. The pricing principles under the 2020 sale and purchase of cement contract signed by the Company and Jiangsu Conch Building Materials are consistent with that under the 2019 sale and purchase of cement contract. For details, please refer to the announcements published by the Company on the websites of the Stock Exchange and the Company respectively on 31 December 2019.

(3) Transaction with Conch New Materials Company – procurement of grinding aids

On 14 February 2019, the Company entered into a procurement of cement grinding aids contract with Conch New Materials Company with a term from the date of the contract to 31 December 2019. Pursuant to the contract, the Company shall purchase grinding aids from Conch New Materials Company with a quantity not exceeding 150,000 tonnes and an aggregate transaction amount not exceeding RMB840 million.

The price under the procurement of cement grinding aid contract signed by the Company and Conch New Materials Company was determined at a fixed price (on a per tonne basis) based on the results of public bidding.

During the Reporting Period, the transaction amount between the Company and Conch New Materials Company in relation to the execution of the above-mentioned procurement of cement grinding aid contract was RMB647 million (including tax).

Conch Holdings, the Company's controlling shareholder, holds 100% shares in Conch Investment Company. Conch Investment Company holds 50.72% shares in Conch New Materials Company. Therefore, Conch New Materials Company is a non-wholly-owned subsidiary of Conch Holdings and hence a connected person of the Company. Pursuant to the HKSE Listing Rules, Conch New Materials Company is a connected person of the Company, and the transactions contemplated under the above-mentioned contract constitute continuing connected transactions for the Company. Pursuant to the SSE Listing Rules, Conch New Materials Company is also a related party of the Company, and the transactions under the above-mentioned contract also constitute related party transactions under its definition. However, as the related transactions were conducted through public bidding, they shall be exempted from the review and disclosure procedures of related party transactions required under the SSE Listing Rules. For details, please refer to the announcements published by the Company on the websites of the Stock Exchange and the Company respectively on 14 February 2019.

2. Project Engineering Design and Technology Service

Upon approval by the Board of the Company, on 1 March 2019, Jining Conch and Zhongguo Plant, both being the Company's subsidiaries, entered into the SCR Denitration Technology Transformation EPC Contract with Conch Design Institute, pursuant to which Conch Design Institute shall provide SCR denitration technology transformation service to clinker production lines of Jining Conch and Zhongguo Plant with a total contract value of RMB154.30 million. On the same date, the Company entered into the Engineering Design and Technology Service with Conch Design Institute, pursuant to which Conch Design Institute shall provide engineering design and technology transformation services for clinker production lines, cement grinding system, aggregates and commercial concrete projects of certain subsidiaries of the Company with a contract value of RMB89.07 million. The total amount of the above-mentioned two contracts is RMB243.37 million.

The contract price of the SCR Denitration Technology Transformation EPC Contracts was agreed upon by both parties through arm's length negotiation and consensus was reached on a fair basis. Among which the cost for equipment supply, construction and installation and project supervision services was determined by the final bidding price of the public tender conducted by Conch Design Institute. The engineering design fee was determined with reference to the [2002] Cost Estimate Paper No. 10 ([2002]計價格10號文) and the Engineering Survey Design Fee Standard (《工程勘察設計收費標準》) promulgated by National Development and Reform Commission and the Ministry of Construction in 2002, as well as the project size, investment amount, design scope and technology indicator, and negotiated by all parties on arm's length basis. The project management fee was determined with reference to the Fee Standard Specifications of Construction Engineering Quantity List (《建設工程工程量清單計價規範》) issued by the Ministry of Housing and Urban-Rural Development in 2013, as well as the project scale and complexity of technological improvement project, and generally represents 2.5% of the total cost for equipment supply and construction installation services.

The price of the Engineering Design and Technology Service Contract was determined by the parties after arm's length negotiation with reference to the [2002] Cost Estimate Paper No. 10 ([2002]計價格10號文) and the Engineering Survey Design Fee Standard (《工程勘察設計收費標準》) promulgated by National Development and Reform Commission and the Ministry of Construction in 2002, as well as the project size, investment amount, design scope, technology indicator and the prevailing market price for provision of similar services.

During the Reporting Period, the transaction amount (including tax) in relation to the execution of the above-mentioned SCR Denitration Technology Transformation EPC Contracts alone was RMB98.09 million; for the execution of the above-mentioned Engineering Design and Technology Service Contract, the transaction amount (including tax) was RMB34.39 million. If taking into account the amount incurred in connection with the performance of other contracts entered into in previous years, the accumulated transaction amounts with Conch Design Institute by the Company during the Reporting Period amounted to RMB191.15 million.

Conch Design Institute is a wholly-owned subsidiary of Conch Holdings, the Company's controlling shareholder. Pursuant to the SSE Listing Rules, Conch Design Institute is a connected person of the Company. The transactions contemplated under the above-mentioned two contracts constitute connected transactions for the Company. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the above-mentioned two contracts shall be aggregated as if they were one transaction as they were all entered into within a 12-month period between the same parties. According to the SSE Listing Rules, Conch Design Institute is a related party of the Company. The transactions contemplated under the above-mentioned two contracts constitute related party transactions under the SSE Listing Rules. For details, please refer to the announcements published by the Company on the websites of the Stock Exchange and the Company respectively on 1 March 2019 and on the website of SSE on 2 March 2019.

Confirmation by independent non-executive Directors on connected transactions

During the Reporting Period, the Group's connected transactions arose in the ordinary and usual course of business, and were entered into on normal commercial terms or better and at arm's length basis pursuant to the terms of the agreements (if any). As far as the Company is concerned, such transactions and terms are fair and reasonable and in the interests of the shareholders of the Company as a whole, and did not exceed the transaction caps (if any) disclosed in the previous announcements. All the continuing connected transactions as stated above were reviewed and confirmed by the independent non-executive Directors.

6. Significant Events

In respect of the continuing connected transactions disclosed above (the "Transactions"), KPMG has taken the necessary procedures and issued a letter to the Board (who has confirmed the receipt of the letter), stating that: (1) they were not aware that the Transactions were not approved by the Board; (2) they were not aware of any matter which would make them believe that the Transactions were not in line with the pricing policies of the Group in any material aspect in connection with the Transactions relating to the provision of goods and services by the Group; (3) they were not aware of any matter which would make them believe that the Transactions were not entered into in accordance with the relevant terms of the agreements governing the Transactions in any material aspect; (4) they were not aware of any matter which would make them believe that the annual accumulated amount of each of the Transactions, in aggregate, would exceed the annual cap of aggregate value of such Transactions that the Company had disclosed in the relevant announcements.

(11) MATERIAL CONTRACTS

1. The Company was not involved in any material entrustment, contracting or leasing of assets of other companies, nor were any other companies involved in any entrustment, contracting or leasing of assets of the Company during the Reporting Period or during the previous periods but subsisting in the Reporting Period.

2. **Guarantees**

During the Reporting Period, all the external guarantees of the Company were in compliance with the approval procedures of the Board and/or the general meeting, and the guarantees provided by the Company to its controlling subsidiaries and invested companies in aggregate amounted to RMB4,761.80 million, all being guarantees for collateral liabilities, the details of which are as follows:

No.	Guaranteed company	Shareholding proportion of the Company	Amount guaranteed by the Company (RMB0'000)	Guaranteed period	Date of guarantee contract	Name of creditor
1.	Shaoyang Yeafing	65%	40,000	2 years	2019.4.25	HSBC Hefei Branch
2.	Liukuangruian	51%	10,000	1 year	2019.8.30	Citibank Guangzhou Branch
3.	Southeast Asia Company	55%	28,000	3 years	2019.2.26	Bank of China Wuhu Brach
4.	Southeast Asia Company	55%	10,000	1 year	2019.9.19	CITIC Bank Wuhu Branch
5.	Southeast Asia Company	55%	20,000	3 years	2019.11.30	ICBC Wuhu Zheshan Sub-branch
6.	Basu Conch	70%	40,000	5 years	2019.7.10	Agricultural Development Bank Linzhi Branch
7.	Indonesia Conch	75%	76,738 (US$110.00 million)	1 year	2019.8.30	HSBC Jakarta Branch
8.	Battambang Conch	60%	10,464 (US$15.00 million)	1 year	2019.7.13	Sumitomo Mitsui Banking Corporation
9.	Battambang Conch	60%	13,952 (US$20.00 million)	1 year	2019.4.10	Bank of China Phnom Penh Branch
10.	Indonesia South Conch	71.25%	13,952 (US$20.00 million)	1 year	2019.7.14	Mitsui Sumitomo Jakarta Branch

No.	Guaranteed company	Shareholding proportion of the Company	Amount guaranteed by the Company (RMB0'000)	Guaranteed period	Date of guarantee contract	Name of creditor
11.	North Sulawesi Conch	100%	31,393 (US$45.00 million)	1 year	2019.5.27	Citibank Jakarta Branch
12.	North Sulawesi Conch	100%	32,788 (US$47.00 million)	1 year	2019.8.19	Mitsui Sumitomo Jakarta Branch
13.	Mandalay Conch	55%	110,000	1 year	2019.12.12	The Export-Import Bank of China Anhui Branch
14.	Papua Company	49%	17,092 (US$24.50 million)	1 year	2019.7.31	HSBC Jakarta Branch
15.	Papua Company	49%	17,092 (US$24.50 million)	1 year	2019.9.10	HSBC Jakarta Branch
16.	Myanmar Conch	45%	4,709 (US$6.75 million)	3 years	2019.8.29	ICBC Myanmar Branch
Total			476,180			

Note:

(1) The Company provided guarantees for North Sulawesi Conch, West Papua Company and Myanmar Conch as guarantees for its loans based on the shareholding ratio; the Company provided guarantees for eight holding subsidiaries, namely Shaoyang Yeafing, Liukuangruian, Southeast Asia Company, Basu Conch, Indonesia Conch, Battambang Conch, Indonesia South Conch, and Mandalay Conch, on a 100% basis, other minority shareholders provided pledge or counter-guarantee based on their shareholdings;

(2) The RMB amount of the guarantee provided by the Company for US$ loans is converted at the mid-point price of the US$/RMB exchange rate published by the People's Bank of China on the last trading day at the end of 2019.

6. Significant Events

During the Reporting Period, the guarantees provided by the Company for its subsidiaries in aggregate amounted to RMB4,372.87 million, and the guarantees provided by the Company for the joint ventures amounted to RMB388.93 million in total. Except for the guarantees for the bank loans as set out in the table above, the Company provided RMB1,945.13 million of trade finance facility guarantees for the trading business of Shanghai Conch Construction Material International Trading Co., Ltd., Conch (HK), and Southeast Asia Company.

As at the end of the Reporting Period, the balance of external guarantees provided by the Company (including those provided for its subsidiaries and joint ventures) in aggregate amounted to RMB10,745.69 million, including RMB-denominated guarantee of RMB5,452.93 million and USD-denominated guarantee of US$758.69 million, representing 7.82% of the net assets of the Group as at the end of the Reporting Period, which did not exceed the limit of 50%. Among which, the balance of the guarantees provided to its subsidiaries in aggregate amounted to RMB9,683.99 million and the balance of guarantees for its joint ventures was RMB1,061.70 million.

During the Reporting Period, the Company provided RMB3,251.01 million of guarantees for companies with a gearing ratio of over 70%.

As at the end of the Reporting Period, save for the guarantees for two joint ventures, namely, Myanmar Conch and Papua Cement, the Company did not provide any other guarantee for its controlling shareholder, de facto controllers, other related parties and any entities which are not legal persons or individuals. Save for the guarantees above, the Group did not provide any other guarantees or pledges, nor did the Group have any other significant contingent liabilities.

(12) FINANCIAL ENTRUSTMENT AND LOAN ENTRUSTMENT

1. Financial entrustment

In light of the Company's daily fund arrangements and unutilized fund situation and in order to ensure full use of the unutilized fund, the Company used part of the funds for financial entrustment. Particulars of the financial instruments conducted and existing during the Reporting Period are as follows:

Trustee	Inception date	Expiry date	Product name	Amount (RMB in 100 million)	Expected annualized return rate	Status of Recovery	Actual income (RMB in 0'000)
Wuhu Jinqiao Branch of Agricultural Bank	15 August 2018	20 February 2019	"Hui Li Feng" corporate RMB denominated structured deposit products ("匯利豐"對公定制人民幣結構性存款產品)	25	4.80%	Recovered	6,278.42
Wuhu Branch of the Bank of Communications	6 September 2018	15 March 2019	Bank of Communications Yuntong Fortune Periodic Structured Deposits Product ("蘊通財富"定期型結構性存款產品)	25	4.60%	Recovered	5,986.30
Wuhu Jinqiao Branch of Agricultural Bank	16 October 2018	15 April 2019	"Hui Li Feng" corporate RMB denominated structured deposit products ("匯利豐"對公定制人民幣結構性存款產品)	50	4.05%	Recovered	9,986.30
Wuhu Beijing Road Branch of Huishang Bank	25 February 2019	22 November 2019	Smart Finance "Chuangying" portfolio investment wealth management product (智慧理財"創贏" 系列組合投資類理財產品)	25	5.10%	Recovered	9,431.51
Wuhu Branch of the Bank of Communications	19 March 2019	12 September 2019	Bank of Communications Yuntong Fortune Periodic Structured Deposits Product ("蘊通財富"定期型結構性存款產品)	10	4.56%	Recovered	2,211.29
Wuhu Branch of the Bank of Communications	20 March 2019	19 March 2020	Bank of Communications Yuntong Fortune Periodic Structured Deposits Product ("蘊通財富"定期型結構性存款產品)	20	4.50%	Recovered	9,000.00
Wuhu Branch of the Bank of China	12 April 2019	11 October 2019	Zhong Yin Stable Wealth Management Plan – Zhi Hui Series (中銀平穩理財計劃-智薈系列理財產品)	20	4.10%	Recovered	4,088.77
Wuhu Beijing Road Branch of Huishang Bank	17 April 2019	16 April 2020	Smart Finance "Chuangying" fixed income net value wealth management products (智慧理財"創贏" 系列固定收益類淨值型理財產品)	50	4.60%	Not expired	/
Wuhu Beijing Road Branch of Huishang Bank	24 June 2019	23 June 2020	"Chuangying" fixed income net value wealth management products ("創贏" 系列固定收益類淨值型理財產品)	20	4.58%	Not expired	/

Trustee	Inception date	Expiry date	Product name	Amount (RMB in 100 million)	Expected annualized return rate	Status of Recovery	Actual income (RMB in 0'000)
Wuhu Beijing Road Branch of Huishang Bank	27 September 2019	29 June 2020	Smart Finance "Chuangying" – Huifu fixed income net value wealth management products (智慧理財"創贏"系列-徽福固定收益類淨值型理財產品)	10	4.40%	Not expired	/
Wuhu Beijing Road Branch of Huishang Bank	27 September 2019	24 September 2020	Smart Finance "Chuangying" – Huifu fixed income net value wealth management products (智慧理財"創贏"系列-徽福固定收益類淨值型理財產品)	15	4.55%	Not expired	/
CCB Wealth Management Co., Ltd.	17 October 2019	16 July 2020	CCB Wealth "Pengxin" closed-end wealth management product (建信理財"鵬鑫"封閉式理財產品)	40	4.61%	Not expired	/
China Construction Bank	23 December 2019	17 June 2020	China Construction Bank "Qianyuan-Texiangxing" Wealth Management Product (建設銀行"乾元-特享型"理財產品)	10	3.95%	Not expired	/
CCB Wealth Management Co., Ltd.	20 December 2019	18 December 2020	CCB Wealth "Pengxin" closed-end wealth management product (建信理財"鵬鑫"封閉式理財產品)	7	4.71%	Not expired	/
Agricultural Bank	24 December 2019	18 December 2020	Agricultural Bank "Anxindeli·Dayou" close-ended net worth wealth management product (農業銀行"安心得利·大有"封閉淨值型產品)	13	3.85%	Not expired	/

During the Reporting Period, the Company had no overdue unrecoverable financial entrustment.

2. Loan entrustment

During the Reporting Period, the Group had no new loan entrustment business. In 2017, Jiande Conch, a subsidiary of the Company, provided entrusted loan in the amount of RMB27.96 million to Jiande Chengli Building Material Co., Ltd. (being an entrusted management enterprise of the Company, hereinafter referred to as "Chengli Building Material") through Shouchang Sub-branch of Jiande Rural Commercial Bank Corporation Limited, Zhejiang Province (浙江建德農村商業銀行股份有限公司壽昌支行). Chengli Building Material pledged its assets as security and completed the registration of real estate security. The term of the loan is from 14 September 2017 to 21 October 2020 and the interest is settled on a quarterly basis with the interest rate of 6% per annum.

(13) CARING FOR THE UNDERPRIVILEGED

The battle against poverty is one of the three tough battles put forward by the Party's 19th National Congress, and the most arduous task for building a well-off society in an all-round way and achieving the first centenary goal. It concerns the well-being of the people, the foundation of the Party's governance, and the prolonged stability of the country. It is the incumbent political and social responsibility of the Group to embark on poverty alleviation. 2019 is a crucial year to win the tough battle against poverty. Building on the work previously done, the Company further deepened, refined, and thoroughly carried out poverty alleviation work, and pushed forward measures for assistance and alleviation work in a more targeted manner. We supported the development of industries to alleviate poverty, strengthened the "blood-making" function of the assisted regions, and helped poor households to continuously increase their income and alleviate poverty on an on-going basis. We improved the organization and execution capability of party organizations in poor villages, and gave full play to the role of primary level party organizations as a stronghold in the battle. We further improved the poverty alleviation management system, strictly standardized the poverty alleviation work procedures, properly managed the poverty alleviation personnel, made good use of the poverty alleviation funds and effectively carried out poverty alleviation projects, to truly make a difference for those living in real poverty and permanently pull them out of poverty for good.

Details on the Group's efforts in caring for the underprivileged during the Reporting Period are set out in the 2019 Social Responsibility Report prepared by the Company, which will be published on the respective websites of the SSE, the Stock Exchange and the Company on the same date as this annual report.

(14) ENVIRONMENTAL INFORMATION

1. Discharge status of the major pollutants by key subsidiaries

As at the end of the Reporting Period, 66 subsidiaries and branch companies of the Group were included in the List of Key Pollutant Discharging Units by the environmental protection departments. Details of the major pollutants discharged during the production process by such companies and the discharge status are set out in the below table:

No.	Name of companies	Name of major pollutants and special types of pollutants	Discharge mode	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m^3)	Implemented standards for discharge of pollutants	Total amount of actual discharge (tonne)	Total amount of approved discharge (tonne/year)	Excessive discharge
1	Ningguo Cement Plant of Anhui Conch Cement Company Limited	Sulfur dioxide	Organised	3	Kiln tail	41.50	GB4915-2013	252.28	500	No
		Nitrogen oxides	Organised	3	Kiln tail	305.85	GB4915-2013	2,172.09	3,985	No
		Particulate matter	Organised	6	Kiln head and tail	11.37	GB4915-2013	157.46	711	No
		Particulate matter	Organised	181	General discharge outlet	10.21	GB4915-2013	47.16		No
2	Tongling Conch	Sulfur dioxide	Organised	5	Kiln tail	19.60	GB4915-2013	727.77	7,095	No
		Nitrogen oxides	Organised	5	Kiln tail	287.36	GB4915-2013	8,676.41	14,190	No
		Particulate matter	Organised	10	Kiln head and tail	8.55	GB4915-2013	401.15	2,411	No
		Particulate matter	Organised	306	General discharge outlet	9.82	GB4915-2013	8.41		No
3	Baimashan Cement Plant	Sulfur dioxide	Organised	2	Kiln tail	2.31	GB4915-2013	16.83	1,188	No
		Nitrogen oxides	Organised	2	Kiln tail	172.09	GB4915-2013	1,012.44	2,375	No
		Particulate matter	Organised	4	Kiln head and tail	9.63	GB4915-2013	88.19	473	No
		Particulate matter	Organised	94	General discharge outlet	5.71	GB4915-2013	14.54		No
4	Anhui Digang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	4	Kiln tail	13.10	GB4915-2013	460.67	3,075	No
		Nitrogen oxides	Organised	4	Kiln tail	189.35	GB4915-2013	3,833.48	6,150	No
		Particulate matter	Organised	8	Kiln head and tail	6.94	GB4915-2013	199.01	1,154	No
		Particulate matter	Organised	147	General discharge outlet	2.91	GB4915-2013	36.03		No
5	Anhui Zongyang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	5	Kiln tail	0.66	GB4915-2013	16.23	4,950	No
		Nitrogen oxides	Organised	5	Kiln tail	268.15	GB4915-2013	7,734.23	9,900	No
		Particulate matter	Organised	10	Kiln head and tail	10.15	GB4915-2013	375.86	1,546	No
		Particulate matter	Organised	179	General discharge outlet	8.59	GB4915-2013	47.03		No

6. Significant Events

No.	Name of companies	Name of major pollutants and special types of pollutants	Discharge mode	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m³)	Implemented standards for discharge of pollutants	Total amount of actual discharge (tonne)	Total amount of approved discharge (tonne/year)	Excessive discharge
6	Anhui Chizhou Conch Cement Co., Ltd.	Sulfur dioxide	Organised	7	Kiln tail	7.78	GB4915-2013	91.91	6,270	No
		Nitrogen oxides	Organised	7	Kiln tail	302.26	GB4915-2013	8,939.18	12,540	No
		Particulate matter	Organised	14	Kiln head and tail	12.64	GB4915-2013	532.07	1,941	No
		Particulate matter	Organised	231	General discharge outlet	9.05	GB4915-2013	183.47		No
7	Anhui Huaining Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	22.18	GB4915-2013	215.48	1,550	No
		Nitrogen oxides	Organised	2	Kiln tail	259.47	GB4915-2013	2,443.60	3,100	No
		Particulate matter	Organised	4	Kiln head and tail	12.58	GB4915-2013	166.30	622	No
		Particulate matter	Organised	140	General discharge outlet	5.35	GB4915-2013	65.85		No
8	Anhui Xuancheng Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	40.39	GB4915-2013	456.01	1,125	No
		Nitrogen oxides	Organised	2	Kiln tail	263.95	GB4915-2013	2,843.36	3,100	No
		Particulate matter	Organised	4	Kiln head and tail	10.10	GB4915-2013	154.00	617	No
		Particulate matter	Organised	116	General discharge outlet	7.90	GB4915-2013	33.16		No
9	Wuhu Conch Cement Co., Ltd.	Sulfur dioxide	Organised	6	Kiln tail	31.77	GB4915-2013	1,415.58	6,920	No
		Nitrogen oxides	Organised	6	Kiln tail	189.19	GB4915-2013	8,349.60	13,840	No
		Particulate matter	Organised	12	Kiln head and tail	5.45	GB4915-2013	316.58	2,345	No
		Particulate matter	Organised	310	General discharge outlet	4.08	GB4915-2013	49.68		No
10	Suzhou Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	0.83	GB4915-2013	10.25	240	No
		Nitrogen oxides	Organised	2	Kiln tail	147.96	GB4915-2013	1,407.36	3,300	No
		Particulate matter	Organised	4	Kiln head and tail	8.87	GB4915-2013	130.29	700	No
		Particulate matter	Organised	120	General discharge outlet	5.82	GB4915-2013	22.86		No
11	Quanjiao Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	14.00	GB4915-2013	115.00	300	No
		Nitrogen oxides	Organised	2	Kiln tail	260.00	GB4915-2013	2,218.50	3,300	No
		Particulate matter	Organised	4	Kiln head and tail	9.00	GB4915-2013	125.70	691	No
		Particulate matter	Organised	125	General discharge outlet	5.70	GB4915-2013	66.28		No
12	Chaohu Conch Cement Co., Ltd.	Sulfur dioxide	Organised	3	Kiln tail	55.90	GB4915-2013	871.62	2,475	No
		Nitrogen oxides	Organised	3	Kiln tail	271.41	GB4915-2013	4,264.78	4,950	No
		Particulate matter	Organised	6	Kiln head and tail	15.21	GB4915-2013	326.23	869	No
		Particulate matter	Organised	134	General discharge outlet	10.00	GB4915-2013	30.17		No

No.	Name of companies	Name of major pollutants and special types of pollutants	Discharge mode	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m³)	Implemented standards for discharge of pollutants	Total amount of actual discharge (tonne)	Total amount of approved discharge (tonne/year)	Excessive discharge
13	Zhongguo Cement Plant	Sulfur dioxide	Organised	2	Kiln tail	10.22	GB4915-2013	31.92	588	No
		Nitrogen oxides	Organised	2	Kiln tail	74.28	Measures on Prevention and Control of Air Pollution in the Second Half of 2019 by General Office of Nanjing Municipal Party Committee	284.34	3,587	No
		Particulate matter	Organised	4	Kiln head and tail	6.04	GB4915-2013	42.63	690	No
		Particulate matter	Organised	78	General discharge outlet	7.22	GB4915-2013	5.67		No
14	Jiande Conch	Sulfur dioxide	Organised	2	Kiln tail	10.88	GB4915-2013	87.92	300	No
		Nitrogen oxides	Organised	2	Kiln tail	204.92	GB4915-2013	1,762.30	1,840	No
		Particulate matter	Organised	4	Kiln head and tail	3.85	GB4915-2013	45.47	1,024	No
		Particulate matter	Organised	110	General discharge outlet	5.50	GB4915-2013	46.15		No
15	Fenyi Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	12.72	GB4915-2013	20.67	1,028	No
		Nitrogen oxides	Organised	2	Kiln tail	301.77	GB4915-2013	490.46	1,752	No
		Particulate matter	Organised	4	Kiln head and tail	7.40	GB4915-2013	26.55	355	No
		Particulate matter	Organised	119	General discharge outlet	8.54	GB4915-2013	20.05		No
16	Yiyang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	3	Kiln tail	7.30	GB4915-2013	110.80	300	No
		Nitrogen oxides	Organised	3	Kiln tail	283.70	GB4915-2013	4,248.90	4,333.5	No
		Particulate matter	Organised	6	Kiln head and tail	8.40	GB4915-2013	304.70	832	No
		Particulate matter	Organised	157	General discharge outlet	9.15	GB4915-2013	29.10		No
17	Ganzhou Conch Cement Co., Ltd.	Sulfur dioxide	Organised	3	Kiln tail	2.19	GB4915-2013	20.76	235	No
		Nitrogen oxides	Organised	3	Kiln tail	301.19	GB4915-2013	2,547.09	2,641	No
		Particulate matter	Organised	6	Kiln head and tail	9.90	GB4915-2013	173.99	813	No
		Particulate matter	Organised	115	General discharge outlet	7.88	GB4915-2013	514.06		No
18	Prosperity Conch Cement Co., Ltd.	Sulfur dioxide	Organised	4	Kiln tail	19.44	GB4915-2013	268.44	640	No
		Nitrogen oxides	Organised	4	Kiln tail	230.00	GB4915-2013	3,447.93	6,590	No
		Particulate matter	Organised	8	Kiln head and tail	8.08	GB4915-2013	184.56	1,550	No
		Particulate matter	Organised	222	General discharge outlet	5.25	GB4915-2013	48.67		No

6. Significant Events

No.	Name of companies	Name of major pollutants and special types of pollutants	Discharge mode	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m³)	Implemented standards for discharge of pollutants	Total amount of actual discharge (tonne)	Total amount of approved discharge (tonne/year)	Excessive discharge
19	Guangdong Qingxin Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	3.86	GB4915-2013	63.76	320	No
		Nitrogen oxides	Organised	2	Kiln tail	274.39	GB4915-2013	2,973.99	3,808	No
		Particulate matter	Organised	4	Kiln head and tail	6.50	GB4915-2013	107.50	750	No
		Particulate matter	Organised	120	General discharge outlet	6.58	GB4915-2013	49.81		No
20	Yangchun Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	17.90	GB4915-2013	306.69	530	No
		Nitrogen oxides	Organised	2	Kiln tail	219.80	GB4915-2013	3,366.95	3,548	No
		Particulate matter	Organised	4	Kiln head and tail	9.50	GB4915-2013	233.58	1,207	No
		Particulate matter	Organised	191	General discharge outlet	6.05	GB4915-2013	131.50		No
21	Guangdong Qingyuan Guangying Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	10.02	GB4915-2013	57.80	234.09	No
		Nitrogen oxides	Organised	2	Kiln tail	240.36	GB4915-2013	1,412.04	2,628.93	No
		Particulate matter	Organised	4	Kiln head and tail	9.31	GB4915-2013	89.16	537.37	No
		Particulate matter	Organised	88	General discharge outlet	5.93	GB4915-2013	24.22		No
22	Xingan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	8.10	GB4915-2013	60.00	300	No
		Nitrogen oxides	Organised	2	Kiln tail	312.00	GB4915-2013	2,286.00	2,476	No
		Particulate matter	Organised	4	Kiln head and tail	11.96	GB4915-2013	147.33	559	No
		Particulate matter	Organised	122	General discharge outlet	8.73	GB4915-2013	116.13		No
23	Xingye Kuiyang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	6.10	GB4915-2013	50.81	121	No
		Nitrogen oxides	Organised	2	Kiln tail	277.90	GB4915-2013	2,213.82	2,673	No
		Particulate matter	Organised	4	Kiln head and tail	12.72	GB4915-2013	160.96	1,037	No
		Particulate matter	Organised	136	General discharge outlet	6.67	GB4915-2013	23.55		No
24	Fusui Xinning Conch Cement Co., Ltd.	Sulfur dioxide	Organised	3	Kiln tail	3.85	GB4915-2013	48.46	181	No
		Nitrogen oxides	Organised	3	Kiln tail	269.86	GB4915-2013	3,566.91	3,713	No
		Particulate matter	Organised	6	Kiln head and tail	8.56	GB4915-2013	182.05	605	No
		Particulate matter	Organised	114	General discharge outlet	5.83	GB4915-2013	84.57		No
25	Beiliu Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	5.55	GB4915-2013	53.90	80	No
		Nitrogen oxides	Organised	2	Kiln tail	263.78	GB4915-2013	2,501.43	2,525	No
		Particulate matter	Organised	4	Kiln head and tail	12.75	GB4915-2013	168.51	600	No
		Particulate matter	Organised	119	General discharge outlet	5.76	GB4915-2013	74.48		No

6. Significant Events

No.	Name of companies	Name of major pollutants and special types of pollutants	Discharge mode	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m³)	Implemented standards for discharge of pollutants	Total amount of actual discharge (tonne)	Total amount of approved discharge (tonne/year)	Excessive discharge
26	Longan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	4.70	GB4915-2013	13.78	40	No
		Nitrogen oxides	Organised	1	Kiln tail	344.38	GB4915-2013	991.59	1,240	No
		Particulate matter	Organised	2	Kiln head and tail	15.12	GB4915-2013	73.10	267	No
		Particulate matter	Organised	86	General discharge outlet	8.02	GB4915-2013	46.56		No
27	Guangxi Lingyun Tonghong Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	8.64	GB4915-2013	12.59	426	No
		Nitrogen oxides	Organised	1	Kiln tail	246.37	GB4915-2013	450.47	853	No
		Particulate matter	Organised	2	Kiln head and tail	12.90	GB4915-2013	32.12	177	No
		Particulate matter	Organised	52	General discharge outlet	5.57	GB4915-2013	8.79		No
28	Shuangfeng Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	7.62	GB4915-2013	56.76	477	No
		Nitrogen oxides	Organised	2	Kiln tail	342.50	GB4915-2013	2,625.99	2,947	No
		Particulate matter	Organised	4	Kiln head and tail	9.67	GB4915-2013	103.46	675	No
		Particulate matter	Organised	149	General discharge outlet	8.78	GB4915-2013	18.19		No
29	Hunan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	10.27	GB4915-2013	87.71	404	No
		Nitrogen oxides	Organised	2	Kiln tail	313.81	GB4915-2013	2,644.35	2,880	No
		Particulate matter	Organised	4	Kiln head and tail	8.63	GB4915-2013	101.15	646	No
		Particulate matter	Organised	149	General discharge outlet	9.36	GB4915-2013	77.91		No
30	Shimen Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	2.73	GB4915-2013	18.15	450	No
		Nitrogen oxides	Organised	2	Kiln tail	271.00	GB4915-2013	2,406.24	3,075	No
		Particulate matter	Organised	4	Kiln head and tail	7.90	GB4915-2013	94.34	689	No
		Particulate matter	Organised	140	General discharge outlet	7.75	GB4915-2013	18.80		No

6. Significant Events

No.	Name of companies	Name of major pollutants and special types of pollutants	Discharge mode	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m³)	Implemented standards for discharge of pollutants	Total amount of actual discharge (tonne)	Total amount of approved discharge (tonne/year)	Excessive discharge
31	Qiyang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	35.84	GB4915-2013	278.89	462	No
		Nitrogen oxides	Organised	2	Kiln tail	228.86	GB4915-2013	2,157.42	2,188	No
		Particulate matter	Organised	4	Kiln head and tail	4.39	GB4915-2013	51.02	936	No
		Particulate matter	Organised	123	General discharge outlet	8.46	GB4915-2013	38.22		No
32	Jianghua Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	8.19	GB4915-2013	42.06	234	No
		Nitrogen oxides	Organised	1	Kiln tail	275.66	GB4915-2013	1,332.56	1,350	No
		Particulate matter	Organised	2	Kiln head and tail	7.49	GB4915-2013	51.39	330	No
		Particulate matter	Organised	113	General discharge outlet	7.31	GB4915-2013	24.78		No
33	Shaoyang Yeafing	Sulfur dioxide	Organised	1	Kiln tail	53.00	GB4915-2013	155.52	160	No
		Nitrogen oxides	Organised	1	Kiln tail	248.77	GB4915-2013	789.49	1,395	No
		Particulate matter	Organised	2	Kiln head and tail	10.08	GB4915-2013	74.72	272	No
		Particulate matter	Organised	71	General discharge outlet	13.90	GB4915-2013	51.10		No
34	Hunan Yeafing Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	5.23	GB4915-2013	6.82	67	No
		Nitrogen oxides	Organised	1	Kiln tail	185.00	GB4915-2013	523.92	600	No
		Particulate matter	Organised	2	Kiln head and tail	12.70	GB4915-2013	30.15	146	No
		Particulate matter	Organised	64	General discharge outlet	6.73	GB4915-2013	6.23		No
35	Hunan Yiyang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	4.82	GB4915-2013	23.91	235	No
		Nitrogen oxides	Organised	1	Kiln tail	277.02	GB4915-2013	1,302.26	1,450	No
		Particulate matter	Organised	2	Kiln head and tail	12.21	GB4915-2013	87.36	327	No
		Particulate matter	Organised	78	General discharge outlet	3.63	GB4915-2013	15.13		No
36	Lianyuan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	7.60	GB4915-2013	24.12	151	No
		Nitrogen oxides	Organised	1	Kiln tail	277.19	GB4915-2013	902.64	1,440	No
		Particulate matter	Organised	2	Kiln head and tail	13.12	GB4915-2013	76.79	340	No
		Particulate matter	Organised	106	General discharge outlet	9.00	GB4915-2013	34.30		No
37	Linxiang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	33.46	GB4915-2013	119.70	150	No
		Nitrogen oxides	Organised	1	Kiln tail	258.56	GB4915-2013	903.94	1,200	No
		Particulate matter	Organised	2	Kiln head and tail	9.55	GB4915-2013	45.51	300	No
		Particulate matter	Organised	80	General discharge outlet	6.61	GB4915-2013	32.11		No

No.	Name of companies	Name of major pollutants and special types of pollutants	Discharge mode	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m^3)	Implemented standards for discharge of pollutants	Total amount of actual discharge (tonne)	Total amount of approved discharge (tonne/year)	Excessive discharge
38	Guangyuan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	3.14	GB4915-2013	33.73	343	No
		Nitrogen oxides	Organised	2	Kiln tail	156.27	GB4915-2013	1,852.92	3,285	No
		Particulate matter	Organised	4	Kiln head and tail	11.37	GB4915-2013	157.11	700	No
		Particulate matter	Organised	128	General discharge outlet	6.27	GB4915-2013	98.52		No
39	Dazhou Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	5.40	GB4915-2013	36.13	284	No
		Nitrogen oxides	Organised	2	Kiln tail	179.68	GB4915-2013	1,540.16	2,970	No
		Particulate matter	Organised	4	Kiln head and tail	8.64	GB4915-2013	85.04	590	No
		Particulate matter	Organised	105	General discharge outlet	9.26	GB4915-2013	59.29		No
40	Bazhong Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	12.59	GB4915-2013	52.30	142	No
		Nitrogen oxides	Organised	1	Kiln tail	183.28	GB4915-2013	779.40	1,008	No
		Particulate matter	Organised	2	Kiln head and tail	13.32	GB4915-2013	103.89	327	No
		Particulate matter	Organised	80	General discharge outlet	8.53	GB4915-2013	68.81		No
41	Sichuan Nanwei Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	9.96	GB4915-2013	25.76	56	No
		Nitrogen oxides	Organised	1	Kiln tail	155.76	GB4915-2013	359.65	800	No
		Particulate matter	Organised	2	Kiln head and tail	10.21	GB4915-2013	31.59	110	No
		Particulate matter	Organised	62	General discharge outlet	10.21	GB4915-2013	19.84		No
42	Chongqing Conch Cement Co., Ltd.	Sulfur dioxide	Organised	3	Kiln tail	41.41	DB50/656-2016	512.91	2,252	No
		Nitrogen oxides	Organised	3	Kiln tail	119.95	DB50/656-2016	1,413.68	3,941	No
		Particulate matter	Organised	6	Kiln head and tail	6.96	DB50/656-2016	121.65	875	No
		Particulate matter	Organised	181	General discharge outlet	14.50	DB50/656-2016	121.58		No
43	Liangping Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	7.79	DB50/656-2016	32.61	792	No
		Nitrogen oxides	Organised	1	Kiln tail	153.06	DB50/656-2016	618.05	1,386	No
		Particulate matter	Organised	2	Kiln head and tail	11.89	DB50/656-2016	73.12	340	No
		Particulate matter	Organised	81	General discharge outlet	12.70	DB50/656-2016	88.07		No

6. Significant Events

No.	Name of companies	Name of major pollutants and special types of pollutants	Discharge mode	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m³)	Implemented standards for discharge of pollutants	Total amount of actual discharge (tonne)	Total amount of approved discharge (tonne/year)	Excessive discharge
44	Linxia Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	40.90	GB4915-2013	28.53	146	No
		Nitrogen oxides	Organised	2	Kiln tail	281.76	GB4915-2013	329.62	971	No
		Particulate matter	Organised	4	Kiln head and tail	10.82	GB4915-2013	20.60	164	No
		Particulate matter	Organised	117	General discharge outlet	13.39	GB4915-2013	14.37		No
45	Pingliang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	6.00	GB4915-2013	43.90	1,515	No
		Nitrogen oxides	Organised	2	Kiln tail	241.00	GB4915-2013	2,103.90	3,030	No
		Particulate matter	Organised	4	Kiln head and tail	6.00	GB4915-2013	113.30	646	No
		Particulate matter	Organised	136	General discharge outlet	17.00	GB4915-2013	135.20		No
46	Guiyang Conch Panjiang Cement Co., Ltd.	Sulfur dioxide	Organised	3	Kiln tail	26.08	GB4915-2013	257.05	706	No
		Nitrogen oxides	Organised	3	Kiln tail	319.91	GB4915-2013	3,198.55	3,902	No
		Particulate matter	Organised	6	Kiln head and tail	13.47	GB4915-2013	177.76	985	No
		Particulate matter	Organised	170	General discharge outlet	12.41	GB4915-2013	49.60		No
47	Zunyi Conch Panjiang Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	15.91	GB4915-2013	115.85	1,815	No
		Nitrogen oxides	Organised	2	Kiln tail	182.28	GB4915-2013	1,509.44	3,630	No
		Particulate matter	Organised	4	Kiln head and tail	8.75	GB4915-2013	99.41	908	No
		Particulate matter	Organised	114	General discharge outlet	6.46	GB4915-2013	25.93		No
48	Tongren Conch Panjiang Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	10.40	GB4915-2013	90.75	1,485	No
		Nitrogen oxides	Organised	2	Kiln tail	281.01	GB4915-2013	2,328.58	2,970	No
		Particulate matter	Organised	4	Kiln head and tail	9.70	GB4915-2013	108.40	632	No
		Particulate matter	Organised	116	General discharge outlet	6.85	GB4915-2013	25.42		No
49	Guiding Conch Panjiang Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	37.75	GB4915-2013	288.34	1,559	No
		Nitrogen oxides	Organised	2	Kiln tail	309.00	GB4915-2013	2,476.61	3,119	No
		Particulate matter	Organised	4	Kiln head and tail	11.95	GB4915-2013	151.01	660	No
		Particulate matter	Organised	130	General discharge outlet	6.79	GB4915-2013	46.01		No

No.	Name of companies	Name of major pollutants and special types of pollutants	Discharge mode	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m^3)	Implemented standards for discharge of pollutants	Total amount of actual discharge (tonne)	Total amount of approved discharge (tonne/year)	Excessive discharge
50	Qianxinan Resource Development Co., Ltd	Sulfur dioxide	Organised	1	Kiln tail	20.30	GB4915-2013	47.20	310	No
		Nitrogen oxides	Organised	1	Kiln tail	245.05	GB4915-2013	617.10	620	No
		Particulate matter	Organised	2	Kiln head and tail	8.40	GB4915-2013	33.70	128	No
		Particulate matter	Organised	84	General discharge outlet	7.08	GB4915-2013	29.27		No
51	Shuicheng Conch Panjiang Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	2.99	GB4915-2013	6.10	447	No
		Nitrogen oxides	Organised	2	Kiln tail	318.69	GB4915-2013	705.69	1,734	No
		Particulate matter	Organised	4	Kiln head and tail	11.75	GB4915-2013	39.36	394	No
		Particulate matter	Organised	71	General discharge outlet	10.79	GB4915-2013	11.77		No
52	Liukuangruian	Sulfur dioxide	Organised	2	Kiln tail	45.20	GB4915-2013	185.80	529	No
		Nitrogen oxides	Organised	2	Kiln tail	242.90	GB4915-2013	1,175.60	2,260	No
		Particulate matter	Organised	4	Kiln head and tail	10.90	GB4915-2013	68.30	481	No
		Particulate matter	Organised	102	General discharge outlet	7.40	GB4915-2013	27.35		No
53	Liquan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	6.47	DB61/941-2014	58.21	209	No
		Nitrogen oxides	Organised	2	Kiln tail	206.61	DB61/941-2014	1,858.93	1,908	No
		Particulate matter	Organised	4	Kiln head and tail	2.84	DB61/941-2014	32.81	336	No
		Particulate matter	Organised	160	General discharge outlet	7.26	DB61/941-2014	56.74		No
54	Qianyang Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	10.43	DB61/941-2014	29.30	221	No
		Nitrogen oxides	Organised	1	Kiln tail	230.00	DB61/941-2014	647.85	882	No
		Particulate matter	Organised	2	Kiln head and tail	12.16	DB61/941-2014	34.17	159	No
		Particulate matter	Organised	105	General discharge outlet	7.15	DB61/941-2014	13.79		No
55	Baoji Zhongxi Jinlinghe Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	4.78	DB61/941-2014	14.30	221	No
		Nitrogen oxides	Organised	1	Kiln tail	231.72	DB61/941-2014	736.20	882	No
		Particulate matter	Organised	2	Kiln head and tail	4.38	DB61/941-2014	18.80	147	No
		Particulate matter	Organised	96	General discharge outlet	7.27	DB61/941-2014	40.06		No
56	Qianxian Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	15.10	DB61/941-2014	46.26	192	No
		Nitrogen oxides	Organised	1	Kiln tail	236.38	DB61/941-2014	727.50	1,228	No
		Particulate matter	Organised	2	Kiln head and tail	6.70	DB61/941-2014	31.76	187	No
		Particulate matter	Organised	122	General discharge outlet	7.75	DB61/941-2014	25.61		No

6. Significant Events

No.	Name of companies	Name of major pollutants and special types of pollutants	Discharge mode	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m^3)	Implemented standards for discharge of pollutants	Total amount of actual discharge (tonne)	Total amount of approved discharge (tonne/year)	Excessive discharge
57	Baoji Zhongxi Fenghuangshan Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	7.86	DB61/941-2014	27.41	221	No
		Nitrogen oxides	Organised	1	Kiln tail	212.69	DB61/941-2014	702.48	882	No
		Particulate matter	Organised	2	Kiln head and tail	2.59	DB61/941-2014	14.87	147	No
		Particulate matter	Organised	104	General discharge outlet	6.81	DB61/941-2014	20.04		No
58	Shaanxi Tongchuan Fenghuang Construction Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	16.93	DB61/941-2014	40.12	309	No
		Nitrogen oxides	Organised	1	Kiln tail	239.70	DB61/941-2014	567.68	990	No
		Particulate matter	Organised	2	Kiln head and tail	0.40	DB61/941-2014	2.09	181	No
		Particulate matter	Organised	53	General discharge outlet	7.15	DB61/941-2014	4.98		No
59	Jining Conch	Sulfur dioxide	Organised	1	Kiln tail	9.16	DB37/2373-2018	40.00	276	No
		Nitrogen oxides	Organised	1	Kiln tail	81.20	DB37/2373-2018	357.64	827	No
		Particulate matter	Organised	2	Kiln head and tail	7.00	DB37/2373-2018	39.03	207	No
		Particulate matter	Organised	123	General discharge outlet	7.00	DB37/2373-2018	6.43		No
60	Baoshan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	0.70	GB4915-2013	1.81	151	No
		Nitrogen oxides	Organised	1	Kiln tail	254.58	GB4915-2013	1,016.60	1,535	No
		Particulate matter	Organised	2	Kiln head and tail	9.52	GB4915-2013	55.30	312	No
		Particulate matter	Organised	75	General discharge outlet	8.65	GB4915-2013	36.23		No
61	Longling Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	1.50	GB4915-2013	2.93	43	No
		Nitrogen oxides	Organised	1	Kiln tail	269.32	GB4915-2013	550.47	750	No
		Particulate matter	Organised	2	Kiln head and tail	4.51	GB4915-2013	12.81	163	No
		Particulate matter	Organised	105	General discharge outlet	5.29	GB4915-2013	6.28		No
62	Yingjiangyunhan Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	5.52	GB4915-2013	32.99	55	No
		Nitrogen oxides	Organised	1	Kiln tail	257.18	GB4915-2013	1,260.44	1,304.05	No
		Particulate matter	Organised	2	Kiln head and tail	11.26	GB4915-2013	74.49	258	No
		Particulate matter	Organised	95	General discharge outlet	9.95	GB4915-2013	28.89		No
63	Wenshan Conch Cement Co., Ltd.	Sulfur dioxide	Organised	2	Kiln tail	8.29	GB4915-2013	91.35	241	No
		Nitrogen oxides	Organised	2	Kiln tail	243.39	GB4915-2013	2,677.66	2,790	No
		Particulate matter	Organised	4	Kiln head and tail	9.38	GB4915-2013	118.09	604	No
		Particulate matter	Organised	123	General discharge outlet	7.78	GB4915-2013	44.14		No

No.	Name of companies	Name of major pollutants and special types of pollutants	Discharge mode	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/m³)	Implemented standards for discharge of pollutants	Total amount of actual discharge (tonne)	Total amount of approved discharge (tonne/year)	Excessive discharge
64	Kunming Conch Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	14.80	GB4915-2013	31.62	62	No
		Nitrogen oxides	Organised	1	Kiln tail	259.21	GB4915-2013	573.95	775	No
		Particulate matter	Organised	2	Kiln head and tail	8.52	GB4915-2013	27.69	79	No
		Particulate matter	Organised	46	General discharge outlet	9.39	GB4915-2013	9.19		No
65	Yunnan Zhuangxiang Cement Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	5.60	GB4915-2013	8.86	173	No
		Nitrogen oxides	Organised	1	Kiln tail	251.87	GB4915-2013	509.93	576	No
		Particulate matter	Organised	2	Kiln head and tail	10.15	GB4915-2013	39.58	124	No
		Particulate matter	Organised	32	General discharge outlet	9.68	GB4915-2013	22.20		No
66	Hami Hongyi Construction Co., Ltd.	Sulfur dioxide	Organised	1	Kiln tail	1.00	GB4915-2013	0.62	45	No
		Nitrogen oxides	Organised	1	Kiln tail	297.00	GB4915-2013	228.31	750	No
		Particulate matter	Organised	2	Kiln head and tail	8.50	GB4915-2013	12.10	153	No
		Particulate matter	Organised	59	General discharge outlet	9.74	GB4915-2013	6.98		No

2. Discharge status of the major pollutants by subsidiaries other than key pollutant discharging units

No.	Name of companies	Name of major pollutants and special types of pollutants	Discharge mode	Number of discharge outlets	Distribution of discharge outlets	Average discharge concentration (mg/m^3)	Implemented standards for discharge of pollutants	Amount of actual discharge (tonne)	Total amount of approved discharge (tonne/year)	Excessive discharge
1	Shanghai Mingzhu Conch Cement Co., Ltd.	Particulate matter	Organised	29	General discharge outlet	7.39	GB4915-2013	2.47	/	No
2	Anhui Changfeng Conch Cement Co., Ltd.	Particulate matter	Organised	30	General discharge outlet	8.30	GB4915-2013	10.36	/	No
3	Huangshan Conch Cement Co., Ltd.	Particulate matter	Organised	68	General discharge outlet	7.75	GB4915-2013	10.33	/	No
4	Bengbu Conch Cement Co., Ltd.	Particulate matter	Organised	86	General discharge outlet	7.24	GB4915-2013	25.21	/	No
5	Lu'an Conch Cement Co., Ltd.	Particulate matter	Organised	72	General discharge outlet	6.60	GB4915-2013	26.98	/	No
6	Huainan Conch Cement Co., Ltd.	Particulate matter	Organised	110	General discharge outlet	10.00	GB4915-2013	36.00	/	No
7	Bozhou Conch Cement Co., Ltd.	Particulate matter	Organised	46	General discharge outlet	7.18	GB4915-2013	17.20	/	No
8	Ma'anshan Conch Cement Co., Ltd.	Particulate matter	Organised	65	General discharge outlet	5.80	GB4915-2013	31.71	/	No
9	Taizhou Yangwan Conch Cement Co., Ltd.	Particulate matter	Organised	129	General discharge outlet	7.40	GB4915-2013	38.80	/	No
10	Yangzhou Conch Cement Co., Ltd.	Particulate matter	Organised	142	General discharge outlet	7.10	GB4915-2013	45.80	/	No
11	Zhangjiagang Conch Cement Co., Ltd.	Particulate matter	Organised	57	General discharge outlet	4.10	GB4915-2013	30.25	/	No
12	Taicang Conch Cement Co., Ltd.	Particulate matter	Organised	44	General discharge outlet	2.46	GB4915-2013	8.50	/	No

No.	Name of companies	Name of major pollutants and special types of pollutants	Discharge mode	Number of discharge outlets	Distribution of discharge outlets	Average discharge concentration (mg/m^3)	Implemented standards for discharge of pollutants	Amount of actual discharge (tonne)	Total amount of approved discharge (tonne/year)	Excessive discharge
13	Huai'an Conch Cement Co., Ltd.	Particulate matter	Organised	43	General discharge outlet	11.11	GB4915-2013	25.10	275	No
14	Huai'an Chuzhou Conch Cement Co., Ltd.	Particulate matter	Organised	142	General discharge outlet	9.87	GB4915-2013	51.63	/	No
15	Zhenjiang Beigu Conch Cement Co., Ltd.	Particulate matter	Organised	13	General discharge outlet	7.89	GB4915-2013	5.21	24	No
16	Nantong Conch Cement Co., Ltd.	Particulate matter	Organised	59	General discharge outlet	2.75	GB4915-2013	11.08	71	No
17	Haimen Conch Cement Co., Ltd.	Particulate matter	Organised	137	General discharge outlet	7.13	GB4915-2013	40.19	/	No
18	Jiangsu Baling Conch Cement Co., Ltd.	Particulate matter	Organised	98	General discharge outlet	9.80	GB4915-2013	42.51	/	No
19	Ningbo Conch Cement Co., Ltd.	Particulate matter	Organised	78	General discharge outlet	7.18	GB4915-2013	19.01	/	No
20	Shaoxing Shangyu Conch Cement Co., Ltd.	Particulate matter	Organised	38	General discharge outlet	7.36	GB4915-2013	14.71	22	No
21	Ninghai Qiangjiao Conch Cement Co., Ltd.	Particulate matter	Organised	95	General discharge outlet	8.04	GB4915-2013	48.40	/	No
22	Xiangshan Conch Cement Co., Ltd.	Particulate matter	Organised	122	General discharge outlet	8.24	GB4915-2013	45.82	/	No
23	Yueqing Conch Cement Co., Ltd.	Particulate matter	Organised	112	General discharge outlet	7.36	GB4915-2013	31.30	/	No
24	Taizhou Conch Cement Co., Ltd.	Particulate matter	Organised	55	General discharge outlet	7.45	GB4915-2013	39.68	/	No

No.	Name of companies	Name of major pollutants and special types of pollutants	Discharge mode	Number of discharge outlets	Distribution of discharge outlets	Average discharge concentration (mg/m³)	Implemented standards for discharge of pollutants	Amount of actual discharge (tonne)	Total amount of approved discharge (tonne/year)	Excessive discharge
25	Jiangxi Ganjiang Conch Cement Co., Ltd.	Particulate matter	Organised	72	General discharge outlet	11.33	GB4915-2013	54.55	/	No
26	Jinxian Conch Cement Co., Ltd.	Particulate matter	Organised	52	General discharge outlet	3.85	GB4915-2013	15.10	/	No
27	Jiangxi Lushan Conch Cement Co., Ltd.	Particulate matter	Organised	84	General discharge outlet	13.13	GB4915-2013	45.55	/	No
28	Nanchang Conch Cement Co., Ltd.	Particulate matter	Organised	41	General discharge outlet	8.50	GB4915-2013	70.98	/	No
29	Fujian Jianyang Conch Cement Co., Ltd.	Particulate matter	Organised	29	General discharge outlet	11.80	GB4915-2013	7.97	/	No
30	Jiangmen Conch Cement Co., Ltd.	Particulate matter	Organised	99	General discharge outlet	6.20	DB44/818-2010	41.59	/	No
31	Foshan Conch Cement Co., Ltd.	Particulate matter	Organised	89	General discharge outlet	7.20	DB44/818-2010	39.33	/	No
32	Zhanjiang Conch Cement Co., Ltd.	Particulate matter	Organised	78	General discharge outlet	10.00	DB44/818-2010	75.00	194	No
33	Maoming Dadi Cement Co., Ltd.	Particulate matter	Organised	42	General discharge outlet	<20.00	DB44/818-2010	7.40	/	No

3. Environmental protection investment and achievements of the Group

During the Reporting Period, the Group continuously strengthened fundamental environmental management and intensified the efforts in technological improvement for environmental upgrade. Throughout the year, the Group made over RMB1.8 billion of investment in environmental technological improvement and established over 316 technological improvement projects in desulfurization, denitration, dust collection, and noise control, which greatly enhanced the Company's environmental treatment capabilities, further consolidated its core competitive strength, and helped the state win the battle of blue sky protection.

In terms of reducing sulfur dioxide emissions, the Group implemented wet desulphurization technological modification for certain production lines, with the sulfur dioxide discharge concentration below 50mg/m^3 which is below the national emission standard limit (according to the Emission Standard of Air Pollutants for Cement Industry (GB4915-2013), the limit of sulfur dioxide emission in key areas is 100mg/m^3). The total sulfur dioxide emissions for the year decreased by 5,594 tonnes compared with the previous year.

In terms of reducing nitrogen oxide emissions, the Group carried out efficient and pinpoint improvement on SNCR denitration technology for production lines and achieved satisfying results, with the NOx discharge concentration being controlled stably below 200mg/m^3. The annual average discharge concentration is better than the national emission standard limit (according to the Emission Standard of Air Pollutants for Cement Industry (GB4915-2013), the limit of nitrogen oxide emission in key areas is 320mg/m^3). In addition, during the Reporting Period, the Group completed SCR denitrification technological improvement on certain production lines, with denitration efficiency rate of 80%-95%. The total nitrogen oxides emissions for the whole year decreased by 5,519 tonnes compared with the previous year.

In terms of particulate matter emission reduction, the Group completed replacement of a total of 106 electric dust collection devices with bag dust collection devices at kiln head and tail during the Reporting Period. After the technological improvement, the average emission concentration of particulate matter reduced to below 10mg/m^3, and the emission reduction effect was significant and better than that of the national standard (according to the Emission Standard of Air Pollutants for Cement Industry (GB4915-2013), the limit of particulate matter emission in key areas is 20mg/m^3). The total particulate matter emissions for the whole year decreased by 2,501 tonnes compared with the previous year.

In terms of reducing CO_2 emissions, the "Demonstration Project for Collection and Purification of CO_2 from the Smoke Emitted by Cement Kilns" constructed by the Group at Baimashan Cement Plant can produce 50,000 tonnes of 99.9% industrial grade carbon dioxide per year, and is capable of producing 30,000 tonnes of 99.99% food grade carbon dioxide. During the Reporting Period, it produced a total of 28,400 tonnes of industrial and food-grade carbon dioxide.

For the projects under construction, the Group has completed the environment impact assessment pursuant to relevant requirements, and obtained the approval or filing documents. All of the subsidiaries have developed and implemented the self-monitoring program in strict compliance with the relevant requirements of the emission permit system and self-monitoring technical guidance. The Group has conducted self-monitoring inspection on a quarterly basis and received the monitoring inspection reports on a timely manner, and published its environmental information including company production, equipment operation and pollutant discharge, etc., on a regular basis and prepared and submitted reports on implementation for public supervision pursuant to the requirements of The Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》). In order to strictly comply with the Interim Measures for the Administration of Environmental Emergency Response Plan (《突發環境事件應急預案管理暫行辦法》) and other laws, regulations and relevant documents, each subsidiary of the Group has formulated environmental emergency response plan and has completed the necessary filing. They also carried out drills regularly to prevent, warn against and respond to environmental emergency incidents or various environmental emergency issues in relation to or arising from production safety, enabling the Company to take actions in a quick, orderly and efficient manner to manage and reduce damages upon occurrence of any environmental pollution incidents (accidents), thereby safeguarding the public and protecting the environment.

For more information about the Group's implementation of environmental protection policies and regulations, and fulfillment of environmental protection responsibilities, please refer to the Company's 2019 Social Responsibility Report published on the website of the SSE, the Stock Exchange and the Company on the same day as this annual report.

4. Other required disclosures related to the environment

During the Reporting Period, the Group had no other environmental information that should be disclosed but has not been disclosed.

(15) NO EVENT THAT MIGHT IMPOSE MATERIAL IMPACTS

As at the end of the Reporting Period and up to the date of this annual report, there was no occurrence of any event that might impose material impacts on the Group.

7. Changes in Shareholdings and Shareholders

(1) TOTAL NUMBER OF SHARES AND THE SHAREHOLDING STRUCTURE

There was no change in the total number of shares and the shareholding structure of the Company during the Reporting Period, as detailed below:

(Unit: Share)

Class of shares	Before change		Increase/decrease (+,-)			After change	
	Number	Percentage (%)	Issue of new shares	Transfer from capital reserve	Subtotal	Number	Percentage (%)
1. Shares subject to trading restrictions	-	-	-	-	-	-	-
1. State-owned legal person shares	-	-	-	-	-	-	-
2. Other domestic shares	-	-	-	-	-	-	-
2. Shares not subject to trading restrictions	**5,299,302,579**	**100**	-	-	-	**5,299,302,579**	**100**
1. RMB-denominated ordinary shares (i.e. A Shares)	3,999,702,579	75.48	-	-	-	3,999,702,579	75.48
2. Overseas-listed foreign shares (i.e. H Shares)	1,299,600,000	24.52	-	-	-	1,299,600,000	24.52
3. Total number of shares	**5,299,302,579**	**100**	-	-	-	**5,299,302,579**	**100**

(2) SUMMARY OF TRADING OF THE COMPANY'S SHARES IN 2019

	A Share/RMB	H Share/HK$
Opening price on the first trading day of the year	29.30	37.50
Closing price on the last trading day of the year	54.80	56.80
Highest trading price during the year	55.32	57.95
Lowest trading price during the year	27.23	34.55

7. Changes in Shareholdings and Shareholders

(3) SHAREHOLDERS

1. As at 31 December 2019, the total number of registered shareholders of the Company was 91,458, of which 88 were registered holders of H Shares. As at 29 February 2020, the total number of registered shareholders of the Company was 135,601, of which 86 were registered holders of H Shares.

2. As at 31 December 2019, the shareholdings of the top ten registered shareholders of the Company are set out as follows:

Name of shareholder	Nature of shareholder	Number of shares held at the end of the Reporting Period (share)	Percentage of shareholding (%)	Class of shares	Pledged or frozen Status	Pledged or frozen Number of shares (share)
1. Conch Holdings [Note 1]	State-owned legal person	1,928,870,014	36.40	A Shares	Nil	-
2. HKSCC Nominees Limited [Note 2]	Foreign legal person	1,298,414,112	24.50	H Shares	Unknown	Unknown
3. Hong Kong Securities Clearing Company Limited	Foreign legal person	502,399,515	9.48	A Shares	Unknown	Unknown
4. China Securities Finance Corporation Limited	State-owned legal person	158,706,413	2.99	A Shares	Unknown	Unknown
5. Central Huijin Asset Management Ltd.	State-owned legal person	70,249,600	1.33	A Shares	Unknown	Unknown
6. CV Investment	Domestic non-state-owned legal person	46,630,176	0.88	A Shares	Nil	-
7. Hillhouse Capital Management Co., Ltd. – HCM China Fund	Others	37,322,610	0.70	A Shares	Unknown	Unknown
8. Bank Negara Malaysia	Others	33,275,041	0.63	A Shares	Unknown	Unknown
9. The National Social Security Fund 106 Composition	Others	18,934,548	0.36	A Shares	Unknown	Unknown
10. Industrial & Commercial Bank of China – SSE 50 Trading Open-end Index Securities Investment Fund	Others	15,418,156	0.29	A Shares	Unknown	Unknown

Notes:

(1) During 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 1,298,414,112 H Shares, representing 24.50% of the total share capital of the Company, and 99.91% of the issued H Shares of the Company. These shares were held on behalf of its various clients.

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

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

7. Changes in Shareholdings and Shareholders

3. As at 31 December 2019, the following persons (other than the Directors or chief executive of the Company) held interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (references to Directors or chief executive in this paragraph include Supervisors):

Name of shareholder	Number of ordinary shares held	Capacity	Percentage of shareholding of the relevant class of shares
Conch Holdings	1,928,870,014 A Shares (long position) (Note 1)	Beneficial owner/Interest of a controlled corporation	48.23% (Note 2)
Anhui Provincial Investment Group Holding Co., Ltd.	1,928,870,014 A Shares (long position) (Note 1)	Interest of a controlled corporation	48.23% (Note 2)
Conch Venture Property	1,928,870,014 A Shares (long position) (Note 1)	Interest of a controlled corporation	48.23% (Note 2)
Conch Venture	1,928,870,014 A Shares (long position) (Note 1)	Interest of a controlled corporation	48.23% (Note 2)
Taiwan Cement Corporation	116,568,000 H Shares (long position) (Note 4)	Interest of a controlled corporation	8.97% (Note 3)
BlackRock,Inc.	104,530,863 H Shares (long position) (Note 5)	Interest of a controlled corporation	8.04% (Note 3)
JPMorgan Chase & Co.	90,050,797 H Shares (long position) (Note 6)	Interest of a controlled corporation/Investment manager/Person having a security/Trustee/Approved Lending Agent	6.93% (Note 3)
JPMorgan Chase & Co.	6,890,250 H Shares (short position) (Note 6)	Interest of a controlled corporation	0.53% (Note 3)
Citigroup Inc.	68,121,910 H Shares (long position) (Note 7)	Interest of a controlled corporation/Approved Lending Agent	5.24% (Note 3)
Citigroup Inc.	2,106,500 H Shares (short position) (Note 7)	Interest of a controlled corporation	0.16% (Note 3)

7. Changes in Shareholdings and Shareholders

Notes:

(1) Anhui Provincial Investment Group Holdings Co., Ltd. ("Anhui Provincial Investment Group") and Conch Venture Property held 51% and 49% of the equity interests in Conch Holdings, respectively. Conch Venture Property is wholly owned by Anhui Conch Venture New Energy-saving Building Material Co., Ltd. ("CV Green"), which is in turn wholly owned by China Conch Venture Holdings (HK) Limited ("CV HK"). CV HK is wholly owned by China Conch Venture Holdings International Limited ("CV International"). CV International is a wholly-owned subsidiary of Conch Venture. Pursuant to the SFO, Anhui Provincial Investment Group, Conch Venture Property, CV Green, CV HK, CV International and Conch Venture were deemed to have interests in the entire number of shares of the Company held by Conch Holdings.

(2) The total number of domestic shares in issue was 3,999,702,579 shares, all of which were A Shares.

(3) The total number of H Shares in issue was 1,299,600,000 shares.

(4) Based on the disclosure of interests form submitted by Taiwan Cement Corporation on 12 December 2008 in respect of the relevant event that occurred on 11 December 2008, 38,856,000 H Shares were held by Taiwan Cement Corporation through certain of its subsidiaries. Assuming that the company has not disposed of any shares, upon implementation of the proposal of capitalization of capital reserve fund by the Company in 2010 and 2011, Taiwan Cement Corporation held 116,568,000 H Shares accordingly.

(5) Based on the disclosure of interests form submitted by BlackRock, Inc. on 1 January 2020 in respect of the relevant event that occurred on 27 December 2019, these shares were held through certain subsidiaries of BlackRock, Inc. in the capacity of interest of a controlled corporation.

(6) Based on the disclosure of interests form submitted by JPMorgan Chase & Co. on 24 December 2019 in respect of the relevant event that occurred on 19 December 2019, these shares were held through certain subsidiaries of JPMorgan Chase & Co. Of the 90,050,797 H Shares (long position), 13,987,111 Shares were held in the capacity of interest of a controlled corporation; 7,409,650 Shares were held in the capacity of investment manager; 2,621,096 Shares were held in the capacity of person having a security interest in shares; 65,030 Shares were held in the capacity of trustee; 65,967,910 Shares (securities in lending pool) in the capacity of approved lending agent. 6,890,250 H Shares (short position) were held in the capacity of interest of a controlled corporation.

(7) Based on the disclosure of interests form submitted by Citigroup Inc. on 26 August 2019 in respect of the relevant event that occurred on 21 August 2019, these shares were held through certain subsidiaries of Citigroup Inc. Of the 68,121,910 H Shares (long position), 3,616,431 Shares were held in the capacity of interest of a controlled corporation; 64,505,479 Shares (securities in lending pool) in the capacity of approved lending agent. 2,106,500 H Shares (short position) were held in the capacity of interest of a controlled corporation.

Save for the aforesaid shareholders, as at 31 December 2019, the Company was not aware of any interests and short positions as recorded in the register required to be kept pursuant to Section 336 of the SFO.

4. Information on the controlling shareholder of the Company

Name in English:	Anhui Conch Holdings Co., Ltd.
Legal representative:	Gao Dengbang
Date of establishment:	7 November 1996
Registered capital:	RMB800 million
Principal business activities:	Asset operation, investment, financing, property transactions, construction materials, chemical and industrial products (excluding hazardous products), electronic apparatus and instruments, production and sale of ordinary machinery and equipment, electricity, transportation, warehousing, construction project, import and export trading, mineral products (operated by subsidiaries), metal materials, craftwork, sale of general merchandise, property management, development of technological products, technical support services, printing, contracting of overseas building materials project and domestic and international bidding projects, and dispatch of service personnel for implementing the above overseas projects.

As at the end of the Reporting Period, Conch Holdings was also the controlling shareholder of Conch Profiles and Science with an equity shareholding of 30.63%. During the Reporting Period, there was no change in the controlling shareholder of the Company.

5. Information on the shareholding and controlling relationship between the Company and its controlling shareholder's controlling shareholders

Anhui Provincial Investment Group is a wholly state-owned company with limited liability under the State-owned Assets Supervision and Administration Commission of Anhui Province ("Anhui SASAC"), and accordingly, Anhui SASAC is the de facto controller of the Company. As at 31 December 2019, the shareholding relationship structure among Conch Holdings, Anhui Provincial Investment Group and Anhui SASAC is set out as follows:

State-owned Assets Supervision and Administration Commission of Anhui Province

100%

Anhui Provincial Investment Group Holdings Co., Ltd.

51%

Anhui Conch Holdings Co., Ltd.

36.40%

Anhui Conch Cement Company Limited

6. Public float

Up to the date of this report, based on publicly available information and to the knowledge of the Directors, the Company has been complying with the prescribed public float requirement under the HKSE Listing Rules.

(4) PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year ended 31 December 2019, neither the Company nor its subsidiaries purchased, sold or redeemed any listed shares of the Company.

7. Changes in Shareholdings and Shareholders

(5) ISSUE OF PREFERENCE SHARES AND PRE-EMPTIVE RIGHTS

During the Reporting Period, the Company did not issue any preference shares. Under the Articles and the laws of the PRC, the Company is not required to offer to its existing shareholders pre-emptive right to acquire new shares in proportion to their shareholdings.

(6) TRANSACTIONS IN RESPECT OF ITS OWN SECURITIES

During the year ended 31 December 2019, the Group had neither issued nor granted any convertible securities, options, warrants or other similar rights. As at the end of the Reporting Period, the Group had no redeemable securities.

(7) TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

During the year ended 31 December 2019, holders of the Company's listed securities were not entitled to any tax relief and exemptions by virtue of their holdings of such securities under their legal status of the PRC.

8. Directors, Supervisors, Senior Management and Staff

(1) BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Existing Directors and Supervisors

Name	Position	Gender	Age	Tenure
Gao Dengbang	Chairman and Executive Director	Male	59	2 June 2016-29 May 2022
Yang Mianzhi	Independent non-executive Director	Male	51	2 June 2016-29 May 2022
Leung Tat Kwong Simon	Independent non-executive Director	Male	60	2 June 2016-29 May 2022
Zhang Yunyan	Independent non-executive Director	Female	45	30 May 2019-29 May 2022
Wang Jianchao	Deputy Chairman and Executive Director	Male	56	21 August 2015-29 May 2022
Wu Bin	Executive Director	Male	55	2 June 2016-29 May 2022
Li Qunfeng	Executive Director	Male	49	30 May 2019-29 May 2022
Ding Feng	Non-executive Director	Male	48	30 May 2019-29 May 2022
Wu Xiaoming	Chairman of Supervisory Committee	Male	57	10 October 2017-29 May 2022
Wang Pengfei	Supervisor	Male	58	2 June 2015-29 May 2022
Liu Tiantian	Staff Supervisor	Male	54	30 May 2019-29 May 2022

Existing Senior Management

Name	Position	Gender	Age	Date of appointment
Wu Bin	General manager	Male	55	21 August 2015
Li Qunfeng	Deputy general manager	Male	49	23 March 2015
Li Xiaobo	Deputy general manager	Male	50	23 March 2015
Ke Qiubi	Deputy general manager	Male	57	28 June 2017
Li Leyi	Chief engineer of technical art	Male	58	26 March 2012
Yu Shui	Assistant to general manager and secretary to the Board	Male	44	27 October 2017/30 August 2018
Wu Tiejun	Assistant to general manager	Male	40	27 October 2017
Chiu Pak Yue, Leo	Company secretary (Hong Kong)	Male	57	29 August 2000

8. Directors, Supervisors, Senior Management and Staff

Resigned Directors and Supervisors During the Reporting Period

Name	Position before resignation	Gender	Age	Date of resignation
Tai Kwok Leung	Independent non-executive Director	Male	63	30 May 2019
Wang Chunjian	Staff Supervisor	Male	51	30 May 2019

Information of shares of the Company held or traded by existing Directors, Supervisors and senior management members and resigned Directors, Supervisors and senior management members during the Reporting Period:

Name	Position	Number of shares held as at 31 December 2018 (share)	Number of shares sold during the Reporting Period (share)	Number of shares held as at 31 December 2019 (share)
Li Xiaobo	Deputy general manager	193,000	–	193,000
Ke Qiubi	Deputy general manager	293,845	73,400	220,445

According to the shareholding reduction plan submitted by Mr. Ke Qiubi, the deputy general manager, the Company disclosed his plan to reduce shareholdings in the Company on the SSE website on 5 March 2019. Subject to strict compliance with relevant requirements under the operation rules of the SSE, Mr. Ke Qiubi sold a total of 73,400 shares of the Company during the period from 3 June 2019 to 2 July 2019 and the Company fulfilled its obligation of information disclosure in a timely manner.

Save as disclosed above, none of the Directors, Supervisors and senior management members of the Company held or traded any shares of the Company during the Reporting Period.

8. Directors, Supervisors, Senior Management and Staff

Information of positions held by existing Directors, Supervisors and senior management members in Conch Holdings, the controlling shareholder of the Company:

Name	Positions held in Conch Holdings	Tenure
Gao Dengbang	Chairman	From November 2015 to Present
Wang Jianchao	Director and deputy general manager	From May 2013 to Present
Li Qunfeng	Deputy director of Technology Center	From May 2016 to Present
Wu Xiaoming	Secretary of the disciplinary committee	From February 2017 to Present
Wang Pengfei	Deputy general manager	From May 2013 to Present
Ding Feng	Chief economist and deputy chief accountant	From June 2017 to Present
	Head of the strategic planning department	From March 2016 to Present

Information of positions held by existing Directors, Supervisors and senior management members in other entities:

Name	Positions held in other entities
Wu Xiaoming	Chairman of supervisory committee of Conch Profiles and Science
Wang Pengfei	Director of Conch Profiles and Science
Ding Feng	① Supervisor of Conch Profiles and Science
	② Director and general manager of Conch Investment Company
	③ Chairman of SPIC Anhui Conch Power Selling
	④ Chairman of Conch New Materials Company
	⑤ Director of SPIC Anhui Conch Clean Energy
	⑥ Director of Anhui Guofu Industry Investment Fund Management Co., Ltd.
	⑦ Director of Anhui Conch New Energy Co., Ltd.
Li Qunfeng	① Director of Conch Investment Company
	② Chairman and general manager of Wuhu Conch Trading Co., Ltd.
	③ Director of Conch New Materials Company
Li Xiaobo	① Director of Conch Investment Company
	② Director of SPIC Anhui Conch Power Selling
	③ Director of SPIC Anhui Conch Clean Energy
Yu Shui	Director of Wuhu Conch Trading Co., Ltd.
Wu Tiejun	① Director of Conch Design Institute
	② Director of Conch New Materials Company

8. Directors, Supervisors, Senior Management and Staff

BIOGRAPHY OF EXISTING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Gao Dengbang, Chairman and an executive Director of the Company. Mr. Gao graduated from Huainan Mining Institute and also holds a doctor's degree in management from Hefei University of Technology. Since 1982, Mr. Gao had engaged in technological and corporate management work in Anhui Huaibei Mining Bureau. Since 1995, Mr. Gao had held various key managerial positions including deputy secretary and secretary of Anhui Provincial Committee of the Communist Youth League, secretary and mayor of Xuancheng Municipal Government, secretary of Wuhu Municipal Committee and chairman of the Standing Committee of Wuhu Municipal People's Congress. Mr. Gao has not only extensive experience in corporate management, but also the ability to lead the long-term development of local economy. Mr. Gao was also elected to the Standing Committee of the Thirteenth People's Congress of Anhui Province.

Mr. Wang Jianchao, deputy Chairman and an executive Director of the Company, senior economist. Mr. Wang graduated from Huangshan University and received an MBA degree from Jinan University. He joined the Group in 1982, and had served as deputy head of import and export department of Conch Holdings, head of international business department, head of supply department, head of foreign economic cooperation department, assistant to general manager, deputy general manager and general manager of the Company. He has extensive experience in corporate management.

Mr. Wu Bin, an executive Director, general manager of the Company and senior economist. Mr. Wu graduated from Anhui Construction Engineering School, and joined the Group in 1983. Mr. Wu held various positions such as deputy head of sales department of Baimashan Cement Plant, deputy director and director of sales department of the Company, officer-in-charge of the Regional Committee in Guangxi, officer-in-charge of the Regional Committee in northern Anhui, and assistant to general manager and deputy general manager of the Company. Mr. Wu has extensive management experience in corporate management and sales marketing. Mr. Wu was also a representative of the Thirteenth People's Congress of Anhui Province.

Mr. Li Qunfeng, an executive Director, deputy general manager, and senior engineer. Mr. Li graduated from Luoyang Technology College and joined the Group in 1994. Mr. Li held various positions such as plant director of the production sub-plant, director of production quality department, assistant to general manager, deputy general manager and general manager of Tongling Conch Cement Co., Ltd. as well as officer-in-charge of the Regional Management Committee in the northern part of Anhui Province and an assistant to general manager of the Company. Mr. Li has extensive experience in cement manufacturing technology and product quality management.

8. Directors, Supervisors, Senior Management and Staff

Non-executive Director

Mr. Ding Feng, a non-executive Director of the Company and intermediate accountant. Mr. Ding graduated from Tongling College and joined the Group in 1994. He was the deputy head of finance department of Tongling Conch, financial controller of Zongyang Conch, deputy head of finance department of the Company, the officer-in-charge of the Regional Committees in Jiangxi and Guizhou and deputy general manager of the Company. He has extensive experience in finance management, corporate management and merger and acquisition of projects.

Independent non-executive Directors

Mr. Yang Mianzhi, an independent non-executive Director of the Company. Mr. Yang graduated from School of Business of China Renmin University with a doctor's degree in management. Mr. Yang is currently a member of the Steering Committee on Professional Teaching of Accounting of Higher Education Institutions under the Ministry of Education, a member of the Professional Financial Management Committee of Accounting Society of China and a national leading talent in accounting of the Ministry of Finance. Mr. Yang is the dean for School of Economics and Management of China University of Petroleum. Mr. Yang has extensive experience in corporate financial risk management and control, capital operation, performance appraisal and incentive mechanism.

Mr. Leung Tat Kwong Simon, an independent non-executive Director of the Company. Mr. Leung graduated from California State University, Long Beach, the US, with a bachelor of science degree in business computer method and a master's degree in business administration. He is currently the chairman of the board of i-Sprint Innovations Pte Ltd and a director or chairman of its certain subsidiaries, respectively. Mr. Leung has rich practical experience in formulating and executing corporate strategy and the merger and acquisition of projects. Mr. Leung was the managing director of the Greater China region of Sun Microsystems Inc. (a company listed on the NASDAQ (stock code: JAVA)), a director of the fifth session of board of Beijing Teamsun Technology Co., Ltd. (a company listed on the SSE (stock code: 600410)), and an executive director and chief executive officer of Automated Systems Holdings Limited (a company listed on the Stock Exchange (stock code: 771)), and is currently a director of AsiaSoft Company Limited and adjunct professor of Zhuhai College of Beijing Institute of Technology.

Ms. Zhang Yunyan, an independent non-executive Director of the Company. Ms. Zhang graduated from Anhui University and obtained a master's degree in Economic Law at the Law School. She obtained an Executive Master of Business Administration degree from the University of Science and Technology of China. Ms. Zhang currently serves as a senior partner of Jincheng Tongda & Neal and an executive officer of Jincheng Tongda & Neal (Hefei). Ms. Zhang is currently a member of the All-China Youth Federation, a member of China's foreign-related leading talent pool and a legal leading talent for the "Belt and Road Initiative". Ms. Zhang has extensive experience in legal services in the areas of securities and capital market, merger, acquisition and restructuring. Ms. Zhang was an independent director of Anhui Sun Create Electronics Co., Ltd. (a company listed on the main board of the SSE, stock code: 600990), and currently is also an independent director of Anhui Zhongxin Jiyuan Information Technology Co., Ltd. and Anhui Wenergy Company Limited (a company listed on the main board of the SZSE, stock code: 000543).

Supervisors

Mr. Wu Xiaoming, chairman of the Supervisory Committee of the Company. Mr. Wu graduated from Nanchang Army College, and assumed certain positions including the staff officer and deputy director of Operation Office II of Warfare Department of Nanjing Military Command, chief of staff of Anqing military division of Anhui Province, the standing committee member of Xuancheng Municipal Party Committee and the commander of the military division, as well as the standing committee member of Wuhu Municipal Party Committee and the commander of the military division. Mr. Wu joined Conch Holdings in 2017 and is currently a member of the party committee and secretary of the disciplinary committee of Conch Holdings and the chairman of the supervisory committee of Conch Profiles and Science.

Mr. Wang Pengfei, a Supervisor of the Company. Mr. Wang graduated from Sichuan Jiangyou Technical School and joined the Group in 1984. He held positions such as deputy plant manager of Ningguo Cement Plant, chairman of Zongyang Conch, chairman of Huaining Conch, chairman of Digang Conch, chairman of Wuhu Conch and deputy general manager of the Company, and currently also serves as the deputy general manager of Conch Holdings and a director of Conch Profiles and Science.

Mr. Liu Tiantian, a Staff representative Supervisor of the Company. Mr. Liu graduated from Shanghai Institute of Building Materials Industry and joined the Group in 1987. He served as assistant to general manager of Tongling Conch, deputy officer-in-charge of the regional management committee of the Company in northern Anhui, director of the general manager office of Conch Holdings, and director of the office of the board of Conch Holdings, and a member of the party committee of Wuhu Conch.

8. Directors, Supervisors, Senior Management and Staff

Senior Management

Mr. Li Xiaobo, deputy general manager of the Company, engineer. Mr. Li graduated from Tianjin Building Materials School and joined the Group in 1990. He held various positions such as technical director of Ningguo Cement Plant, assistant to the head, deputy head and executive deputy head of equipment department of the Company, executive deputy general manager of Prosperity Conch, chairman and general manager of Chongqing Conch, chairman and general manager of Dazhou Conch, officer-in-charge of the Regional Committee in Sichuan and Chongqing, officer-in-charge of the Regional Committee in northern Anhui and assistant to general manager of the Company. He has extensive management experience in engineering technology of cement and equipment management.

Mr. Ke Qiubi, deputy general manager of the Company, senior engineer. Mr. Ke graduated from Wuhan Industrial University and joined the Group in 1986. He held various positions including the deputy head of the mining sub-plant of Ningguo Cement Plant, executive deputy general manager of Chizhou Conch, deputy general manager of Zongyang Conch, officer-in-charge of the Regional Committee in Sichuan and Chongqing, head of the mineral resources department and assistant to general manager of the Company. He has rich experience in artistic and technology innovation and corporate management. Mr. Ke is now also the officer-in-charge of the Regional Committee in Indonesia and director of the engineering and technology department of the Company.

Mr. Li Leyi, chief engineer of technical art of the Company, senior engineer. Mr. Li graduated from Wuhan Industrial University and joined the Group in 1983. He held various positions such as plant director of the production sub-plant of Ningguo Cement Plant, deputy chief engineer of Tongling Conch, general manager of Zongyang Conch, officer-in-charge of the production coordination centre of the Company and officer-in-charge of the Regional Committee in Guizhou. He took charge of a number of technological reform projects for cement production and has extensive experience in technical art design, technology innovation, production organization and corporate management.

Mr. Yu Shui, assistant to general manager and secretary to the Board of the Company, assistant economist. Mr. Yu graduated from Anhui University, majoring in economics. Mr. Yu joined the Group in 1997 and has held various positions such as deputy director of the control room of the sales department, assistant to director, deputy director and executive deputy director of the sales department, executive deputy general manager of each of Bengbu Conch, Huainan Conch and Changfeng Conch, general manager of Indonesia South Conch, and deputy officer-in-charge of Regional Committee in northern Anhui. He has extensive management experience in marketing. Mr. Yu is now also the director of the Company's sales department.

Mr. Wu Tiejun, assistant to general manager of the Company, engineer. Mr. Wu graduated from Wuhan University of Technology and joined the Group in 2001. He has held various positions such as assistant to general manager, deputy general manager, executive deputy general manager and general manager of Chizhou Conch, general manager of Prosperity Conch, and director of Regional Committee in Guangdong. He is well experienced in production and operation management. Mr. Wu is now also the head of the safety production and environmental protection department of the Company.

Secretaries to the Board (Company Secretaries)

Mr. Yu Shui, please refer to the biography of "Senior Management" above.

Mr. Chiu Pak Yue, Leo, the company secretary (Hong Kong) of the Company, is a Hong Kong practicing solicitor. He graduated from The University of Hong Kong. He is a partner of Chiu & Partners, Solicitors. Mr. Chiu has handled a variety of financial and commercial legal matters in Hong Kong and for multinational companies, including listing, merger and acquisition, private issuance and corporate restructuring.

(2) APPOINTMENT OR CESSATION IN OFFICE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The term of the Directors and Supervisors of the seventh session of the Board and the Supervisory Committee of the Company expired during the Reporting Period. At the 2018 Annual General Meeting held on 30 May 2019, Mr. Gao Dengbang, Mr. Wang Jianchao, Mr. Wu Bin and Mr. Li Qunfeng were appointed as Executive Directors of the eighth session of the Board of the Company. Mr. Ding Feng has been appointed as a non-executive Director of the eighth Session of the Board of the Company; Mr. Yang Mianzhi, Mr. Leung Tat Kwong Simon and Ms. Zhang Yunyan have been appointed as independent non-executive Directors of the eighth Session of the Board of the Company. Mr. Wu Xiaoming and Mr. Wang Pengfei were appointed as Supervisors of the eighth session of Supervisory Committee of the Company. Upon election at the staff representative meeting of the Company, Mr. Liu Tiantian became the Staff representative Supervisor of the eighth session of Supervisory Committee of the Company. The aforementioned personnel shall be appointed for a term of three years commencing from the date of the election at the 2018 Annual General Meeting.

On 30 May 2019, the Company held the first meeting of the eighth session of the Board of the Company, where Mr. Gao Dengbang was elected unanimously as the Chairman of the eighth session of the Board of the Company and Mr. Wang Jianchao as the deputy Chairman, where Mr. Wu Xiaoming was elected unanimously as the Chairman of the eighth session of the Supervisory Committee of the Company at the first meeting of the eighth session of the Supervisory Committee held on the same day.

8. Directors, Supervisors, Senior Management and Staff

On 30 May 2019, Mr. Tai Kwok Leung retired as an independent non-executive Director of the Company and retired from his relevant roles in the committee under the Board due to the expiration of his term of office. Mr. Wang Chunjian retired from his role as the Staff representative Supervisor of the Company. The Board hereby expresses its sincere gratitude towards the above retired Directors and Supervisors for their active contribution for the Company during their term of office.

Save for the aforesaid, there was no change in the biographies of other Directors, Supervisors and senior management members of the Company which required disclosure under Rule 13.51B(1) of the HKSE Listing Rules.

(3) LETTER OF APPOINTMENT AND INTERESTS IN CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into a service contract with each of the Directors, Supervisors and senior management. For details of the term of the service contract, please refer to the above section headed "(1) BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT".

During the Reporting Period, none of the Directors or Supervisors or any entity which has a connection with such Director or Supervisor still has or had any material interests, either directly or indirectly, in any transaction, arrangement or contract entered into by the Company or its subsidiaries during or subsisting at the end of the current year.

During the Reporting Period, none of the Directors and Supervisors of the Company entered into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

During the Reporting Period and up to the date of this annual report, no permitted indemnity provision which benefits the Directors (including former Directors) of the Company or any director (including former directors) of the associated entities of the Company was or is currently in force.

During the Reporting Period, the Company has bought and maintained director and senior management liability insurance for proper insurance cover to the Directors and senior management in respect of certain legal actions.

(4) 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 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 HKSE Listing Rules.

(5) REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT FOR THE YEAR

1. Decision-making process and basis for determining remuneration

The Remuneration and Nomination Committee under the Board is responsible for determining the remuneration policy and the remuneration proposals of Directors and senior management of the Company with reference to its written terms of reference. The remuneration of Directors and internal Supervisors of the Company was determined and paid in accordance with the accomplishment of annual targets and works assigned and the operating performance of the Company. For details on the remuneration of senior management of the Company, please refer to the paragraph headed "(4) Establishment and Implementation of an Appraisal and Incentive Mechanism for Senior Management" under the section headed "9. Corporate Governance and Corporate Governance Report" of this annual report.

2. Remuneration received by Directors, Supervisors and senior management from the Company for the year

Remuneration of existing Directors, Supervisors and senior management for the year

(Unit: RMB)

Name	Position	Remuneration/ Allowance before-tax
Gao Dengbang	Chairman and Executive Director	0
Wang Jianchao	Deputy Chairman and Executive Director	818,231
Wu Bin	Executive Director and General manager	2,161,416
Li Qunfeng	Executive Director and Deputy general manager	1,936,555
Ding Feng	Non-executive Director	0
Yang Mianzhi	Independent non-executive Director	141,176
Leung Tat Kwong Simon	Independent non-executive Director	132,889
Zhang Yunyan	Independent non-executive Director	141,176
Wu Xiaoming	Chairman of Supervisory Committee	0
Wang Pengfei	Supervisor	0
Liu Tiantian	Staff representative Supervisor	1,832,386
Li Xiaobo	Deputy general manager	1,878,209
Ke Qiubi	Deputy general manager	1,824,124
Li Leyi	Chief engineer of technical art	1,859,130
Yu Shui	Assistant to general manager and secretary to the Board	1,764,511
Wu Tiejun	Assistant to general manager	1,673,593
Total		**16,163,396**

Notes:

1. The above-mentioned annual remunerations included basic salary, bonus, housing provident fund, enterprise annuities, and various insurances paid by the individual and the Company.

2. During the Reporting Period, Mr. Yang Mianzhi, Mr. Leung Tat Kwong Simon and Ms. Zhang Yunyan did not receive any remuneration from the Company and will not request the Company for payment of remuneration for the Reporting Period. The amounts listed in the above table are allowances paid by the Company to them.

3. The remuneration of Mr. Wang Jianchao was evaluated by Anhui SASAC and assessed in combination with the fulfillment by Conch Holdings of its business targets.

4. Mr. Gao Dengbang, Mr. Wu Xiaoming, Mr. Wang Pengfei and Mr. Ding Feng did not receive any remuneration from the Company.

Remuneration of resigned Directors and Supervisors for the year

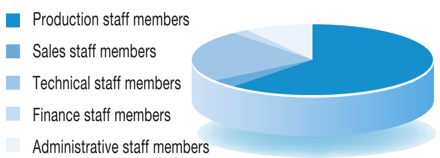
During the Reporting Period, the resigned independent non-executive Director, Mr. Tai Kwok Leung, did not receive remuneration from the Company and will not request the Company to pay remuneration; the resigned Staff representative Supervisor, Mr. Wang Chunjian, did not receive remuneration from the Company.

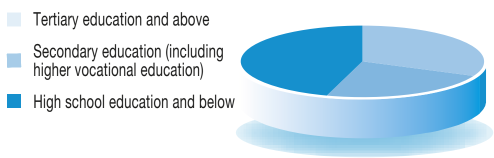
(6) HIGHEST PAID INDIVIDUALS

During the Reporting Period, all of the five highest paid individuals of the Group are senior management members of the Company. For details of their remuneration, please refer to the above section headed " (5) Remuneration of Directors, Supervisors and Senior Management for the Year " and note 9 to the financial statements prepared in accordance with the IFRSs in this annual report.

(7) EMPLOYEES

As at 31 December 2019, there were 47,486 staff members under the employment of the Group, of which 30,614 were production staff members, 1,769 were sales staff members, 10,534 were technical staff members, 909 were finance staff members, 3,660 were administrative and management staff members. 15,148 of them received tertiary education and above, 10,921 had secondary education (including higher vocational education), and 21,417 received high school education and below. The professional structure and education background of the employees are set out below:





During the Reporting Period, the Group implemented an annual remuneration system for its middle and senior management members who were assessed based on the Group's production and sales volume, profitability, costs and other key indicators according to the annual objective accountability assessment system, while a position-based and performance-linked salary system was adopted for its professional technical management staff and general staff which were assessed based on position indicators and performance of their duties and responsibilities according to the objective assessment management system based on positions.

8. Directors, Supervisors, Senior Management and Staff

In relation to training, the Group organised and provided multi-level training programmes, with an aim to enhance the management capability of the leaders and strengthen the professional skills and safety awareness of the staff. During the Reporting Period, the Group further improved its training management systems at its head office, regional entities and subsidiaries, enhanced the duty-performing capabilities of its professional departments and regional professional teams. Leveraging on the external training resources, the headquarters of the Group provided off-the-job training for the cadres, thus effectively improving all cadres' ability in production, operation and management. Meanwhile, efforts were made by each regional branch to strengthen trainings for middle management staff by providing various forms of training including outward development training and internal seminar exchange, so as to improve the professional management capability of the middle management staff. In light of the actual training needs, the subsidiaries also provided daily training for staff from different functions and departments, so as to secure adequate reserve of human resources for stable production and effective management control. In relation to the cultivation of the newly recruited talent, the Group comprehensively promoted the establishment of a new pre-job training mechanism for graduates from universities and colleges, and subsidiaries in various regions proactively organized the "Conch Cement Star Plan (海星計劃) " – a pre-job training class for graduates from universities and colleges, which assisted the trainees to adapt to their new roles quickly, enhanced their sense of recognition and sense of belonging towards the Company. In relation to overseas talent training, the Group made continuous efforts in innovating the cultivation approach for local staff overseas and reinforced the building of overseas talent team by continuing to implement the "Conch Silk Road Talent Programme (海螺絲路人才計劃)", so as to further improve the cultural qualities and business skills of the local staff overseas.

The Company was not liable for the payment of fee of the resigned and retired employees.

(8) PENSION INSURANCE

Details of the pension insurance are set out in Note 6(b) to the financial statements prepared in accordance with the IFRSs. Contributions to retirement plans recorded in the income statement of the Group for the year ended 31 December 2019 amounted to RMB556.31 million.

(9) STAFF HOUSING

Under the relevant regulations of the PRC government, contributions based on a certain percentage of the employees' salaries shall be made by the Group to the housing provident fund. Save for the above, the Group has no other liabilities. For the year ended 31 December 2019, the total housing provident fund paid by the Group amounted to approximately RMB402.83 million.

9. Corporate Governance and Corporate Governance Report

(1) CORPORATE GOVERNANCE

Since the listing of the Company on the Stock Exchange and the SSE in 1997 and 2002 respectively, the Company has been continuously improving its corporate governance structure, perfecting the internal management and control systems and regulating its operation in accordance with the relevant domestic and overseas listing rules and regulatory requirements. General meeting of the Company, the Board and the Supervisory Committee have clearly defined power and duties, each assuming and performing its specific responsibilities and making its own decisions in an independent, efficient and transparent manner.

The general meeting is the body with the highest authority in the Company and operates in accordance with the Rules of Procedures of General Meeting. During the Reporting Period, legal advisers were present in witness of the general meetings of the Company and legal advice was obtained in connection with the convention of general meetings to ensure that decision-making procedures and contents of general meetings are legal and valid and that shareholders can fully exercise their own rights.

The Board is the decision-making body for business operation of the Company, which is accountable to the shareholders in general meeting. It operates in accordance with the Articles and the Rules of Procedures of Board Meeting. The Board of the Company performs its management duties in a diligent, prudent and responsible manner to facilitate the healthy and sound development of the Company, including organizing the implementation of various resolutions passed by the shareholders' general meeting, determining the Company's operation plans and investment proposals, formulating the Company's annual financial budget and settlement proposal as well as profit appropriation proposal, formulating significant acquisition plans as well as appointment or dismissal of the general manager and other senior management of the Company, etc. The Board has delegated day-to-day responsibilities to the executive Directors and senior management of the Company. The management of the Company is the executive authority of daily operation, which is accountable to the Board, with its duties including managing the Company's production and operation, organizing the implementation of the resolutions of the Board, formulating annual production and operation plan and annual financial budget, developing basic management system and basic rules and regulations of the Company, etc.

The Supervisory Committee is the monitoring body of the Company, accountable to the shareholders in general meeting. It operates in accordance with the Rules of Procedures of Supervisory Committee. The Supervisors of the Company effectively monitor the performance of duties of the Directors and senior management and the legal compliance in the Company's operations.

9. Corporate Governance and Corporate Governance Report

In regard to the corporate governance, the Company fully applies, based on the above-mentioned levels of power structure, the principles set out in the Corporate Governance Code under Appendix 14 to the HKSE Listing Rules, and there is no material difference from the regulatory documents related to corporate governance of listed company issued by the CSRC.

(2) PROCEEDINGS OF THE GENERAL MEETING AND SUPERVISORY COMMITTEE

On 30 May 2019, the 2018 annual general meeting of the Company was held in the conference room of the Company. All Directors attended the meeting in person. The resolutions considered and passed at the general meeting were published on Shanghai Securities Journal and Securities Times on 31 May 2019.

The Supervisory Committee monitored the performance of duties of the Directors and senior management and the legal compliance regarding the Company's operation, and did not raise any objection in respect of the matters subject to their supervision during the Reporting Period.

(3) PERFORMANCE OF DUTIES BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the independent non-executive Directors have, in accordance with the requirements of the Articles, the Working Regulations for Independent Directors, the Terms of Reference of the Remuneration and Nomination Committee and the Terms of Reference of the Audit Committee, diligently performed their duties in line with the principles of integrity and diligence. They attended in person the Board meetings and shareholders' meetings convened in 2019, held various specialized committee meetings, attended on a timely basis the reporting by the Company's management on production and operations and significant events for 2019, had exclusive telephone meetings with the Chairman of the Company without the presence of other Directors to discuss the relevant issues and conducted on-site visits to the Company's production sites, participated in the major decisions made by the Company, and exercised their professional skills to provide reasonable advice and recommendations about the operations and development of the Company from their respective professional point of view, so as to lawfully safeguard the interests of the minority shareholders.

During the Reporting Period, the independent non-executive Directors have reviewed the external guarantees and connected transactions of the Company for the year ended 31 December 2019, and expressed their independent views on the above matters.

As all the three independent non-executive Directors of the Company are members of the Audit Committee, please refer to the paragraph headed "(5) Corporate Governance – 8. Audit Committee of the Board" for further information concerning the work carried out by the independent non-executive Directors in the course of preparation of this annual report.

(4) ESTABLISHMENT AND IMPLEMENTATION OF AN APPRAISAL AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT

In light of the Company's development planning, the Company assesses, provides incentive for and regulates its senior management by implementing an annual remuneration system for the senior management and entering into the Annual Targets Responsibility Letter. At the beginning of the year, by combining the responsibilities and division of labour of members of senior management and members of operation teams of its subsidiaries, the Company and such personnel will enter into the Annual Targets Responsibility Letter in respect of key performance indicators such as annual production and sales volume, profit, costs, and management objectives and requirements of annual performance of duties. At the end of the year, such members of senior management and members of operation teams of its subsidiaries will be assessed by a professional comprehensive examination and performance appraisal team set up by the Company as to the review of annual business performance and the fulfillment of the key performance indicators, and the integrated appraisal of annual performance of duties of such members, who will then be awarded with annual remuneration according to the assessment results of the Annual Targets Responsibility Letter and comprehensive appraisal results.

(5) CORPORATE GOVERNANCE

1. Corporate Governance Code and Corporate Governance Report

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

2. Securities transactions by Directors

The Company has adopted a code of practice regarding Directors' securities transactions on terms no less exacting than the required standard in the Model Code as set out in Appendix 10 to the HKSE Listing Rules. Having made specific enquiries by the Company, all Directors of the Company confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct in relation to securities transactions by Directors during the Reporting Period.

3. The Board

As at 31 December 2019, composition of the Board of the Company is as follows:

Name	Position
Gao Dengbang	Chairman and Executive Director
Wang Jianchao	Deputy Chairman and Executive Director
Wu Bin	Executive Director
Li Qunfeng	Executive Director
Ding Feng	Non-executive Director
Yang Mianzhi	Independent non-executive Director
Leung Tat Kwong Simon	Independent non-executive Director
Zhang Yunyan	Independent non-executive Director

There was no financial, business, family or other material relationship between members of the Board and between the Chairman and the chief executive officer.

9. Corporate Governance and Corporate Governance Report

During the Reporting Period, three physical meetings of the Board of the Company were held. In addition, voting on resolutions was conducted by means of telecommunication and written resolutions, with a total of 55 resolutions passed during the Reporting Period. As an election of the Board of the Company was conducted during the Reporting Period (for details, please refer to "(2) Appointment or Cessation in Office of Directors, Supervisors and Senior Management during the Reporting Period" in Chapter 8 "Directors, Supervisors, Senior Management and Staff"), the attendance and voting rates of the Directors during their respective terms of office are set out as follows:

Directors of the Seventh Session of the Board:

Name	Attendance rate of physical meeting	Voting rate of resolutions
Gao Dengbang	100%	100%
Wang Jianchao	100%	100%
Yang Mianzhi	100%	100%
Tai Kwok Leung	100%	100%
Leung Tat Kwong Simon	100%	100%
Wu Bin	100%	100%
Ding Feng	100%	100%

Directors of the Eighth Session of the Board:

Name	Attendance rate of physical meeting	Voting rate of resolutions
Gao Dengbang	100%	100%
Wang Jianchao	100%	100%
Yang Mianzhi	100%	100%
Leung Tat Kwong Simon	100%	100%
Zhang Yunyan	100%	100%
Wu Bin	100%	100%
Li Qunfeng	100%	100%
Ding Feng	100%	100%

During the Reporting Period, the Board performed its duties and exercised its powers pursuant to Chapters 11 and 11A of the Articles, and the management performed its duties and exercised its powers pursuant to Chapter 13 of the Articles. In addition, the Board performed the functions set out in the Code Provision D.3.1. The Board convened meetings to develop, review and monitor the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, policies and practices on compliance with legal and regulatory requirements as well as compliance of the Model Code and compliance manual by the employees and Directors. Please refer to chapter 4 "Report of the Directors" of this annual report for details of the work performed by the Board, and chapter 5 "Management Discussion and Analysis on the Operations of the Group" of this annual report for details of the work performed by the management.

4. Directors' Continuous Training and Development

Directors shall participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that the Directors possess comprehensive knowledge and understand the practical circumstances when they serve the Board. The Directors are committed to complying with Code Provision A.6.5 on Directors' training.

The Company arranged proper continuous professional development trainings for the Directors by various ways and approaches such as holding seminars, providing study materials, arranging the Directors to participate in seminars held by securities regulatory authorities, domestic and overseas stock exchanges, listed company associations and professional agencies, collecting and compiling market regulatory development and information on a regular basis which were sent to the Directors for reference by way of e-mail or as a report, so as to ensure that they have an understanding of the business and operation of the Company, market environment, as well as their obligations and liabilities under the listing rules, common laws and relevant regulatory requirements to fulfill their duties.

For the year ended 31 December 2019, all Directors had participated in continuous professional development training.

5. Chairman and Chief Executive Officer

Mr. Gao Dengbang and Mr. Wu Bin acted as the Chairman and the chief executive officer (i.e. the general manager) of the Company respectively.

The principal duties of the Chairman of the Board are: (a) to lead the Board and ensure that the Board operates effectively, duly performs its duties and has discussion on all significant matters in a timely and appropriate manner; (b) to ensure that all the Directors at the Board meetings are properly informed of the subject matters under discussion; (c) to ensure that the Directors receive sufficient information, which should be accurate, explicit, comprehensive and reliable, on a timely basis; and (d) to review the implementation of the Board resolutions.

The principal duties of the chief executive officer (general manager) are: (a) to oversee the management of the daily production and operations of the Group with the assistance of executive Directors and senior management; (b) to implement major strategies and development plans adopted by the Board, including coordination and implementation of the Board resolutions, annual business plans and investment proposals of the Company; (c) to prepare the proposal on the establishment of internal management structure, to organize and formulate the roles and responsibilities of various departments, requirements of various offices and professional management procedures, to formulate the basic management system and the standards for performance appraisal of management officers of various levels; (d) to propose the appointment, dismissal or re-designation of deputy general managers or financial officers of the Company; (e) to convene and chair the meetings of the chief executive officer (general manager) and professional management seminars; and (f) to perform other duties and exercise other powers granted by the Articles and the Board.

6. Tenure of non-executive Directors and independence confirmation of independent non-executive Directors

For the tenure of the existing non-executive Directors of the Company, please refer to the section headed “(1) Basic Information of Directors, Supervisors and Senior Management” of chapter 8 “Directors, Supervisors, Senior Management and Staff” in this report.

The Company has received confirmation letters for the year from independent non-executive Directors, namely, Mr. Yang Mianzhi, Mr. Leung Tat Kwong Simon, and Ms. Zhang Yunyan, in respect of their independence pursuant to Rule 3.13 of the HKSE Listing Rules. The Company confirms their independence and is of the opinion that all independent non-executive Directors are independent.

7. Remuneration and Nomination Committee of the Board

Pursuant to the HKSE Listing Rules, the Board of the Company has established the Remuneration and Nomination Committee under the Board, which is principally responsible for formulating the remuneration policy for the Directors and senior management of the Company, determining the remuneration package for each of the Directors and senior management, and developing the succession plan of the Directors, etc. The Remuneration and Nomination Committee also assesses the performance of executive Directors and approves the terms of executive Directors' service contracts. The Remuneration and Nomination Committee is a non-standing committee under the Board, which is accountable to the Board.

The Remuneration and Nomination Committee regularly reviews the structure, number of members and composition of the Board and makes recommendations to the Board on any proposed changes or on an "as needed" basis. The Remuneration and Nomination Committee has formulated the diversity policy of the Board, under which candidates of Directors of different ages and educational backgrounds shall be selected and recommended to facilitate the stable and healthy development of the Company. Selected and recommended candidates of Directors shall have extensive experiences in such fields as corporate governance, marketing and financial management. When nominating Directors, the Board has mainly considered the following factors: (i) professional skills, experience and expertise; (ii) culture; (iii) gender; and (iv) age. Such factors will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives. The Board shall review the effectiveness of the policy every year and actively identify suitable candidates for Directors.

When making recommendations regarding the appointment of any proposed candidate for Directors, the Remuneration and Nomination Committee shall consider a variety of factors including but not limited to the following in assessing the suitability of the proposed candidate:

9. Corporate Governance and Corporate Governance Report

(a) the needs of the Board and the respective committees of the Board and the current size and composition of the Board;

(b) the proposed candidate's character, experience and integrity;

(c) accomplishment and reputation in the business and other relevant sectors relating to the Group's business or development;

(d) commitment in respect of sufficient time and attention to the Company's business;

(e) assess the candidates in accordance to the diversity policy of the Board;

(f) the ability to assist and support management and make significant contributions to the Company's success;

(g) proposed candidate's understanding of the fiduciary responsibilities that are required of a Director and the commitment of time and effort necessary to diligently carry out those responsibilities; and

(h) any other factors as the Remuneration and Nomination Committee may deem fit to consider in the best interests of the Company and shareholders of the Company.

Once the Remuneration and Nomination Committee determines that an additional or replacement director is required, the Remuneration and Nomination Committee may take such measures that it considers appropriate in connection with its evaluation of a candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, engagement of an outside search firm to gather additional information, or reliance on the knowledge of the members of the Remuneration and Nomination Committee, the Board or management.

As of the end of the Reporting Period, the Board of the Company is comprised of eight Directors, of whom three are independent non-executive Directors, which is characterized by significant diversity in terms of professional skills, experience, age and culture, thereby promoting critical review and control of the management process of the Company.

9. Corporate Governance and Corporate Governance Report

During the Reporting Period, as an election of the Board of the Company was conducted, adjustments were made to the composition of the Remuneration and Nomination Committee under the Board. The Remuneration and Nomination Committee of the eighth session of the Board comprised of five members, namely Mr. Leung Tat Kwong Simon, Mr. Yang Mianzhi, Ms. Zhang Yunyan, Mr. Wang Jianchao and Mr. Wu Bin, with Mr. Leung Tat Kwong Simon acting as the chairman; Mr. Tai Kwok Leung ceased to be the member of the Remuneration and Nomination Committee.

During the Reporting Period, the Remuneration and Nomination Committee of the Board held two meetings, all of which were attended by all of the committee members. The first meeting was held on 21 March 2019, at which the committee considered and approved: (i) remuneration of the senior management of the Company for year 2018 and the remuneration appraisal targets of the senior management of the Company for year 2019; and (ii) review of and approving with the current structure, number of members and composition of the Board. The second meeting was held on 9 April 2019 at which the resolution on the nomination of candidates for Directors of the eighth session of the Board the Company was considered and approved.

The Remuneration and Nomination Committee of the Board reviewed the remunerations in respect of the Directors, Supervisors and members of senior management of the Company for year 2019 and considered that their respective remunerations were in line with the relevant requirements of the remuneration policy of the Company and were consistent with the annual performance appraisal results.

For details of the remuneration policy of the Directors and Supervisors, please refer to the above paragraph headed "1. Decision-making process and basis for determining remuneration" in section (5) of chapter 8 "Directors, Supervisors, Senior Management and Staff" in this report.

8. Audit Committee of the Board

The Board has established the Audit Committee under the Board pursuant to the HKSE Listing Rules and the requirements of the CSRC to monitor the independence and work efficiency of external auditors, the financial reporting procedures and efficiency of the internal control system of the Company, in order to assist the work of the Board. The Audit Committee is a non-standing organization under the Board and is accountable to the Board.

In order to ensure the Audit Committee's effectiveness in execution of its duties, the Company has formulated the relevant regulations including the Terms of Reference of the Audit Committee and the Regulation on the Work of the Audit Committee on Annual Report. The Terms of Reference of the Audit Committee stipulates the number and qualification criteria of committee members, defines the duties and powers of the committee and prescribes the proceedings of the committee meetings and reporting procedures to the Board. The Regulation on the Work of the Audit Committee on Annual Report defines the specific work required to be carried out by the Audit Committee in connection with the preparation and disclosure of the annual report of the Company, which mainly includes: studying and understanding the relevant requirements of the CSRC and other regulatory authorities in relation to the preparation of annual report, liaising on and determining the audit work schedule with the auditors for the annual audit, supervising the submission of the audit report by the auditors for the annual audit within the agreed time frame, reviewing the financial statements of the Company before the commencement of audit work and after the issue of preliminary audit opinion by the auditors for annual audit, submitting to the Board the assessment report of the audit work of the Company for the year conducted by the auditors for annual audit and proposing the resolution on the re-appointment or replacement of the auditors for the following year.

During the Reporting Period, as an election of the Board of the Company was conducted, adjustments were made to the composition of the Audit Committee under the Board. The Audit Committee of the eighth session of the Board comprised of three members, namely Mr. Yang Mianzhi, Mr. Leung Tat Kwong Simon, and Ms. Zhang Yunyan with Mr. Yang Mianzhi acting as the chairman; Mr. Tai Kwok Leung ceased to be the member of the Audit Committee.

During the Reporting Period, the Audit Committee held four meetings, all of which were attended by all of the committee members in person. Matters discussed at each meeting were as follows:

9. Corporate Governance and Corporate Governance Report

(1) On 15 January 2019, the Audit Committee held telephone conference to review the financial statements prepared by the Company for the year 2018 and the Company's management reported on the operation of the Company for 2018 and the arrangement on the preparation of financial report and the main issues required special attention. KPMG, auditors of the Company, reported the time table and the main focus of their audit work for the year 2018. The Audit Committee agreed to allow the auditors to conduct field audit in the Company for the year 2018.

(2) On 1 March 2019, KPMG reported to the Audit Committee on the progress of the auditing by way of telephone conference, and the committee considered that the auditors would be able to complete the audit within the scheduled time frame.

(3) On 21 March 2019, the Audit Committee held a meeting in which the following resolutions were considered and approved: (i) the annual financial report for the year ended 31 December 2018 prepared in accordance with the PRC Accounting Standards and IFRSs respectively, which were agreed to be submitted to the Board for approval; (ii) the annual report, its summary and result announcement for the year 2018, which was agreed to be submitted to the Board for approval; (iii) the assessment report on internal control for the year 2018, which was agreed to be submitted to the Board for approval; (iv) the report on the connected transactions which took place in 2018; (v) the resolution regarding the provision of guarantee by the Company for bank loans granted to its subsidiaries and joint ventures, which was agreed to be submitted to the Board for approval; (vi) the resolution regarding the recommendation to the Board to re-appoint KPMG Huazhen LLP and KPMG as the PRC auditors and the international auditors of the Company, respectively, which was agreed to be submitted to the Board for approval; and (vii) the resolution regarding changes to the accounting policies, which was agreed to be submitted to the Board for approval.

    On 21 March 2019, the Audit Committee issued an assessment report in respect of the audit work for the Company for the year 2018 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for Conch Cement for the year 2018, KPMG was able to adhere strictly to the China Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other relevant regulations in performing its audit work and was able to perform its audit functions well. Accordingly, it recommended the Board to re-appoint KPMG Huazhen LLP and KPMG as the PRC auditors and the international auditors of the Company, respectively.

(4) On 22 August 2019, the Audit Committee held a meeting in which following resolutions were considered and approved: (i) the unaudited interim (half-yearly) financial report for the year 2019 prepared in accordance with the IFRSs and PRC Accounting Standards respectively, which were submitted to the Board for approval; and (ii) the half-yearly report for the year 2019 and its summary and the half-yearly results announcement, which were submitted to the Board for approval.

Since the commencement of the audit work in relation to the preparation of the financial report of the Company for the year ended 31 December 2019, the Audit Committee has been participating in the following aspects:

(1) Prior to the commencement of audit work by the auditors, the Audit Committee first reviewed the 2019 financial statements prepared by the Company and agreed to allow the auditors to conduct field audit. In the course of conducting audit of annual report, the Audit Committee requested KPMG to diligently complete the audit work on the financial statements according to the work plans.

(2) After issuance of preliminary audit opinion by the auditors, the Audit Committee reviewed the 2019 financial statements again and considered that the auditors have completed the audit work conscientiously within schedule.

(3) On 20 March 2020, the Audit Committee issued an assessment report in respect of the audit work for the Company for the year 2019 performed by KPMG and made objective assessment on the work conducted by KPMG: during the process of conducting the audit work for Conch Cement for the year 2019, KPMG was able to adhere strictly to the China Auditing Standards for Certified Public Accountants and Hong Kong Standards on Auditing and other relevant regulations in performing its audit and was able to perform its audit functions well. Accordingly, it recommended the Board to re-appoint KPMG Huazhen LLP and KPMG as the PRC auditors and the international auditors of the Company respectively, and recommended the Board to re-appoint KPMG Huazhen LLP as the internal control auditor of the Company.

9. Auditors' Remuneration

Please refer to "(4) Auditors and remuneration" in chapter 6 "Significant Events" in this report for the remuneration of auditors appointed by the Company in 2019.

10. Directors' Responsibility for the Financial Statements

The financial report and results announcement of the Company for year 2019 have been reviewed by the Audit Committee of the Company. All the Directors of the Company agree and acknowledge their individual and joint responsibility for preparing the accounts as contained in the financial report for the year. 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 results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2019, applicable accounting policies have been adopted and applied consistently. The Directors are not aware of any uncertain events or circumstances which may cast significant doubt on the Company's ability to continue as a going concern.

11. Internal Control and Risk Management

The Company has an internal audit function. The Assessment Report on Internal Control for 2019 of the Company has been considered and approved by the Board, and was published on the websites of the SSE, the Stock Exchange and the Company respectively on the same day as the annual report for the year.

The Company's internal control system is comprised of a system of controlled management with various authoritative limits and established process, which will constantly identify, assess and manage the significant risks to which the Company is exposed. The above process includes enhancement of the risk management and internal control systems from time to time in response to the changes to the business environment or regulatory guidelines.

9. Corporate Governance and Corporate Governance Report

The Audit Committee reviewed the risk management, internal control system, internal audit function and the effectiveness of these systems and function of the Company for 2018 and 2019 on 21 March 2019 and 20 March 2020 respectively in accordance with the relevant regulations under the Corporate Governance Code and the Corporate Governance Report in Appendix 14 to the HKSE Listing Rules as well as the Terms of Reference of the Audit Committee of the Company. The scope of review covered all material controls including financial, operational and compliance controls as well as the adequacy of resources, the qualifications and experience of the employees responsible for accounting, compliance, risk management, internal audit and financial reporting functions and their training programmes and budget. The Committee also analysed and discussed with the management of the Company regarding the risk management and internal control systems, so as to keep the operation and development risk of the Company at a controllable level. The Board acknowledges its responsibility for risk management and internal control systems. The Board and the Audit Committee are of the opinion that the internal control and risk management systems of the Group are sufficient and effective.

KPMG Huazhen LLP was engaged by the Company to review the effectiveness of the internal control on financial reporting of the Group as at 31 December 2019, and has issued a standard unqualified audit report on internal control. The Audit Report on Internal Control was published on the websites of the SSE, the Stock Exchange and the Company respectively on the same day as the annual report for the year. The Company has set up the audit inspecting department which takes up the daily responsibility of internal risk control.

The Company has formulated relevant systems on inside information management, which specifies the confidentiality management of inside information, as well as filing and accountability of personnel with access to inside information. The Company regularly reminds the Directors and employees about compliance with all policies adopted by the Company regarding inside information including the Model Code set out in Appendix 10 to the HKSE Listing Rules in relation to dealings in securities of the Company.

12. Shareholders' Rights

Article 63 of the Articles provides that general meetings shall be convened by the Board whereas holders of 10% or more of the issued shares of the Company carrying voting rights may in writing request the Board to convene an extraordinary general meeting of the Company. Independent Directors and Supervisors are also entitled to propose to the Board for convening an extraordinary general meeting of the Company.

Article 65 of the Articles provides that when the Company convenes any annual general meeting, a shareholder or shareholders (whether singly or together) holding in aggregate of over 3% of the shares of the Company is or are entitled to propose motions to the Company, and any such motion shall fall within the scope of authority of the shareholders in general meeting, have clear subject and specific matters to be resolved, and be in compliance with the provisions of laws, administrative regulations and the Articles of the Company, provided that such motion shall be delivered to the Company within 30 days after the issue of the notice of the said meeting. The convener shall, within two business days after the receipt of such motion, issue a supplementary notice to announce the contents of such ad hoc motion. Any motion which is not set out in a notice of general meeting or which does not meet the requirement of this Article shall not be voted on nor resolved by shareholders at the general meeting.

In respect of the proposing of a person for election as a Director, please refer to the "Procedures for shareholders to propose a person for election as a Director of the Company" available on the website of the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's place of business in Wuhu City, Anhui Province (address: No.39, Wenhua Road, Wuhu City, Anhui Province, the PRC).

13. Company Secretaries

Mr. Yu Shui and Mr. Chiu Pak Yue, Leo are the joint company secretaries of the Company. For further details, please refer to "(1) Basic Information of Directors, Supervisors and Senior Management" of chapter 8 "Directors, Supervisors, Senior Management and Staff" in this report. Mr. Chiu Pak Yue, Leo is the external secretary of the Company and his main contact person of the Company is Mr. Yu Shui, the company secretary.

14. Investor Relations and Communication with Shareholders

During the Reporting Period, the Company put great effort in investor relationship management, and proactively created various channels to establish communication with the investors by means such as convening general meetings, results presentation, site survey for investors and teleconference, so as to ensure the shareholders and investors of the Company will enjoy equal access rights to information of the Company.

In addition, our Company's website contains corporate information, annual reports, interim reports, quarterly reports and relevant ad hoc announcements and circulars issued by the Company, also provides the Company's shareholders and investors with the latest information of the Company.

During the Reporting Period, in order to reflect the latest business scope of the Company and the recent amendments to the Company Law of the PRC in relation to repurchase of shares, amendments were made to relevant articles of the Articles of Association and considered and approved at the 2018 annual general meeting held on 30 May 2019. For details, please refer to the announcements published by the Company on the websites of the Stock Exchange and the Company on 21 March 2019 and on the website of the SSE on 22 March 2019.

10. Information on Corporate Bonds

(1) General information on corporate bonds

Name of Bonds	Abbreviation	Code	Issuance Date	Maturity Date	Balance of Bonds (RMB billion)	Interest Rate (%)	Mode of Repayment of Principal and Interest	Stock Exchange
2012 Corporate Bonds of Anhui Conch Cement Company Limited ("2012 Corporate Bonds")	12 Conch 02 (12海螺02)	122203	2012.11.7	2022.11.6	3.499	5.10	Interest is payable annually, and the final interest shall be paid together with the principal amount	SSE

The 2012 Corporate Bonds "12 Conch 02" conferred the issuer the option to raise the coupon rate at the end of the seventh year from the date of issue and conferred the investors the option to sell back the bonds to the issuer, i.e. the issuer has the right to raise the coupon rate for the last three years at the end of the seventh year from the date of issue (the issuer may choose not to exercise such option and the original coupon rate remains unchanged), and the investors have the right to sell all or part of the bonds held by them back to the Company at face value on the interest payment date of the seventh interest-bearing year.

On 19 September 2019, the Company published the Announcement on the Non-adjustment of the Coupon Rate of "12 Conch 02" Corporate Bonds (Lin 2019-26) on the website of the SSE, which stated that it had chosen not to adjust the coupon rate at the end of the seventh year of the bond, and the coupon rate would be fixed for the last 3 years of the bond's duration. As such, the coupon rate of the 2012 corporate bond "12 Conch 02" was 5.10% from 7 November 2012 to 6 November 2019, and remains 5.10% from 7 November 2019 to 6 November 2022.

In accordance with the sale-back clause set in the "Prospectus of Anhui Conch Cement Company Limited on Public Offering of 2012 Corporate Bonds", the Company published the Announcement on Sale-Back of "12 Conch 02" Corporate Bonds (Lin 2019-25) on the website of the SSE on 19 September 2019, and published three indicative announcements on 23 September, 24 September, and 25 September 2019, respectively. According to the statistics of the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on the sale back of the bond, which was finally confirmed by the Company, the number of canceled "12 Conch 02" Corporate Bonds was 1,000 lots (one lot comprises 10 bonds of RMB100 each), and the cancellation amount was RMB1,000,000. The balance of "12 Conch 02" Corporate Bonds after the cancellation was RMB3.499 billion. For details, please refer to the announcements published by the Company on the websites of the SSE on 9 October 2019 and 6 November 2019.

(2) CONTACT PERSON AND CONTACT INFORMATION OF THE TRUSTEE OF THE CORPORATE BONDS AND CONTACT INFORMATION OF THE CREDIT RATING AGENCY

Trustee of 2012 Corporate Bonds	Name	Zhong De Securities Company Limited (中德證券有限責任公司)
	Business address	22nd Floor, Tower 1, China Central Place, 81 Jianguo Road, Chaoyang District, Beijing
	Contact person	Li Bingting (李冰婷)
	Telephone	010-5902 6656
Credit Rating Agency of 2012 Corporate Bonds	Name	China Chengxin Securities Rating Company Limited (中誠信證券評估有限公司)
	Business address	14th Floor, Block C, Merchants International Finance Center, 156 Fuxingmennei Avenue, Xicheng District, Beijing

(3) USE OF PROCEEDS FROM ISSUANCE OF CORPORATE BONDS

The net proceeds raised from the issuance of the corporate bonds with a principal amount of RMB9.5 billion by the Company in 2011 amounted to RMB9,461.98 million. Pursuant to the purposes and application plan as stipulated in the prospectus, all the proceeds were utilized in 2012, of which RMB5,034.48 million was used to replenish its working capital and RMB4,427.5 million was used to repay loans.

The net proceeds raised from the issuance of the corporate bonds with a principal amount of RMB6.0 billion by the Company in 2012 amounted to RMB5,995.24 million. Pursuant to the purposes and application plan as stipulated in the prospectus, all the proceeds were utilized in 2013, of which RMB3.0 billion was used to replenish its working capital and RMB2,995.24 million was used to repay loans.

(4) CREDIT RATING AGENCY AND RATING TRACKING OF CORPORATE BONDS

According to the credit rating notice (Xinpingweihanzi [2019] tracking No.188) and rating tracking report issued by China Chengxin Securities Rating Company Limited ("China Chengxin") in May 2019, by tracking and analyzing the credit rating of the Company and the Company's 2012 Corporate Bonds, and as considered and determined by the securities credit rating committee of China Chengxin, China Chengxin maintained the Company's main credit rating of AAA with stable rating outlook, and also maintained the credit rating of its 2012 Corporate Bonds of AAA. The above-mentioned rating tracking report was published on the websites of the Stock Exchange and the Company on 20 May 2019 and on the website of the SSE on 21 May 2019.

China Chengxin will continue to conduct rating tracking on the Company and its corporate bonds based on the performance of the Company during the Reporting Period, and expect to issue the rating reports in April 2020, which will then be published on the websites of the SSE, the Stock Exchange, and the Company.

(5) CREDIT ENHANCEMENT MECHANISM AND DEBT REPAYMENT PLAN IN RELATION TO THE CORPORATE BONDS FOR THE REPORTING PERIOD

Conch Holdings, the controlling shareholder of the Company, provided unconditional and irrevocable guarantee by way of joint liability assurance for the 2012 Corporate Bonds issued by the Company. As of 31 December 2019, the accumulative outstanding balance of external guarantees provided by Conch Holdings amounted to RMB7.175 billion (including the guarantee provided for the corporate bonds issued by the Company in an amount of RMB3.499 billion), representing 13.67% of the unaudited net assets (excluding minority interests) of Conch Holdings for the year ended 31 December 2019.

The debt repayment plan for the 2012 Corporate Bonds with a maturity of ten years issued by the Company is as follows:

The interests of the 2012 Corporate Bonds of the Company which have a maturity of ten years shall be paid by the issuer through the share registrar and the relevant authorities on 7 November of each year during the period from the first year to the tenth year after the issuance date, and the principal amount shall be paid by the issuer through the share registrar and the relevant authorities on 7 November 2022. In the case that the investors have exercised their sell-back options, the interest of the corporate bonds sold back shall be paid by the issuer through the share registrar and the relevant authorities on 7 November of each year during the period from the first year to the seventh year after the issuance date, and the principal amount of the corporate bonds sold back shall be paid by the issuer through the share registrar and the relevant authorities on 7 November 2019.

10. Information on Corporate Bonds

During the Reporting Period, the Company strictly executed the aforesaid debt repayment plan, so as to protect the interests of the creditors of the Company.

The major financial indicators (unaudited) of Conch Holdings, the guarantor for the 2012 Corporate Bonds of the Company, for the year 2019 are as follows:

Items	31 December 2019
Net assets (RMB billion)	152.540
Gearing ratio (%)	30.96
Return on net assets (%)	25.37
Current ratio (times)	2.49
Quick ratio (times)	2.23

(6) MEETINGS OF CORPORATE BOND HOLDERS

During the Reporting Period, the Company did not convene any meeting of corporate bond holders.

(7) PERFORMANCE OF THE TRUSTEE OF THE CORPORATE BONDS

During the Reporting Period, Zhong De Securities Company Limited respectively disclosed the Trustee Report on the 2012 Corporate Bonds of Anhui Conch Cement Company Limited (2018) in April 2019, which mainly contained the information regarding the operation and financial position of the issuer for the year, utilization of the proceeds, credibility of the guarantor for the corporate bonds, interest payment of the bonds for the current period and the rating tracking of the bonds.

10. Information on Corporate Bonds

(8) ACCOUNTING INFORMATION AND FINANCIAL INDICATORS OF THE COMPANY FOR THE LAST TWO YEARS UP TO THE END OF THE REPORTING PERIOD

Major indicators	**31 December 2019**	31 December 2018	Year-on-year change between 2019 and 2018 (%)	Reason for the change
Net cash flow generated from investing activities (RMB'000)	**-20,688,848**	-25,669,697	–19.40	Recovery of fixed term deposits with a maturity of over three months and expired wealth management funds
Net cash flow generated from financing activities (RMB'000)	**-7,911,895**	–10,980,002	–27.94	The Group repaid RMB2.5 billion of corporate bonds in the previous year while no such payment was made this year
Balance of cash and cash equivalents at the end of the year (RMB'000)	**22,014,145**	9,857,672	123.32	–
Current ratio (%)	**354.14**	275.52	Increase by 78.62 percentage points	Increase in current assets such as currency capital and held-for-trading financial assets
Quick ratio (%)	**333.82**	252.49	Increase by 81.33 percentage points	Increase in current assets such as currency capital and held-for-trading financial assets
Gearing ratio (%)	**20.39**	22.15	Decrease by 1.76 percentage points	Increase in total assets of the Company
EBITDA/total debts ratio	**1.38**	1.36	1.47	–
Loan repayment rate (%)	**100**	100	–	–

Major indicators	**2019**	2018	Year-on-year change between 2019 and 2018 (%)	Reason for the change
Profit before interests, taxation, depreciation and amortization (RMB'000)	**50,273,816**	45,065,990	11.56	Increase in total profits and decrease in financial costs
Interest coverage ratio	**100.66**	76.82	31.03	Increase in total profits and decrease in financial costs
Cash interest coverage ratio	**91.12**	68.99	32.07	Increase in currency capital and decrease in financial costs
EBITDA interest coverage ratio	**112.44**	86.23	30.40	Increase in total profits and decrease in financial costs
Interest payment ratio (%)	**100**	100	–	–

10. Information on Corporate Bonds

(9) ASSETS OF THE COMPANY AT THE END OF THE REPORTING PERIOD

As at the end of the Reporting Period, no other assets of the Company were charged, pledged, distressed, frozen or only can be realized upon satisfaction of certain conditions or cannot be realized or used to settle debts, nor did there exist any circumstance or arrangement under which other rights were restricted. There were not any other senior debts that have defensive power against a third party.

(10) PAYMENT OF INTERESTS PAYABLE ON OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Other than the issuance of the 2011 Corporate Bonds of Anhui Conch Cement Company Limited and the 2012 Corporate Bonds, the Company did not have any other bonds or debt financing instruments.

(11) BANK FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As at the end of the Reporting Period, the facilities granted to the Company by all the banks in aggregate amounted to RMB67.397 billion and US$705 million, of which an amount of RMB7.093 billion and US$451 million were drawn and an amount of RMB60.304 billion and US$254 million remained unutilized. During the Reporting Period, the Company obtained new bank loans in an amount of RMB5,697.24 million according to the needs for the operation and development of the Company, and repaid bank loans of RMB4,664.13 million.

(12) PERFORMANCE OF THE AGREEMENTS OR UNDERTAKINGS UNDER THE PROSPECTUS OF CORPORATE BONDS BY THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company carried out the sale back of corporate bonds in accordance with the bond prospectus (for details, please refer to "(1) General Information on Corporate Bonds " in "Chapter 10. Information on Corporate Bonds"), and paid relevant bond interest on time without any default.

(13) SIGNIFICANT EVENTS AND THEIR IMPACTS ON THE OPERATION AND SOLVENCY OF THE COMPANY

During the Reporting Period, the Company did not have any significant events which might impact the operation and solvency of the Company.

KPMG

Independent auditor's report to the shareholders of
Anhui Conch Cement Company Limited
(Incorporated in The People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Anhui Conch Cement Company Limited ("the Company") and its subsidiaries ("the Group") set out on 131 to 310, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *HKICPA's Code of Ethics for Professional Accountants* ("the Code"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Revenue recognition

Refer to note 4 to the consolidated financial statements and the accounting policies note 2(y).

The Key Audit Matter	How the matter was addressed in our audit
The principal activities of the Group are the manufacture, sale and trading of clinker and cement products. The Group recognised revenue from the sales and trading of clinker and cement products of RMB148,114,263 thousand for the year ended 31 December 2019. Revenue from sales and trading of clinker and cement products is recognised when the control over the underlying products is transferred to customers which is generally at the point of time when the products leave the Group's own warehouses or designated warehouses in accordance with the terms of the sales contracts. In respect of the trading business, the Group acts as a principal, and presents revenue on a gross basis. We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing and amount of recognition of revenue by management to meet specific targets or expectations.	Our audit procedures to assess the recognition of revenue included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; • inspecting customer contracts, on a sample basis, to identify terms and conditions relating to the transfer of control over the products sold and assessing the Group's timing of revenue recognition with reference to the requirements of prevailing accounting standards; • understanding the Group's business substance of trading business and inspecting supplier and customer contracts, on a sample basis, to identify terms and conditions relating to the Group's control over the products purchased before sales recognition and assess the Group's justification of presenting the related revenue on a gross basis with reference to the requirements of prevailing accounting standards; • comparing revenue transactions recorded during the current year, on a sample basis, with invoices, sales contracts and goods delivery notes to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies;

The Key Audit Matter	How the matter was addressed in our audit
	• comparing, on a sample basis, revenue transactions recorded before and after the financial year end date with goods delivery notes and other relevant documentation to assess whether the revenue had been recognised in the appropriate financial period; and • inspecting underlying documentation for manual journal entries relating to revenue raised during the year which were considered to be material or met other specific risk-based criteria.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Frankie C.Y. Lai.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 March 2020

Consolidated statement of profit or loss for the year ended 31 December 2019

(Expressed in Renminbi Yuan ("RMB"))

	Note	2019 RMB'000	2018 (note) RMB'000
Revenue	4	**157,030,328**	128,402,626
Cost of sales and services rendered		**(106,124,123)**	(82,641,576)
Gross profit		**50,906,205**	45,761,050
Other revenue	5	**3,316,740**	2,593,573
Other net income/(loss)	5	**491,044**	(885,346)
Selling and marketing costs		**(4,416,575)**	(3,733,295)
Administrative expenses		**(6,109,168)**	(4,037,662)
Profit from operations		**44,188,246**	39,698,320
Finance costs	6(a)	**(446,008)**	(483,382)
Share of profits of associates		**381,610**	230,767
Share of profits of joint ventures		**472,013**	229,614
Profit before taxation	6	**44,595,861**	39,675,319
Income tax	7(b)	**(10,204,839)**	(8,993,181)
Profit for the year		**34,391,022**	30,682,138

The notes on pages 142 to 310 form part of these financial statements.

Consolidated statement of profit or loss for the year ended 31 December 2019 (continued)

(Expressed in Renminbi Yuan ("RMB"))

	Note	2019 RMB'000	2018 (note) RMB'000
Attributable to:			
Equity shareholders of the Company		**33,629,803**	29,858,303
Non-controlling interests		**761,219**	823,835
Profit for the year		**34,391,022**	30,682,138
Earnings per share	11		
– Basic		**RMB6.35**	RMB5.63
– Diluted		**RMB6.35**	RMB5.63

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

The notes on pages 142 to 310 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 39(b).

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019

(Expressed in Renminbi Yuan ("RMB"))

	Note	2019 RMB'000	*2018* (note) RMB'000
Profit for the year		**34,391,022**	30,682,138
Other comprehensive income for the year (after tax and reclassification adjustments)	10		
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)		**(3,270)**	(152,047)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**31,816**	(15,523)
Share of other comprehensive income of investees		**10,014**	(13,050)
Other comprehensive income for the year		**38,560**	(180,620)
Total comprehensive income for the year		**34,429,582**	30,501,518

The notes on pages 142 to 310 form part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (continued)

(Expressed in Renminbi Yuan ("RMB"))

	Note	2019 RMB'000	2018 (note) RMB'000
Attributable to:			
Equity shareholders of the Company		**33,663,063**	29,677,379
Non-controlling interests		**766,519**	824,139
Total comprehensive income for the year		**34,429,582**	30,501,518

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

The notes on pages 142 to 310 form part of these financial statements.

Consolidated statement of financial position

(Expressed in Renminbi Yuan)

	Note	31 December 2019 RMB'000	31 December 2019 RMB'000	31 December 2018 (note) RMB'000	31 December 2018 (note) RMB'000
Non-current assets					
Property, plant and equipment					
– Investment properties	12		**85,734**		64,950
– Other property, plant and equipment	13		**70,163,505**		63,646,686
– Lease prepayments			**–**		5,024,099
Intangible assets	14		**5,048,093**		3,450,932
Goodwill	15		**514,398**		514,398
Interests in associates	17		**2,057,501**		1,782,230
Interests in joint ventures	18		**1,763,112**		1,399,760
Loans and receivables	19		**374,312**		259,414
Long-term prepayments	20		**133,000**		–
Financial assets measured at fair value through other comprehensive income	21		**326,096**		258,680
Deferred tax assets	38(b)		**1,099,391**		953,856
			81,565,142		77,355,005
Current assets					
Inventories	22	**5,571,523**		6,022,717	
Assets held for sale	23	**9,811**		62,640	
Trade receivables	24	**12,995,665**		14,361,418	
Financial assets measured at fair value through profit and loss	25	**16,782,737**		25,140	
Prepayments and other receivables	26	**6,495,639**		13,752,887	
Amounts due from related parties	27	**347,819**		283,489	
Tax recoverable	38(a)	**31,768**		64,949	
Restricted cash deposits		**459,336**		257,838	
Bank deposits with original maturity over three months		**32,503,597**		27,503,597	
Cash and cash equivalents	28	**22,014,145**		9,857,672	
		97,212,040		72,192,347	

The notes on pages 142 to 310 form part of these financial statements.

Consolidated statement of financial position (continued)

(Expressed in Renminbi Yuan)

	Note	31 December 2019 RMB'000	31 December 2019 RMB'000	31 December 2018 (note) RMB'000	31 December 2018 (note) RMB'000
Current liabilities					
Trade payables	29	**7,145,833**		6,341,351	
Other payables and accruals	30	**8,248,581**		7,940,936	
Current portion of long-term payables	36	**437,358**		–	
Contract liabilities	31	**3,492,486**		3,312,151	
Bank loans and other borrowings	32	**3,917,815**		4,128,170	
Lease liabilities	35	**20,275**		–	
Amounts due to related parties	27	**263,521**		273,228	
Current taxation	38(a)	**3,895,321**		4,156,125	
		27,421,190		26,151,961	
Net current assets			**69,790,850**		46,040,386
Total assets less current liabilities			**151,355,992**		123,395,391
Non-current liabilities					
Bank loans and other borrowings	33(a)	**7,369,346**		6,105,332	
Lease liabilities	35	**34,833**		–	
Long-term payables	36	**458,132**		–	
Deferred income	37	**639,134**		634,579	
Deferred tax liabilities	38(b)	**723,773**		466,297	
			9,225,218		7,206,208
NET ASSETS			**142,130,774**		116,189,183

The notes on pages 142 to 310 form part of these financial statements.

Consolidated statement of financial position (continued)

(Expressed in Renminbi Yuan)

	Note	**31 December 2019** RMB'000	**31 December 2019** RMB'000	31 December 2018 (note) RMB'000	31 December 2018 (note) RMB'000
CAPITAL AND RESERVES					
Share capital	39(c)		**5,299,303**		5,299,303
Reserves			**131,887,099**		107,177,285
Total equity attributable to equity shareholders of the Company			**137,186,402**		112,476,588
Non-controlling interests			**4,944,372**		3,712,595
TOTAL EQUITY			**142,130,774**		116,189,183

Approved and authorised for issue by the board of directors on 20 March 2020.

Gao Dengbang
Chairman

Wu Bin
Executive Director

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

The notes on pages 142 to 310 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2019

(Expressed in Renminbi Yuan)

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Share of other comprehensive income of investees RMB'000	Retained Profits (note) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		5,299,303	10,135,850	216,201	(41,453)	2,649,654	312,150	20,478	70,557,766	89,149,949	2,539,345	91,689,294
Changes in equity for 2018:												
Profit for the year		–	–	–	–	–	–	–	29,858,303	29,858,303	823,835	30,682,138
Other comprehensive income	10	–	–	–	(15,827)	–	(152,047)	(13,050)	–	(180,924)	304	(180,620)
Total comprehensive income		–	–	–	(15,827)	–	(152,047)	(13,050)	29,858,303	29,677,379	824,139	30,501,518
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		–	–	–	–	–	–	–	–	–	(94,257)	(94,257)
Dividends approved in respect of the previous year	39(b)(ii)	–	–	–	–	–	–	–	(6,359,163)	(6,359,163)	–	(6,359,163)
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		–	–	–	–	–	–	–	–	–	267,205	267,205
Acquisition of subsidiary with non-controlling interests		–	–	–	–	–	–	–	–	–	176,163	176,163
Share of change of capital reserve of investees		–	–	8,423	–	–	–	–	–	8,423	–	8,423
Balance at 31 December 2018		5,299,303	10,135,850	224,624	(57,280)	2,649,654	160,103	7,428	94,056,906	112,476,588	3,712,595	116,189,183

The notes on pages 142 to 310 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2019 (continued)

(Expressed in Renminbi Yuan)

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Share of other comprehensive income of investees RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019		5,299,303	10,135,850	224,624	(57,280)	2,649,654	160,103	7,428	94,056,906	112,476,588	3,712,595	116,189,183
Changes in equity for 2019:												
Profit for the year		-	-	-	-	-	-	-	33,629,803	33,629,803	761,219	34,391,022
Other comprehensive income	10	-	-	-	26,516	-	(3,270)	10,014	-	33,260	5,300	38,560
Total comprehensive income		-	-	-	26,516	-	(3,270)	10,014	33,629,803	33,663,063	766,519	34,429,582
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		-	-	-	-	-	-	-	-	-	(292,855)	(292,855)
Dividends approved in respect of the previous year	39(b)(ii)	-	-	-	-	-	-	-	(8,955,821)	(8,955,821)	-	(8,955,821)
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		-	-	-	-	-	-	-	-	-	758,113	758,113
Share of change of capital reserve of investees		-	-	2,572	-	-	-	-	-	2,572	-	2,572
Balance at 31 December 2019		5,299,303	10,135,850	227,196	(30,764)	2,649,654	156,833	17,442	118,730,888	137,186,402	4,944,372	142,130,774

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

The notes on pages 142 to 310 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2019

(Expressed in Renminbi Yuan)

	Note	2019 RMB'000	2019 RMB'000	2018 (note) RMB'000	2018 (note) RMB'000
Operating activities					
Cash generated from operations	28(b)	**51,057,636**		42,972,413	
Income tax paid		**(10,319,431)**		(6,913,447)	
Interest paid		**(428,984)**		(556,226)	
Net cash generated from operating activities			**40,309,221**		35,502,740
Investing activities					
Payment for the purchase of property, plant and equipment		**(7,991,394)**		(4,329,089)	
Proceeds from disposal of property, plant and equipment		**170,431**		42,681	
Proceeds from disposal of assets held for sale		**52,829**		–	
Payment for lease prepayments		**–**		(266,377)	
Proceeds from disposal of lease prepayments		**–**		7,542	
Payment for the purchase of intangible assets		**(882,725)**		(153,055)	
New advances to government		**(202,142)**		(89,238)	
Receipts of advances to government		**21,524**		112,428	
New bank deposits with maturity over three months		**(47,003,257)**		(34,548,597)	
Proceeds from maturity of bank deposits over three months		**42,003,257**		21,045,000	
Interest received		**1,303,087**		941,442	
Proceeds from dissolution of the investment in an associate		**51,327**		–	
Disposal of a subsidiary, net of cash		**(4,376)**		–	
Payment for the investment in joint ventures		**(13,461)**		–	
Dividends received from joint ventures		**131,518**		15,524	
Dividends received from associates		**57,378**		44,913	
Payment for acquisitions of subsidiaries and business, net of cash acquired		**(139,670)**		(591,295)	
Payment for investment deposit		**(123,000)**		–	
Payment for purchase of wealth management products issued by bank		**(24,000,000)**		(14,000,000)	
Receipts from wealth management products issued by bank		**15,500,000**		6,000,000	
Receipts from investment income on wealth management products issued by bank		**379,826**		98,424	
Net cash used in investing activities			**(20,688,848)**		(25,669,697)

The notes on pages 142 to 310 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2019 (continued)

(Expressed in Renminbi Yuan)

		2019		2018 (note)	
	Note	**RMB'000**	**RMB'000**	RMB'000	RMB'000
Financing activities					
Capital element of lease rentals paid		**(20,111)**		–	
Proceeds from new bank loans and other borrowings	28(c)	**5,697,238**		1,389,385	
Repayment of bank loans and other borrowings	28(c)	**(4,665,132)**		(5,232,265)	
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	28(c)	**(292,855)**		(352,322)	
Dividends paid to equity shareholders of the Company		**(8,955,821)**		(6,375,417)	
Capital contribution from non-controlling interests		**758,113**		181,903	
Other payments related to financing activities	28(c)	**(4,343)**		(35,059)	
Net cash used in financing activities			**(7,482,911)**		(10,423,775)
Net increase/(decrease) in cash and cash equivalents			**12,137,462**		(590,732)
Effect of foreign exchange rate changes			**19,011**		19,472
Cash and cash equivalents at 1 January	28(a)		**9,857,672**		10,428,932
Cash and cash equivalents at 31 December	28(a)		**22,014,145**		9,857,672

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

The notes on pages 142 to 310 form part of these financial statements.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1 GENERAL INFORMATION

Anhui Conch Cement Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 1 September 1997 as a joint stock limited company. The Company and its subsidiaries are collectively referred to as the Group. The principal activities of the Group are the manufacturing, sale and trading of clinker and cement products.

The registered office of the Company is No. 39 Wenhua Road, Wuhu City, Anhui Province, the PRC.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries and the Group's interests 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 (see note 2(g));
- bank acceptance notes receivable measured at fair value through other comprehensive income ("FVOCI") (recycling) (see note 2(g)(i)); and
- derivative financial instruments (see note 2(h))

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(cc)).

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.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

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 note 3.

(c) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and the initial application has no cumulative effect on the opening balance of equity at 1 January 2019.Comparative information has not been restated and continues to be reported under IAS 17.

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

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

(ii) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 41(b). For an explanation of how the Group applies lessee accounting, see note 2(n)(i).

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was from 3.98-7.50%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

A. the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

B. when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

(ii) Lessee accounting and transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in note 41(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments at 31 December 2018	78,706
Less: short-term leases and other leases with remaining lease term ended on or before 31 December 2019	(812)
	77,894
Less: total future interest expenses	(17,264)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	60,630
Total lease liabilities recognised at 1 January 2019	60,630

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

(ii) Lessee accounting and transitional impact (Continued)

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	Capitalisation of operating lease contracts	Reclassi-fication	**Carrying amount at 1 January 2019**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:				
Other property, plant and equipment	63,646,686	48,227	5,036,502	**68,731,415**
Lease prepayments	5,024,099	12,403	(5,036,502)	**–**
Total non-current assets	77,355,005	60,630	–	**77,415,635**
Lease liabilities (current)	–	18,979	–	**18,979**
Current liabilities	26,151,961	18,979	–	**26,170,940**
Net current assets	46,040,386	(18,979)	–	**46,021,407**
Total assets less current liabilities	123,395,391	41,651	–	**123,437,042**
Lease liabilities (non-current)	–	41,651	–	**41,651**
Total non-current liabilities	7,206,208	41,651	–	**7,247,859**
Net assets	116,189,183	–	–	**116,189,183**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

(iii) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the consolidated cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. The capital element is classified as financing cash outflow, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a slight change in presentation of cash flows within the cash flow statement.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

(iii) Impact on the financial result, segment results and cash flows of the Group (Continued)

The following tables give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to be applied to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

(iii) Impact on the financial result, segment results and cash flows of the Group (Continued)

	2019				2018
	Amounts reported under IFRS 16	Add back: IFRS 16 depreciation and interest expense	Deduct: Estimated amounts related to operating leases as if under IAS 17 (note 1)	Hypothetical amounts for 2019 as if under IAS 17	Compared to amounts reported for 2018 under IAS 17
	(A)	(B)	(C)	(D=A+B+C)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial result for the year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**44,188,246**	**20,974**	**(22,909)**	**44,186,311**	39,698,320
Finance costs	**(446,008)**	**2,798**	**-**	**(443,210)**	(483,382)
Profit before taxation	**44,595,861**	**23,772**	**(22,909)**	**44,596,724**	39,675,319
Profit for the year	**34,391,022**	**23,772**	**(22,909)**	**34,391,885**	30,682,138
Reportable segment profit (profit before taxation) for the year ended 31 December 2019 (note 4(b)) impacted by the adoption of IFRS 16:					
– East	**5,253,523**	**9,972**	**(9,771)**	**5,253,724**	5,106,939
– Central	**30,367,478**	**8,764**	**(8,178)**	**30,368,064**	33,578,990
– South	**6,737,349**	**4,423**	**(4,381)**	**6,737,391**	6,310,737
– West	**5,848,566**	**-**	**-**	**5,848,566**	7,832,772
– Overseas	**473,728**	**613**	**(579)**	**473,762**	(92,660)

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

(iii) Impact on the financial result, segment results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under IFRS 16	**Estimated amounts related to operating leases as if under IAS 17 (notes 1&2)**	**Hypothetical amounts for 2019 as if under IAS 17**	Compared to amounts reported for 2018 under IAS 17
	(A)	**(B)**	**(C=A+B)**	
	RMB'000	**RMB'000**	**RMB'000**	RMB'000
Line items in the condensed consolidated cash flow statement for the year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	**51,057,636**	**(22,909)**	**51,034,727**	42,972,413
Interest paid	**(428,984)**	**2,798**	**(426,186)**	(556,226)
Net cash generated from operating activities	**40,309,221**	**(20,111)**	**40,289,110**	35,502,740
Capital element of lease rentals paid	**(20,111)**	**20,111**	**–**	–
Net cash used in financing activities	**(7,482,911)**	**20,111**	**(7,462,800)**	(10,423,775)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still been applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still been applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 had still applied.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

(iv) Leasehold investment property

Under IFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of IFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply IAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be stated at cost.

(v) Lessor accounting

In addition to leasing out the investment properties referred to in paragraph (iv) above, the Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligation towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(t) or 2(u) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(e)).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(o)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale (see note 2(cc)).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and 2(o)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (Continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 2(o)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 2(o)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(o)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 40(f). These investments are subsequently accounted for as follows, depending on their classification.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (Continued)

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(y)(v)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (Continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(y)(iv).

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(n)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investment properties (Continued)

Investment properties are stated at cost less accumulated depreciation and impairment losses. Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(y)(iii). Depreciation is calculated to write off the cost of investment property, less their estimated residual value, using the straight-line method over their estimated useful lives as follows:

– Buildings	30 years

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(n)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(n).

(j) Lease prepayments

Lease prepayments in the consolidated statement of financial position as at 31 December 2018 represent the cost of land use rights paid to PRC government authorities. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see note 2(o)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. The land use rights were reclassified from lease prepayments into right-of-use assets under “other property, plant and equipment” (see note 2(n)) since 1 January 2019.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(o)):

– right-of-use assets arising from leases over leasehold properties and lease prepayments for land use rights where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(n)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(bb)).

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

Freehold land is not depreciated. Other than freehold land, depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings	30 years
– Plant and machinery	15 years
– Office and other equipment	5 years
– Vehicles	5 – 10 years
– Land use rights (including acquired or leased land use rights)	29 – 50 years
– Other properties leased for own use	1 – 4 years

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment (Continued)

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

(l) Construction-in-progress

Construction-in-progress represents buildings and plant under construction and machinery and equipment under installation and testing, and is stated at cost less accumulated impairment loss, if any (see note 2(o)). The cost includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent these are regarded as an adjustment to borrowing costs (see note 2(bb)).

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

(m) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(o)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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

Limestone and clay mining rights	5 – 30 years
Others	5 – 50 years

Both the period and method of amortisation are reviewed annually.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Intangible assets (other than goodwill) (Continued)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(bb)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(o)). Other development expenditure is recognised as an expense in the period in which it is incurred.

(n) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leased assets (Continued)

(i) As a lessee (Continued)

(A) Policy applicable from 1 January 2019 (Continued)

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are land, office buildings, and cement transfer storages. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(k) and 2(o)(iii)).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leased assets (Continued)

(i) As a lessee (Continued)

(A) Policy applicable from 1 January 2019 (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "other property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the group would obtain ownership of the asset, the life of the asset, as set out in note 2(k). Impairment losses were accounted for in accordance with the accounting policy as set out in note 2(o). Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leased assets (Continued)

(i) As a lessee (Continued)

(B) Policy applicable prior to 1 January 2019 (Continued)

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

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(y)(iii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(n)(i), then the Group classifies the sub-lease as an operating lease.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on 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); and

– contract assets as defined in IFRS 15 (see note 2(q))

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade receivables, prepayments and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs (Continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(y)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk (Continued)

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

- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "other payables and accruals" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see note 2(y)(vii)).

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "other payables and accruals" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(o)(i) apply.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued (Continued)

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets

– goodwill; and

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (Continued)

(iii) Impairment of other non-current assets (Continued)

– investments in subsidiaries in the Company's statement of financial position, and investments in associates and joint ventures in the Group's statement of financial position.

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Credit losses and Impairment of assets (Continued)

(iii) Impairment of other non-current assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(o)(i) and 2(o)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Inventories and other contract costs

(i) Inventories

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Inventories and other contract costs (Continued)

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(p)(i)), property, plant and equipment (see note 2(k)) or intangible assets (see note 2(m)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Inventories and other contract costs (Continued)

(ii) Other contract costs (Continued)

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(y).

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less from the initial recognition of the asset.

(q) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(y)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(o)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(r)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(y)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(r)).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Contract assets and contract liabilities (Continued)

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.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(y)).

(r) Trade receivables and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(q)).

Except for certain bank acceptance notes receivable measured at fair value through other comprehensive income(see note 2(g)(i)), receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(o)(i)).

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(o)(i).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Trade payables, other payables and accruals

Trade payables, other payables and accruals are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(o)(ii), trade payables, other payables and accruals are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(u) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(bb)).

(v) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits (Continued)

(ii) Defined contribution retirement plan obligations

In accordance with the rules and regulations in the PRC, the Group has arranged for its local employees to join defined contribution retirement plans organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plans. The assets of those plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group is required to make monthly defined contributions to these plans at certain rates of their total salary subject to a certain ceiling. In addition, the Group joined the corporate annuity plan approved by relevant PRC authorities. Contribution to the annuity plan is charged to expense as incurred.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments disclosed above.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(w) Income tax

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Income tax (Continued)

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Income tax (Continued)

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

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

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

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

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

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

  - the same taxable entity; or

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(y) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Sale of goods

Revenue is recognised when the control over the underlying products is transferred to customers which is generally at the point of time when the products leave the Group's own warehouses or designated warehouses in accordance with the terms of the sales contracts. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Revenue recognition (Continued)

(ii) Rendering of services

Revenue for rendering of services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation as the customer simultaneously receives the benefits provided by the Group's performance as the Group performs.

(iii) Rental income

Rental income receivable is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iv) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(o)(i)).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Revenue recognition (Continued)

(vi) Government grants

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

(vii) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see 2(o)(ii)).

(z) Repairs and maintenance

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

(aa) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Translation of foreign currencies (Continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(bb) Borrowing costs

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(dd) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(dd) Related parties (Continued)

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(ee) Segment reporting

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

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Sources of estimation uncertainty

Notes 15 and 40 contain information about the assumptions and their risk factors relating to goodwill impairment and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Impairment for non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36, *Impairment of Assets.* The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling price and amount of operating costs.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(a) Sources of estimation uncertainty (Continued)

(ii) Depreciation and amortisation

As described in note 2(i) and note 2(k), investment properties and property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in note 2(m), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(iii) Inventories

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(a) Sources of estimation uncertainty (Continued)

(iv) Loss allowance for expected credit losses

The Group estimates impairment losses for bad and doubtful debts by using expected credit loss models. Expected credit loss on these trade receivables and prepayments and other receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

(v) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors.

Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the profit or loss in future years.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 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:

	2019 **RMB'000**	2018 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by service lines		
– Sales of clinker and cement products	**109,765,715**	98,631,060
– Trading of clinker and cement products	**38,348,548**	25,209,594
– Trading of other materials	**8,624,507**	4,316,674
– Service income	**291,558**	245,298
	157,030,328	128,402,626
Disaggregated by geographical location of customers		
– Eastern China	**47,439,666**	39,648,021
– Central China	**53,151,970**	42,629,853
– Southern China	**22,493,348**	15,925,313
– Western China	**31,239,428**	28,619,793
– Overseas	**2,705,916**	1,579,646
	157,030,328	128,402,626

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(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 have an original expected duration of one year or less.

(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 manufacture and sale of clinker and cement products. No operating segments have been aggregated to form the following reportable segments.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(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.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (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 2019 and 2018 is set out below.

For the year ended 31 December 2019

	Eastern China RMB'000	Central China RMB'000	Southern China RMB'000	Western China RMB'000	Overseas RMB'000	Subtotal RMB'000	Elimination RMB'000	Total RMB'000
Disaggregated by type of business								
Sales of clinker, cement products and other materials	29,935,647	37,421,119	19,578,262	21,516,027	2,439,750	110,890,805	-	110,890,805
Trading	17,368,828	15,613,851	2,900,056	9,699,064	266,166	45,847,965	-	45,847,965
Service Income	135,191	117,000	15,030	24,337	-	291,558	-	291,558
Revenue from external customers	47,439,666	53,151,970	22,493,348	31,239,428	2,705,916	157,030,328	-	157,030,328
Disaggregated by timing of revenue recognition								
Point in time	47,304,475	53,034,970	22,478,318	31,215,091	2,705,916	156,738,770	-	156,738,770
Over time	135,191	117,000	15,030	24,337	-	291,558	-	291,558
Revenue from external customers	47,439,666	53,151,970	22,493,348	31,239,428	2,705,916	157,030,328	-	157,030,328
Inter-segment revenue	7,425,653	26,785,893	470,393	530,258	109,015	35,321,212	(35,321,212)	-
Reportable segment revenue	54,865,319	79,937,863	22,963,741	31,769,686	2,814,931	192,351,540	(35,321,212)	157,030,328
Reportable segment profit (profit before taxation)	5,253,523	30,367,478	6,737,349	5,848,566	473,727	48,680,643	(4,123,798)	44,556,845

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

For the year ended 31 December 2019

	Eastern China RMB'000	Central China RMB'000	Southern China RMB'000	Western China RMB'000	Overseas RMB'000	Subtotal RMB'000	Elimination RMB'000	Total RMB'000
Interest income	16,030	1,962,310	15,312	25,726	5,657	2,025,035	(436,203)	1,588,832
Interest expense	(37,873)	(232,061)	(168,027)	(211,093)	(244,362)	(893,416)	447,408	(446,008)
Depreciation and amortisation for the year	(511,066)	(2,094,397)	(770,265)	(1,514,631)	(396,738)	(5,287,097)	16,134	(5,270,963)
Impairment losses of property, plant and equipment	258,719	70,767	-	834,724	-	1,164,210	-	1,164,210
Reportable segment assets (including interests in associates and joint ventures)	17,510,170	136,183,811	18,671,860	26,813,216	12,633,079	211,812,136	(33,034,954)	178,777,182
Investment in associates and joint ventures	-	1,559,921	-	2,057,501	203,191	3,820,613	-	3,820,613
Additions to non-current segment assets during the year	1,881,476	3,098,887	827,040	1,925,937	2,156,471	9,889,811	-	9,889,811
Reportable segment liabilities	8,960,453	16,248,054	4,302,459	7,401,124	10,388,395	47,300,485	(10,843,751)	36,456,734

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

For the year ended 31 December 2018

	Eastern China RMB'000	Central China RMB'000	Southern China RMB'000	Western China RMB'000	Overseas RMB'000	Subtotal RMB'000	Elimination RMB'000	Total 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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

For the year ended 31 December 2018

	Eastern China RMB'000	*Central China* RMB'000	*Southern China* RMB'000	*Western China* RMB'000	*Overseas* RMB'000	*Subtotal* RMB'000	*Elimination* RMB'000	*Total* 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 interests 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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenues, profit, assets and liabilities to the consolidated figures as reported in the consolidated financial statements

	2019 RMB'000	2018 (note) RMB'000
Revenue		
Reportable segment revenue	**157,030,328**	128,402,626
Consolidated revenue	**157,030,328**	128,402,626

	2019 RMB'000	2018 (note) RMB'000
Profit		
Reportable segment profit (profit before taxation)	**44,556,845**	39,629,195
Difference between CAS and IFRS*	**39,016**	46,124
Consolidated profit before taxation	**44,595,861**	39,675,319

	2019 RMB'000	2018 (note) RMB'000
Assets		
Reportable segment assets	**178,777,182**	149,547,352
Consolidated total assets	**178,777,182**	149,547,352

	2019 RMB'000	2018 (note) RMB'000
Liabilities		
Reportable segment liabilities	**36,456,734**	33,129,479
Difference between CAS and IFRS*	**189,674**	228,690
Consolidated total liabilities	**36,646,408**	33,358,169

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) 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 where the services were provided or the goods delivered to. 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**	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**152,894,657**	126,074,679	**71,894,284**	69,836,406
Others	**4,135,671**	2,327,947	**8,347,807**	6,445,450
	157,030,328	128,402,626	**80,242,091**	76,281,856

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

5 OTHER REVENUE AND NET INCOME/(LOSS)

	2019	2018
	RMB'000	RMB'000
Other revenue		
Interest income on financial assets measured at amortised cost	**1,588,832**	1,076,546
Subsidy income*	**1,401,192**	1,318,923
Investment income on wealth management products issued by bank	**326,716**	198,104
	3,316,740	2,593,573

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

	2019	2018
	RMB'000	RMB'000
Other net income/(loss)		
Net loss on disposal of property, plant and equipment	**(68,356)**	(46,643)
Net loss on disposal of lease prepayment	**–**	(7,542)
Net realised and unrealised (loss)/gain on derivative financial instruments	**(24,615)**	22,834
Net realised and unrealised gain on wealth management products	**282,212**	–
Net gain on disposal of a subsidiary and liquidation of investment in an associate	**28,742**	–
Net exchange gain/(loss)	**205,689**	(113,970)
Others	**67,372**	(740,025)
	491,044	(885,346)

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

6 PROFIT BEFORE TAXATION

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

	2019 **RMB'000**	2018 RMB'000
(a) Finance costs		
Interest expense on financial liabilities not at fair value through profit or loss	**447,099**	522,650
Less: Interest expense capitalised into construction-in-progress*	**(1,091)**	(39,268)
	446,008	483,382

* The borrowing costs have been capitalised at rates of 2.48% (2018: 2.65% ~ 5.99%).

	2019 **RMB'000**	2018 RMB'000
(b) Staff costs*		
Salaries, wages and other benefits	**6,658,933**	5,426,643
Contributions to defined contribution retirement plans	**556,312**	503,057
Annuity	**233,650**	218,674
	7,448,895	6,148,374

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

6 PROFIT BEFORE TAXATION (CONTINUED)

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

	Note	**2019** **RMB'000**	2018 (note) RMB'000
(c) Other items			
Amortisation			
– lease prepayments	13(b)	**–**	131,005
– intangible assets	14	**203,535**	175,109
Depreciation			
– investment properties	12	**2,979**	1,519
– property, plant and equipment	13	**5,064,449**	4,645,780
Impairment losses			
– trade receivables	24	**7,011**	1,338
– prepayments and other receivables		**–**	1,094
– property, plant and equipment	13	**1,164,210**	200,289
– inventories	22(b)	**–**	6,702
Auditors' remuneration			
– audit services		**5,500**	5,262
– other services		**195**	71
Research and development costs (other than amortisation costs)		**187,199**	70,967
Cost of inventories*	22(b)	**104,449,113**	81,061,621

* Cost of inventories includes RMB8,269,931,000 (2018: RMB7,544,505,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2019 RMB'000	2018 RMB'000
Current tax		
Provision for the year	**10,112,599**	9,124,625
(Over)/under -provision in respect of prior years	**(20,791)**	22,379
	10,091,808	9,147,004
Deferred tax		
Origination and reversal of temporary differences	**113,031**	(153,823)
	10,204,839	8,993,181

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

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

The Company and the Group's subsidiaries in mainland China are 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. ("Pingliang Conch") 平涼海螺水泥有限責任公司 (Note (i))	15%
Dazhou Conch Cement Co., Ltd. ("Dazhou Conch") 達州海螺水泥有限責任公司 (Note (i))	15%
Guangyuan Conch Cement Co., Ltd. ("Guangyuan Conch") 廣元海螺水泥有限責任公司(Note (i))	15%
Chongqing Conch Cement Co., Ltd. ("Chongqing Conch") 重慶海螺水泥有限責任公司 (Note (i))	15%
Liquan Conch Cement Co., Ltd. ("Liquan Conch") 禮泉海螺水泥有限責任公司 (Note (i))	15%
Guiyang Conch Panjiang Cement Co., Ltd. ("Guiyang Conch") 貴陽海螺盤江水泥有限責任公司 (Note (i))	15%
Guiding Conch Panjiang Cement Co., Ltd. ("Guiding Conch") 貴定海螺盤江水泥有限責任公司 (Note (i))	15%
Zunyi Conch Panjiang Cement Co., Ltd. ("Zunyi Conch") 遵義海螺盤江水泥有限責任公司 (Note (i))	15%
Qianyang Conch Cement Co., Ltd. ("Qianyang Conch") 千陽海螺水泥有限責任公司 (Note (i))	15%
Bazhong Conch Cement Co., Ltd. ("Bazhong Conch") 巴中海螺水泥有限責任公司 (Note (i))	15%
Wenshan Conch Cement Co., Ltd. ("Wenshan Conch") 文山海螺水泥有限公司 (Note (i))	15%
Longan Conch Cement Co., Ltd. ("Longan Conch") 隆安海螺水泥有限責任公司 (Note (i))	15%
Linxia Conch Cement Co., Ltd. ("Linxia Conch") 臨夏海螺水泥有限責任公司 (Note (i))	15%
Tongren Conch Panjiang Cement Co., Ltd. ("Tongren Conch") 銅仁海螺盤江水泥有限責任公司 (Note (i))	15%
Guizhou Liukuangruian Cement Co., Ltd. ("Liukuangruian") 貴州六礦瑞安水泥有限公司 (Note (i))	15%
Qianxian Conch Cement Co., Ltd. ("Qianxian Conch") 乾縣海螺水泥有限責任公司 (Note (i))	15%
Qianxinan Resource Development Co., Ltd. ("Qianxinan") 黔西南州發展資源開發有限公司 (Note (i))	15%
Sichuan Nanwei Cement Co., Ltd. ("Nanwei Cement") 四川南威水泥有限公司 (Note (i))	15%

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

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

Yunnan Zhuangxiang Cement Co., Ltd. ("Zhuangxiang Conch") 雲南壯鄉水泥股份有限公司 (Note (i))	15%
Liangping Conch Cement Co., Ltd. ("Liangping Conch") 梁平海螺水泥有限責任公司 (Note (i))	15%
Baoji Zhongxi Jinlinghe Cement Co., Ltd. ("Jinlinghe") 寶雞市眾喜金陵河水泥有限公司 (Note (i))	15%
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. ("Fenghuangshan") 寶雞眾喜鳳凰山水泥有限公司 (Note (i))	15%
Guangxi Lingyun Tonghong Cement Co., Ltd.("Lingyun Tonghong") 廣西淩雲通鴻水泥有限公司 (Note (i))	15%
Baoshan Conch Cement Co., Ltd. ("Baoshan Conch") 保山海螺水泥有限責任公司 (Note (i))	15%
Ganzhou Conch Cement Co., Ltd. ("Ganzhou Conch") 贛州海螺水泥有限責任公司 (Note (i))	15%
Hami Hongyi Construction Co., Ltd. ("Hami Construction") 哈密弘毅建材有限責任公司 (Note (i))	15%
Yingjiangyunhan Cement Co., Ltd. ("Yingjiangyunhan") 盈江縣允罕水泥有限公司 (Note (i))	15%
Kunming Conch Cement Co., Ltd. ("Kunming Conch") 昆明海螺水泥有限公司 (Note (i))	15%
Shaanxi Tongchuan Fenghuang Construction Co., Ltd. ("Fenghuang Construction") 陝西銅川鳳凰建材有限公司 (Note (i))	15%
Chongqing Material Trading Co., Ltd. ("Chongqing Trading") 重慶海螺物資貿易有限責任公司 (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 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 2019 (2018: 15%).

(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.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

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

Notes: (Continued)

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 obtained a renewed certification in 2019. Accordingly, it is entitled to a preferential income tax rate of 15% from 2019 to 2021.

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

Subsidiaries' Name	Tax rates
Conch International Holding (HK) Co., Ltd. ("Conch International"), a subsidiary in Hong Kong	16.5%
Luangprabang Conch Cement Co., Ltd. ("Luangprabang Conch") and Vientiane Conch Cement Co., Ltd. ("Vientiane Conch"), subsidiaries in Laos	24%
Conch Cement Volga Limited Liability Company ("Volga Conch"), a subsidiary in Russia	20%
Battambang Conch Cement Company Limited ("Battambang Conch"), a subsidiary in Cambodia (Note (i))	20%
Qarshi Conch Cement Limited Liability Company ("Qarshi Conch"), a subsidiary in Uzbekistan	7.5%
Conch KT Cement (Phnom Penh) Company Limited, a subsidiary in Cambodia	20%

Note:

(i) Battambang Conch was accredited as a Qualified Investment Project by the Cambodian Development Council in April 2016. According to local investment laws, it can enjoy income tax exemption for 9 years from the year when the company generates its revenue and income tax exemption for 6 years from the year when the company generates its profit, whichever is shorter. According to the policy, the income tax-free period for Battambang Conch is from 2018 to 2024.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

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

	2019 **RMB'000**	2018 RMB'000
Profit before taxation	**44,595,861**	39,675,319
Notional tax on profit before taxation calculated at 25% (2018: 25%)	**11,148,965**	9,918,830
Tax effect of subsidiaries subject to tax rates other than 25%	**(766,080)**	(838,350)
Tax effect of non-deductible expenses	**12,957**	41,597
Tax effect of non-taxable income	**(221,314)**	(136,188)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**12,268**	(7,603)
(Over)/under-provision in respect of prior years	**(20,791)**	22,379
Others	**38,834**	(7,484)
Actual tax expense	**10,204,839**	8,993,181

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement plan contributions RMB'000	2019 Total RMB'000
Chairman					
Gao Dengbang*	–	–	–	–	–
Vice chairman and Executive director					
Wang Jianchao	–	464	289	65	818
Executive directors					
Wu Bin	–	873	1,245	44	2,162
Li Qunfeng (appointed on 30 May 2019)	–	774	1,116	47	1,937
Ding Feng (resigned on 30 May 2019) *	–	–	–	–	–
Non-executive director					
Ding Feng (appointed on 30 May 2019) *	–	–	–	–	–
Independent non-executive directors					
Yang Mianzhi	141	–	–	–	141
Leung Tat Kwong Simon	133	–	–	–	133
Zhang Yunyan (appointed on 30 May 2019)	141	–	–	–	141
Tai Kwok Leung (resigned on 30 May 2019)	–	–	–	–	–
Supervisors					
Wang Pengfei*	–	–	–	–	–
Wu Xiaoming*	–	–	–	–	–
Wang Chunjian (resigned on 30 May 2019) *	–	–	–	–	–
Liu Tiantian (appointed on 30 May 2019)	–	747	1,042	44	1,833
	415	2,858	3,692	200	7,165

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement plan contributions RMB'000	2018 Total RMB'000
Chairman					
Gao Dengbang*	–	–	–	–	–
Vice chairman and Executive director					
Wang Jianchao	–	786	–	61	847
Executive directors					
Wu Bin	–	460	1,358	49	1,867
Ding Feng*	–	–	–	–	–
Zhou Bo (resigned on 8 June 2018)	–	116	–	21	137
Independent non-executive directors					
Yang Mianzhi	134	–	–	–	134
Leung Tat Kwong Simon	132	–	–	–	132
Tai Kwok Leung	132	–	–	–	132
Supervisors					
Wang Pengfei*	–	–	–	–	–
Wang Chunjian*	–	–	–	–	–
Wu Xiaoming*	–	–	–	–	–
	398	1,362	1,358	131	3,249

* No remuneration is paid or payable by the Group for the year ended 31 December 2019 and 2018 as their remunerations are paid by Conch Holdings. In addition, no remuneration is due to these directors and supervisors in respect of their services in connection with the management of the affairs of the Group.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2018: one) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2018: four) individuals are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other emoluments	**2,247**	1,625
Discretionary bonuses	**3,191**	4,766
Retirement plan contributions	**132**	194
	5,570	6,585

The emoluments of the three (2018: four) individuals with the highest emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
HKD1,500,001 – HKD2,000,000	**–**	4
HKD2,000,001 – HKD2,500,000	**3**	–

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

10 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	2019			2018		
	Before-tax amount RMB'000	**Tax benefit RMB'000 (Note 35(b))**	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax benefit RMB'000 (Note 35(b))	Net-of-tax amount RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	**31,816**	–	**31,816**	(15,523)	–	(15,523)
Equity investments measured at FVOCI:						
Movement in fair value reserve (non-recycling) (Note (b))	**(4,360)**	1,090	**(3,270)**	(202,729)	50,682	(152,047)
Share of investees' other comprehensive income	**10,014**	–	**10,014**	(13,050)	–	(13,050)
Other comprehensive income	**37,470**	1,090	**38,560**	(231,302)	50,682	(180,620)

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

10 OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) Components of other comprehensive income, including reclassification adjustments

	2019 **RMB'000**	2018 RMB'000
Equity investments measured at FVOCI:		
Changes in fair value recognised during the year	**(4,360)**	(202,729)
Tax effect of changes in fair value recognised during the year	**1,090**	50,682
Net movement in the fair value reserve (non-recycling) during the year recognised in other comprehensive income	**(3,270)**	(152,047)

11 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 2019 of RMB33,629,803,000 (2018: RMB29,858,303,000) and the weighted average number of shares in issue during the year ended 31 December 2019 of 5,299,303,000 shares (2018: 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 2019 and 2018, therefore, diluted earnings per share is the same as the basic earnings per share.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

12 INVESTMENT PROPERTIES

	RMB'000
Cost:	
At 1 January 2018	47,597
Transfer from property, plant and equipment	36,434
Transfer to property, plant and equipment	(4,599)
At 31 December 2018	79,432
At 1 January 2019	79,432
Transfer from property, plant and equipment	26,843
Disposal of an investment property	(2,735)
At 31 December 2019	103,540
Accumulated depreciation:	
At 1 January 2018	11,131
Transfer from property, plant and equipment	2,498
Charge for the year	1,519
Transfer to property, plant and equipment	(666)
At 31 December 2018	14,482
At 1 January 2019	14,482
Transfer from property, plant and equipment	1,111
Charge for the year	2,979
Disposal of an investment property	(766)
At 31 December 2019	17,806
Net book value:	
At 31 December 2019	85,734
At 31 December 2018	64,950

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

12 INVESTMENT PROPERTIES (CONTINUED)

In 2019, the Group leased out four properties (2018: two properties and one leasehold land) with carrying value of RMB25,732,000 (2018: RMB33,936,000) under operating lease and classified the properties as investment properties accordingly. The investment properties are subsequently measured using the cost model.

In 2019, the Group disposal a subsidiary with an investment property with carrying value of RMB1,969,000.

The investment properties are valued by management to be RMB91,447,000 as at 31 December 2019 (2018: RMB81,157,000) using discounted cash flow techniques based on contracted and expected cash inflows and outflows arising from the investment properties.

The rental income earned by the Group during the year from its investment properties amounted to RMB8,719,000 (2018: RMB6,144,000). Direct operating expenses arising from the investment properties amounted to RMB2,979,000 (2018: RMB1,519,000).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

13 OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Freehold land, plant and buildings RMB'000	Machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction-in-progress RMB'000	Right-of-use assets-land use rights RMB'000	Right-of-use assets-other properties RMB'000	Total RMB'000
Cost:								
At 1 January 2018	40,340,858	52,373,003	715,162	1,894,079	3,626,062	-	-	98,949,164
Acquisition through business combination	435,014	263,407	2,708	6,494	3,316	-	-	710,939
Other additions	30,328	396,946	100,557	173,276	4,041,264	-	-	4,742,371
Transfer from/(out) construction-in-progress	1,990,002	2,251,162	25,008	-	(4,266,172)	-	-	-
Transfer out to lease prepayment	-	-	-	-	(61,160)	-	-	(61,160)
Transfer out to intangible assets	-	-	-	-	(14,234)	-	-	(14,234)
Transfer from investment properties	4,599	-	-	-	-	-	-	4,599
Reclassification to assets held for sale	(60,893)	(28,987)	-	-	-	-	-	(89,880)
Disposals	(36,259)	(333,374)	(11,106)	(63,575)	-	-	-	(444,314)
Transfer to investment properties	(36,434)	-	-	-	-	-	-	(36,434)
At 31 December 2018	42,667,215	54,922,157	832,329	2,010,274	3,329,076	-	-	103,761,051
Impact on initial application of IFRS16 (Note 2c)	-	-	-	-	-	6,072,054	48,227	6,120,281
At 1 January 2019	42,667,215	54,922,157	832,329	2,010,274	3,329,076	6,072,054	48,227	109,881,332
Other additions	26,509	817,338	159,865	196,273	6,602,375	200,716	14,590	8,017,666
Transfer from/(out) construction-in-progress	1,919,759	1,768,601	14,836	-	(3,741,144)	37,948	-	-
Transfer out to intangible assets	-	-	-	-	(43,480)	-	-	(43,480)
Disposals	(85,171)	(722,416)	(80,448)	(149,845)	-	(23,114)	(936)	(1,061,930)
Transfer to investment properties	(26,843)	-	-	-	-	-	-	(26,843)
At 31 December 2019	44,501,469	56,785,680	926,582	2,056,702	6,146,827	6,287,604	61,881	116,766,745

Note: As at 31 December 2019, no property, plant and equipment was pledged (2018: none).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

13 OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land, plant and buildings RMB'000	Machinery RMB'000	Office and other equipment RMB'000	Vehicles RMB'000	Construction-in-progress RMB'000	Right-of-use assets-land use rights RMB'000	Right-of-use assets-other properties RMB'000	Total RMB'000
Accumulated depreciation and impairment:								
At 1 January 2018	9,328,021	24,259,419	559,527	1,508,501	–	–	–	35,655,468
Charge for the year	1,317,367	3,161,980	43,841	122,592	–	–	–	4,645,780
Impairment loss	56,911	140,504	13	8	2,853	–	–	200,289
Transfer from investment properties	666	–	–	–	–	–	–	666
Reclassification to assets held for sale	(19,650)	(19,126)	–	–	–	–	–	(38,776)
Written back on disposals	(7,761)	(266,755)	(10,215)	(61,833)	–	–	–	(346,564)
Transfer to investment properties	(2,498)	–	–	–	–	–	–	(2,498)
At 31 December 2018	10,673,056	27,276,022	593,166	1,569,268	2,853	–	–	40,114,365
Impact on initial application of IFRS16 (Note 2c)	–	–	–	–	–	1,035,552	–	1,035,552
At 1 January 2019	10,673,056	27,276,022	593,166	1,569,268	2,853	1,035,552	–	41,149,917
Charge for the year	1,443,309	3,246,523	71,435	146,406	–	136,207	20,569	5,064,449
Impairment loss	774,562	385,437	1,351	2,860	–	–	–	1,164,210
Written back on disposals	(42,093)	(527,335)	(75,917)	(124,920)		(3,024)	(936)	(774,225)
Transfer to investment properties	(1,111)	–	–	–	–	–	–	(1,111)
At 31 December 2019	12,847,723	30,380,647	590,035	1,593,614	2,853	1,168,735	19,633	46,603,240
Net book value:								
At 31 December 2019	31,653,746	26,405,033	336,547	463,088	6,143,974	5,118,869	42,248	70,163,505
At 31 December 2018	31,994,159	27,646,135	239,163	441,006	3,326,223	–	–	63,646,686

13 OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation of carrying amount (Continued)

Impairment losses

During the year ended 31 December 2019 and 2018, management assessed certain property, plant and equipment of the Group had indicators of impairment due to technical obsolescence and low utilisation of production capacity.

The Group assessed the recoverable amounts of these property, plant and equipment, which were higher of the value in use and the fair value less costs of disposal. To determine the value in use, the Group used a discounted cash flow forecast for each separately identifiable cash-generating unit ("CGU"). The cash flows were discounted using a pre-tax discount rate of 13.98% (2018: 11.24%) that reflects specific risks related to CGUs. The fair value less costs of disposal is determined based on the amount of waste and the price recovered from the expected demolition of these assets.

As a result, the carrying amounts of these property, plant and equipment were written down to their recoverable amounts of RMB352,334,000 (2018: RMB195,372,000). An impairment loss of RMB1,164,210,000 (2018: RMB197,436,000) was recognised in "Administrative expenses" for the year ended 31 December 2019.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

13 OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	**31 December 2019 RMB'000**	1 January 2019 RMB'000
Land use rights carried at depreciated cost	(i)	**5,118,869**	5,036,502
Other properties leased for own use, carried at depreciated cost	(ii)	**42,248**	48,227
		5,161,117	5,084,729

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 RMB'000	2018 (Note) RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	**136,207**	–
Other properties leased for own use	**20,569**	–
	156,776	–

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

13 OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets (Continued)

	2019	2018
		(Note)
	RMB'000	RMB'000
Interest on lease liabilities	**2,798**	–
Expense relating to short-term leases and other leases with remaining lease term ended on or before 31 December 2019	**4,956**	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**–**	78,706
Variable lease payments not included in the measurement of lease liabilities	**3,981**	–

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17.

(i) Land use rights

All lands in the PRC are state-owned or collectively owned and no individual ownership right exists. The Group acquired the rights to use certain lands. The consideration paid for such rights are treated as lease prepayments and depreciated over the period of lease term using straight-line method.

(ii) Other leases

The Group leases office buildings and cement transfer storages under leases expiring from 1 to 4 years.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

14 INTANGIBLE ASSETS

	Limestone mining rights RMB'000	Clay mining rights RMB'000	Others (note) RMB'000	Total RMB'000
Cost:				
At 1 January 2018	3,903,875	56,755	131,881	4,092,511
Acquisition through business combination	49,160	–	87	49,247
Additions	314,918	3,879	49,685	368,482
Transfer from construction-in-progress	14,234	–	–	14,234
Disposal	–	(3,980)	–	(3,980)
At 31 December 2018	4,282,187	56,654	181,653	4,520,494
At 1 January 2019	4,282,187	56,654	181,653	4,520,494
Additions	1,696,753	2,734	57,729	1,757,216
Transfer from construction-in-progress	43,480	–	–	43,480
At 31 December 2019	6,022,420	59,388	239,382	6,321,190
Accumulated amortisation:				
At 1 January 2018	856,653	19,282	20,499	896,434
Charge for the year	170,133	2,623	2,353	175,109
Written back on disposals	–	(1,981)	–	(1,981)
At 31 December 2018	1,026,786	19,924	22,852	1,069,562
At 1 January 2019	1,026,786	19,924	22,852	1,069,562
Charge for the year	185,986	2,977	14,572	203,535
At 31 December 2019	1,212,772	22,901	37,424	1,273,097
Net book value:				
At 31 December 2019	4,809,648	36,487	201,958	5,048,093
At 31 December 2018	3,255,401	36,730	158,801	3,450,932

Note: Others mainly represented the acquisition cost for software, the rights of using maritime space and emission rights.

Notes to the financial statements (continued)

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14 INTANGIBLE ASSETS (CONTINUED)

Up to the issue date of this financial statements, the Group has been in the process of applying for registration of the ownership certificates for certain limestone mining rights. The aggregate carrying value of such limestone and clay mining rights of the Group as at 31 December 2019 was approximately RMB47,403,000 (2018: RMB69,202,000). The directors are of the opinion that the Group is entitled to legally use these limestone and clay mining rights.

15 GOODWILL

	31 December 2019 RMB'000	31 December 2018 RMB'000
Carrying amount:		
At 1 January	**514,398**	493,648
Acquisitions through business combinations	**–**	20,750
At 31 December	**514,398**	514,398

Impairment tests for cash-generating units containing goodwill

For the purpose of impairment testing of goodwill, goodwill is allocated to groups of cash-generating units (being subsidiaries acquired in each acquisition). Such groups of cash-generating units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of the cash-generating units is determined based on value-in-use calculations. These calculations use discounted cash flow projections primarily based on the respective financial budgets of the cash-generating units covering a five-year period approved by management. Cash flows beyond the five-year period are extrapolated to be the same as that of the respective final forecast year on existing production capacity. The pre-tax discount rate of 13.98% (2018: 11.24%) reflects current market assessment of the time value of money and specific risks relating to the Group's business.

Based on the impairment tests, no impairment was recorded as at 31 December 2019 (2018: none).

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(Expressed in Renminbi Yuan unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES

The particulars of subsidiaries, which are either limited liability companies or joint stock limited companies established and operating in the PRC, at 31 December 2019 are as follows (Hong Kong dollars referred to as "HKD", United States dollars referred to as "USD"):

		Proportion of ownership interest			
Name of company	Particulars of registered and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Ningbo Conch Cement Co., Ltd. ("Ningbo Conch") 寧波海螺水泥有限公司	RMB 171,000,000	75%	75%	–	Manufacture and sale of clinker and cement products
Shanghai Mingzhu Conch Cement Co., Ltd. ("Mingzhu Conch") 上海海螺明珠水泥有限責任公司	RMB 30,000,000	94.2%	76.2%	18%	Manufacture and sale of clinker and cement products
Anhui Tongling Conch Cement Co., Ltd.("Tongling Conch") 安徽銅陵海螺水泥有限公司	RMB 742,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Anhui Changfeng Conch Cement Co., Ltd. ("Changfeng Conch") 安徽長豐海螺水泥有限公司	RMB 10,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhangjiagang Conch Cement Co., Ltd. ("Zhangjiagang Conch") 張家港海螺水泥有限公司	RMB 35,000,000	98.71%	98.71%	–	Manufacture and sale of clinker and cement products
Shanghai Conch Cement Co., Ltd. ("Shanghai Conch") 上海海螺水泥有限責任公司	RMB 60,000,000	75%	75%	–	Manufacture and sale of clinker and cement products
Nantong Conch Cement Co., Ltd. ("Nantong Conch") 南通海螺水泥有限責任公司	RMB 50,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Shanghai Conch Cement Sales Co., Ltd. ("Shanghai Sales") 上海海螺水泥銷售有限公司	RMB 5,000,000	100%	100%	–	Sale of clinker and cement products
Anhui Digang Conch Cement Co., Ltd. ("Digang Conch")*** 安徽荻港海螺水泥股份有限公司	RMB 590,000,000	100%	99.75%	0.25%	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

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16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Fujian Jianyang Conch Cement Co., Ltd. ("Jianyang Conch") 福建省建陽海螺水泥有限責任公司	RMB 14,000,000	76%	76%	–	Manufacture and sale of clinker and cement products
Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch") 安徽樅陽海螺水泥股份有限公司	RMB 410,000,000	100%	99.27%	0.73%	Manufacture and sale of clinker and cement products
Anhui Chizhou Conch Cement Co., Ltd. ("Chizhou Conch")*** 安徽池州海螺水泥股份有限公司	RMB 950,000,000	100%	99.67%	0.33%	Manufacture and sale of clinker and cement products
Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 泰州海螺水泥有限責任公司	RMB 11,520,000	93.75%	93.75%	–	Manufacture and sale of clinker and cement products
Bengbu Conch Cement Co., Ltd. ("Bengbu Conch") 蚌埠海螺水泥有限責任公司	RMB 54,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Fenyi Conch Cement Co., Ltd. ("Fenyi Conch") 分宜海螺水泥有限責任公司	RMB 110,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Shaoxing Shangyu Conch Cement Co., Ltd. ("Shangyu Conch") 紹興上虞海螺水泥有限責任公司	RMB 16,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiande Conch Cement Co., Ltd. ("Jiande Conch") 建德海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangxi Lushan Conch Cement Co., Ltd. ("Lushan Conch") 江西盧山海螺水泥有限公司	RMB 100,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Taizhou Yangwan Conch Cement Co., Ltd. ("Yangwan Conch") 泰州楊灣海螺水泥有限責任公司	RMB 170,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

		Proportion of ownership interest			
Name of company	Particulars of registered and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Nanchang Conch Cement Co., Ltd. ("Nanchang Conch") 南昌海螺水泥有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Anhui Huaining Conch Cement Co., Ltd. ("Huaining Conch") 安徽懷寧海螺水泥有限公司	RMB 273,250,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhongguo Cement Co., Ltd. ("Zhongguo Plant") 中國水泥廠有限公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Huai'an Conch Cement Co., Ltd. ("Huai'an Conch") 淮安海螺水泥有限責任公司	RMB 20,000,000	100%	–	100%	Manufacture and sale of clinker and cement products
Taicang Conch Cement Co., Ltd. ("Taicang Conch") 太倉海螺水泥有限責任公司	RMB 20,000,000	100%	–	100%	Manufacture and sale of clinker and cement products
Taizhou Conch Cement Co., Ltd. ("Taizhou Conch") 台州海螺水泥有限公司	RMB 70,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Haimen Conch Cement Co., Ltd. ("Haimen Conch") 海門海螺水泥有限責任公司	RMB 50,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangmen Conch Cement Co., Ltd. ("Jiangmen Conch") 江門海螺水泥有限公司	RMB 105,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Ma'anshan Conch Cement Co., Ltd. ("Ma'anshan Conch") 馬鞍山海螺水泥有限責任公司	RMB 80,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangsu Baling Conch Cement Co., Ltd. ("Baling Conch") 江蘇八菱海螺水泥有限公司	RMB 32,960,000	75%	75%	–	Manufacture and sale of clinker and cement products
Shuangfeng Conch Cement Co., Ltd. ("Shuangfeng Conch") 雙峰海螺水泥有限公司	RMB 492,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Anhui Xuancheng Conch Cement Co., Ltd. ("Xuancheng Conch") 安徽宣城海螺水泥有限公司	RMB 406,500,000	100%	100%	–	Manufacture and sale of clinker and cement products
Wuhu Conch Cement Co., Ltd. ("Wuhu Conch") 蕪湖海螺水泥有限公司	RMB 660,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Hunan Conch Cement Co., Ltd. ("Hunan Conch") 湖南海螺水泥有限公司	RMB 400,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Prosperity Conch Cement Co., Ltd. ("Prosperity Conch") 英德海螺水泥有限責任公司	RMB 580,000,000	75%	70%	5%	Manufacture and sale of clinker and cement products
Xingye Kuiyang Conch Cement Co., Ltd. ("Kuiyang Conch") 興業葵陽海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Fusui Xinning Conch Cement Co., Ltd. ("Xinning Conch") 扶綏新寧海螺水泥有限責任公司	RMB 328,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Conch Construction 安徽蕪湖海螺建築安裝工程有限責任公司	RMB 30,000,000	100%	100%	–	Provision of construction and installation services for industrial purposes
Xing'an Conch Cement Co., Ltd. ("Xing'an Conch") 興安海螺水泥有限責任公司	RMB 350,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Ninghai Qiangjiao Conch Cement Co., Ltd. ("Ninghai Conch") 寧海強蛟海螺水泥有限公司	RMB 110,240,000	100%	100%	–	Manufacture and sale of clinker and cement products
Beiliu Conch Cement Co., Ltd. ("Beiliu Conch") 北流海螺水泥有限責任公司	RMB 450,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhanjiang Conch Cement Co., Ltd. ("Zhanjiang Conch") 湛江海螺水泥有限責任公司	RMB 100,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Xiangshan Conch Cement Co., Ltd. ("Xiangshan Conch") 象山海螺水泥有限責任公司	RMB 189,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Pingliang Conch 平涼海螺水泥有限責任公司	RMB 470,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Linxiang Conch Cement Co., Ltd. ("Linxiang Conch") 臨湘海螺水泥有限責任公司	RMB 290,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Yueqing Conch Cement Co., Ltd. ("Yueqing Conch") 樂清海螺水泥有限責任公司	RMB 238,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Quanjiao Conch Cement Co., Ltd. ("Quanjiao Conch") 全椒海螺水泥有限責任公司	RMB 350,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Ningde Conch Cement Co., Ltd. ("Ningde Conch") 寧德海螺水泥有限責任公司	RMB 150,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangyuan Conch 廣元海螺水泥有限責任公司	RMB 480,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangdong Qingxin Cement Co., Ltd. ("Qingxin Conch") 廣東清新水泥有限公司	RMB 320,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Chongqing Conch 重慶海螺水泥有限責任公司	RMB 550,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jiangxi Ganjiang Conch Cement Co., Ltd. ("Ganjiang Conch") 江西贛江海螺水泥有限責任公司	RMB 165,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Foshan Conch Cement Co., Ltd. ("Foshan Conch") 佛山海螺水泥有限責任公司	RMB 100,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Lu'an Conch Cement Co., Ltd. ("Lu'an Conch") 六安海螺水泥有限責任公司	RMB 89,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Dazhou Conch 達州海螺水泥有限責任公司	RMB 480,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

		Proportion of ownership interest			
Name of company	Particulars of registered and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Liquan Conch 禮泉海螺水泥有限責任公司	RMB 480,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Qianyang Conch 千陽海螺水泥有限責任公司	RMB 490,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Huainan Conch Cement Co., Ltd. ("Huainan Conch") 淮南海螺水泥有限責任公司	RMB 160,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Yangchun Conch Cement Co., Ltd. ("Yangchun Conch") 陽春海螺水泥有限責任公司	RMB 550,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jining Conch Cement Co., Ltd. ("Jining Conch") 濟寧海螺水泥有限責任公司	RMB 235,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Qiyang Conch Cement Co., Ltd. ("Qiyang Conch") 祁陽海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Hunan Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 湖南益陽海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Suzhou Conch Cement Co., Ltd. ("Suzhou Conch") 宿州海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Huangshan Conch Cement Co., Ltd. ("Huangshan Conch") 黃山海螺水泥有限責任公司	RMB 80,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Huazhou Conch Cement Co., Ltd. ("Huazhou Conch") 化州海螺水泥有限責任公司	RMB 200,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jianghua Conch Cement Co., Ltd. ("Jianghua Conch") 江華海螺水泥有限責任公司	RMB 266,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jianghua Conch Plastic Packaging Co., Ltd. ("Jianghua Plastic") 江華海螺塑膠包裝有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of cement packaging

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Longling Conch Cement Co., Ltd. ("Longling Conch") 龍陵海螺水泥有限責任公司	RMB 225,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guangyuan Conch Plastic Packaging Co., Ltd. ("Guangyuan Plastic") 廣元海螺塑膠包裝有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of cement packaging
Guiyang Conch 貴陽海螺盤江水泥有限責任公司	RMB 706,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guiding Conch 貴定海螺盤江水泥有限責任公司	RMB 460,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zunyi Conch 遵義海螺盤江水泥有限責任公司	RMB 530,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhuangxiang Conch 雲南壯鄉水泥股份有限公司	RMB 50,000,000	100%	99%	1%	Manufacture and sale of clinker and cement products
Baoshan Conch 保山海螺水泥有限責任公司	RMB 300,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Longan Conch 隆安海螺水泥有限責任公司	RMB 120,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Refractory Material 安徽海螺暹羅耐火材料有限公司	RMB 100,000,000	70%	70%	–	Manufacture, development and sale of refractory material
Tongren Conch 銅仁海螺盤江水泥有限責任公司	RMB 510,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jinlinghe 寶雞市眾喜金陵河水泥有限公司	RMB 372,376,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Fenghuangshan 寶雞眾喜鳳凰山水泥有限公司	RMB 928,800,000	100%	100%	–	Manufacture and sale of clinker and cement products
Qianxian Conch 乾縣海螺水泥有限責任公司	RMB 560,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Liukuangruian 貴州六礦瑞安水泥有限公司	RMB 477,450,000	51%	51%	–	Manufacture and sale of clinker and cement products
Liangping Conch 梁平海螺水泥有限責任公司	RMB 300,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Qianxinan 黔西南州發展資源開發有限公司	RMB 250,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Bazhong Conch 巴中海螺水泥有限責任公司	RMB 280,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Wenshan Conch 文山海螺水泥有限責任公司	RMB 280,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Bozhou Conch Cement Co., Ltd. ("Bozhou Conch") 亳州海螺水泥有限責任公司	RMB 30,000,000	70%	70%	–	Manufacture and sale of clinker and cement products
Nanwei Cement 四川南威水泥有限公司	RMB 168,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Zhenjiang Beigu Conch Cement Co., Ltd. ("Beigu Conch") 鎮江北固海螺水泥有限責任公司	RMB 50,000,000	80%	80%	–	Manufacture and sale of clinker and cement products
Hami Construction 哈密弘毅建材有限責任公司	RMB 100,000,000	80%	80%	–	Manufacture and sale of clinker and cement products
Hami Xingyi Mining Co., Ltd. ("Hami Mining") 哈密興義礦業有限責任公司	RMB 3,000,000	80%	–	80%	Mining and related service

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Lingyun Tonghong 廣西淩雲通鴻水泥有限公司	RMB 80,000,000	80%	80%	–	Manufacture and sale of clinker and cement products
Maoming Dadi Cement Co., Ltd. ("Maoming Dadi") 茂名市大地水泥有限公司	RMB 60,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Jinxian Conch Cement Co., Ltd. ("Jinxian Conch") 進賢海螺水泥有限責任公司	RMB 42,000,000	70%	70%	–	Manufacture and sale of clinker and cement products
Linxia Conch 臨夏海螺水泥有限責任公司	RMB 350,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Conch Material Trading Co., Ltd. ("Conch Material") 安徽海螺物資貿易有限責任公司	RMB 50,000,000	100%	100%	–	Sale of clinker and cement products
Wuxi Conch Sales Cement Co., Ltd. ("Wuxi Sales") 無錫海螺水泥銷售有限公司	RMB 100,000,000	100%	100%	–	Sale of clinker and cement products
Yingjiangyunhan 盈江縣允罕水泥有限公司	RMB 300,000,000	99%	99%	–	Manufacture and sale of clinker and cement products
Baoji Conch Plastic Packaging Co., Ltd. ("Baoji Plastic") 寶雞海螺塑膠包裝有限責任公司	RMB 10,000,000	100%	100%	–	Manufacture and sale of cement packaging
Shaoyang Yeafing New Energy Co., Ltd. ("Yeafing New Energy") 邵陽市雲峰新能源科技有限公司	RMB 120,000,000	65%	65%	–	Sale and development of profile and related products
Hunan Yeafing Cement Co., Ltd. ("Yeafing Cement") 湖南省雲峰水泥有限公司	RMB 93,000,000	65%	65%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shuicheng Conch Panjiang Cement Co., Ltd. ("Shuicheng Conch")* 水城海螺盤江水泥有限責任公司	RMB 507,600,000	40%	40%	–	Manufacture and sale of clinker and cement products
Kunming Conch 昆明海螺水泥有限公司	USD 30,506,700	80%	80%	–	Manufacture and sale of clinker and cement products
Lianyuan Conch Cement Co., Ltd. ("Lianyuan Cement") 漣源海螺水泥有限公司	USD 74,800,000	80%	80%	–	Manufacture and sale of clinker and cement products
Ganzhou Conch 贛州海螺水泥有限責任公司	RMB 400,000,000	55%	55%	–	Manufacture and sale of clinker and cement products
Chaohu Conch Cement Co., Ltd. ("Chaohu Conch") 巢湖海螺水泥有限責任公司	RMB 500,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Guiding Conch Plastic Packaging Co., Ltd. ("Guiding Plastic") 貴定海螺塑膠包裝有限責任公司	RMB 20,000,000	100%	100%	–	Manufacture and sale of cement packaging
Fenghuang Construction 陝西銅川鳳凰建材有限公司	RMB 584,612,000	65%	65%	–	Manufacture and sale of clinker and cement products
Zunyi Huaihui New Material Co., Ltd.("Haihui New Material") 遵義海匯新材料有限責任公司	RMB 45,000,000	60%	60%	–	Manufacture and sale of concrete products
Chizhou Conch New Material Co., Ltd. ("Chizhou New Material")*** 池州海螺新材料有限責任公司	RMB 50,000,000	100%	100%	–	Manufacture and sale of concrete products
Guangyuan Conch New Material Co., Ltd. ("Guangyuan New Material") 廣元海螺新材料有限責任公司	RMB 40,000,000	90%	90%	–	Manufacture and sale of concrete products
Bazhong Conch Construction Co., Ltd ("Bazhong Constructuion") 巴中海螺建材有限責任公司	RMB 50,000,000	90%	90%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Chongqing Trading 重慶海螺物資貿易有限責任公司	RMB 100,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Wuhu Conch Mining Co., Ltd. ("Wuhu Mining") 蕪湖海螺礦業有限責任公司	RMB 12,000,000	70%	70%	–	Mining and selling aggregates
Wuhu Southeast Asia International Trading Co., Ltd. ("Southeast Asia Trading") 蕪湖東南亞國際貿易有限公司	USD 40,000,000	55%	55%	–	Sale and trading of clinker and cement products and provision of related services
Guangdong Qingyuan Guangying Cement Co., Ltd.("Guangying Cement") 廣東清遠廣英水泥有限責任公司	RMB 345,000,000	80%	80%	–	Manufacture and sale of clinker and cement products
Basu Conch Cement Co., Ltd. ("Basu Conch") 八宿海螺水泥有限責任公司	RMB 827,500,000	70%	70%	–	Manufacture and sale of clinker and cement products
Chuzhou Conch Cement New Construction Materials Co., Ltd. ("Chuzhou New Material") 滁州海螺新型建材有限公司	RMB 11,000,000	70%	70%	–	Manufacture and sale of concrete products
Jiangsu Conch Cement Construction Materials Co., Ltd. ("Jiangsu Material") 江蘇海螺建材有限責任公司	RMB 50,000,000	51%	51%	–	Sale and trading of clinker and cement products and provision of related services
Hunan Haizhong Trading Co., Ltd. ("Hunan Haizhong") 湖南海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Yunnan Haizhong Trading Co., Ltd. ("Yunnan Haizhong") 雲南海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services

Notes to the financial statements (continued)

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16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

		Proportion of ownership interest			
Name of company	Particulars of registered and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Yangzhou Conch Cement Co., Ltd. ("Yangzhou Conch") 揚州海螺水泥有限責任公司	RMB 210,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 弋陽海螺水泥有限責任公司	RMB 457,500,000	100%	100%	–	Manufacture and sale of clinker and cement products
Shimen Conch Cement Co., Ltd. ("Shimen Conch") 石門海螺水泥有限責任公司	RMB 421,000,000	100%	100%	–	Manufacture and sale of clinker and cement products
Shanghai Conch Construction Material International Trading Co. Ltd ("Conch International Trading") 上海海螺建材國際貿易有限公司	RMB 100,000,000	100%	100%	–	Sale, exporting and trading of clinker and cement products
Wuhu Conch Plastic Products Co., Ltd. ("Wuhu Plastic") 蕪湖海螺塑膠製品有限公司	RMB 30,000,000	100%	100%	–	Manufacture and sale of cement packaging
Anhui Ningchang Plastic Packaging Co., Ltd. ("Ningchang Plastic") 安徽寧昌塑膠包裝有限公司	RMB 53,554,100	100%	100%	–	Manufacture and sale of cement packaging
Shanghai Conch Logistic Co., Ltd. ("Conch Logistic") 上海海螺物流有限公司	RMB 10,000,000	100%	100%	–	Logistic services
Guangdong Yinglong Conch Logistic Co., Ltd. ("Yinglong Logistic") 廣東英龍海螺物流有限公司	RMB 10,000,000	100%	100%	–	Logistic services
Yingde Conch Plastic Packaging Co., Ltd. ("Yingde Plastic") 英德海螺塑膠包裝有限責任公司	RMB 6,000,000	100%	100%	–	Manufacture and sale of cement packaging
Huai'an Chuzhou Conch Cement Co., Ltd. ("Chuzhou Conch") 淮安楚州海螺水泥有限責任公司	RMB 113,000,000	100%	100%	–	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

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16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Jiangxi Haizhong Trading Co., Ltd. ("Jiangxi Haizhong") 江西海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Guizhou Haizhong Trading Co., Ltd. ("Guizhou Haizhong") 貴州海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Bozhou Haizhong Trading Co., Ltd. ("Bozhou Haizhong") 亳州海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Zhengzhou Haizhong Trading Co., Ltd. ("Zhengzhou Haizhong") 鄭州海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Shandong Haizhong Trading Co., Ltd. ("Shandong Haizhong") 山東海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Nanjing Haizhong Trading Co., Ltd. ("Nanjing Haizhong") 南京海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Shanxi Haizhong Trading Co., Ltd. ("Shanxi Haizhong") 陝西海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Zhejiang Ningbo Haizhong Trading Co., Ltd. ("Ningbo Haizhong") 浙江寧波海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Guangxi Chongzuo Haizhong Trading Co., Ltd. ("Chongzuo Haizhong") 廣西崇左海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Tongchuan Conch New Material Co., Ltd.("Tongchuan New Materaial") ** 銅川海螺新材料有限責任公司	RMB 40,000,000	65%	65%	–	Manufacture and sale of concrete products
Linquan Conch Cement Co., Ltd. ("Linquan Conch") ** 臨泉海螺水泥有限責任公司	RMB 50,000,000	100%	100%	–	Warehouse logistics

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Zhuhai Haizhong Trading Co., Ltd. ("Zhuhai Haizhong") ** 珠海海中海中貿易有限責任公司	RMB 10,000,000	100%	100%	–	Sale and trading of clinker and cement products and provision of related services
Fenyi Conch Construction Materials Co., Ltd. ("Fenyi Material") ** 分宜海螺建築材料有限責任公司	RMB 150,000,000	100%	100%	–	Processing and sales of construction stones
Jiangxi Yiyang Conch New Construction Material Co., Ltd. ("Yiyang Construciton Material") ** 江西弋陽海螺新型建材有限責任公司	RMB 100,000,000	70%	70%	–	Production and sales of construction materials
Jiangxi Yiyang Conch New Material Co., Ltd. ("Yiyang New Material") ** 江西弋陽海螺新材料有限責任公司	RMB 12,000,000	70%	70%	–	Production and sales of concrete and related products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of registered/issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Anhui Jiangbei Haizhong Construction Trading Co., Ltd. ("Jiangbei Construction") 安徽江北海中建材貿易有限責任公司	RMB1,000,000,000/ RMB500,000,000	51%	51%	–	Sale and trading of clinker and cement products and provision of related services
Xingan Conch New Material Co., Ltd. ("Xingan New Material") 興安海螺新材料有限責任公司	RMB40,000,000/ RMB0	70%	70%	–	Manufacture and sale of concrete products
Nanjiang Conch Cement Co., Ltd. ("Nanjiang Conch") ** 南江海螺水泥有限責任公司	RMB300,000,000/ RMB147,000,000	51%	51%	–	Manufacture and sale of clinker and cement products
Quanjiao Conch Consturction Technology Co., Ltd. ("Quanjiao Construction") ** 全椒海螺建築科技有限責任公司	RMB100,000,000/ RMB2,000,000	90%	90%	–	Provision of construction and installation services for industrial purposes
Haimen Conch New Material Co., Ltd. ("Haimen New Material") 海门海螺新材料有限責任公司	RMB150,000,000/ RMB58,000,000	100%	100%	–	Production and sales of new materials

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The particulars of subsidiaries, which are limited liability companies established overseas, at 31 December 2019 are as follows (United States dollars referred to as "USD", Russia rubles referred to as "RUB"):

Name of company	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
PT Conch Cement Indonesia ("Indonesia Conch") 印尼海螺水泥有限公司	USD 51,000,000	75%	75%	–	Manufacture and sale of clinker and cement products investment and trading
PT Conch South Kalimantan Cement ("Indonesia South Conch") 南加裡曼丹海螺水泥有限公司	USD 90,000,000	71.25%	–	71.25%	Manufacture and sale of clinker and cement products
PT Conch International Trade Indonesia ("Indonesia International Trade Conch") 印尼海螺國際貿易有限公司	USD 30,000,000	100%	10%	90%	Investment and trading
PT Conch Manos South Sulawesi Mine ("South Sulawesi Conch") 南蘇拉威西馬諾斯海螺礦山有限公司	USD 1,000,000	67.5%	–	67.5%	Mining and related service
PT Conch Maros Cement Indonesia ("Maros Conch") 印尼馬諾斯水泥有限公司	USD 14,000,000	100%	–	100%	Sale of cement products and provision of related services
PT Conch Barru Cement Indonesia ("Barru Conch") 印尼巴魯海螺水泥有限公司	USD 25,000,000	100%	–	100%	Sale of cement products and provision of related services
PT Conch North Sulawesi Cement ("North Sulawesi Conch") 北蘇海螺水泥有限公司	USD 50,000,000	100%	–	100%	Manufacture and sale of clinker and cement products
PT Conch West Kalimantan Cement ("West Kalimantan Conch") 西加裡曼丹海螺水泥貿易有限公司	USD 4,000,000	100%	–	100%	Sale of cement products and provision of related services
Battambang Conch 馬德望海螺水泥有限公司	USD 50,000,000	60%	–	60%	Sale of cement products and provision of related services
Volga Conch 伏爾加海螺水泥有限責任公司	RUB 132,477,680	75%	75%	–	Manufacture and sale of clinker and cement products
Luangprabang Conch 琅勃拉邦海螺水泥有限公司	USD 23,000,000	70%	–	70%	Manufacture and sale of clinker and cement products

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Vientiane Conch 萬象海螺水泥有限公司	USD 10,000,000	75%	–	75%	Manufacture and sale of clinker and cement products
Myanmar Conch Cement (Mandalay) Co., Ltd. ("Mandalay Conch") 緬甸海螺(曼德勒)水泥有限公司	USD 45,000,000	55%	55%	–	Manufacture and sale of clinker and cement products
Qarshi Conch 卡爾希海螺水泥外國企業有限責任公司	USD 24,000,000	100%	–	100%	Manufacture and sale of clinker and cement products
Phnom Penh Conch** 海螺KT水泥(金邊)有限公司	USD 10,000,000	55%	–	55%	Manufacture and sale of clinker and cement products
Conch International 海螺國際控股(香港)有限公司	USD 83,150,000	100%	100%	–	Investment and Trading

* Pursuant to the Articles of Association of the subsidiary, except for special resolutions relating to certain protective rights, the voting rights of the Group in the subsidiary are 100%.

** These subsidiaries were newly established by the Group in 2019.

*** All of the subsidiaries are limited liability companies except for Digang Conch, Chizhou Conch and Zhuangxiang Conch, which are joint stock limited companies.

The Group disposed of one subsidiary namely Wuhu Conch Logistic Co., Ltd. ("Wuhu Logistic") in 2019 in exchange for an unlisted equity investment as disclosed in note 21. The gain on disposal of Wuhu Logistic was RMB28,615,000, which was recognised as "other net income" during the year ended 31 December 2019.

The Group deregistered one subsidiary namely Nanjing Conch Cement Co., Ltd. in December 2019.

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16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the information relating to the subsidiaries of the Group which have non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2019 **RMB'000**	2018 RMB'000
NCI percentage	**1.29% ~ 60%**	1.29% ~ 60%
Current assets	**13,132,983**	10,531,928
Non-current assets	**18,824,753**	16,536,849
Current liabilities	**(10,720,982)**	(9,556,512)
Non-current liabilities	**(4,626,541)**	(3,702,377)
Net assets	**16,610,213**	13,809,888
Carrying amount of NCI	**4,944,372**	3,712,595
Revenue	**29,634,731**	23,859,858
Profit for the year	**2,773,869**	2,891,151
Total comprehensive income	**2,779,133**	2,891,084
Total comprehensive income allocated to NCI	**766,519**	824,139
Dividend declared to NCI	**292,855**	94,257
Cash flows from operating activities	**5,677,798**	3,878,235

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

17 INTERESTS IN ASSOCIATES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Share of net assets	**2,048,676**	1,773,405
Goodwill	**8,825**	8,825
	2,057,501	1,782,230

The following list contains all associates of the Group, all of which are operating in the PRC (United States dollars referred to as "USD", Great Britain Pound referred to as "GBP"):

			Proportion of ownership interest			
Name of associate	Particulars of registered and paid up capital	Listed/ Unlisted Company	Group's Effective interest	Held by the Company	Held by a subsidiary	Principal activities
West China Cement Limited ("West Cement") 中國西部水泥有限公司	**GBP 20,000,000**	Listed	**21.11%**	–	**21.11%**	Manufacture and sale of cement related products
Anhui King Bridge Cement Co., Ltd. ("King Bridge Cement") 安徽朱家橋水泥有限公司*	**USD 15,000,000**	Unlisted	**40%**	40%	**-**	Manufacture and sale of cement related products

* King Bridge Cement was deregistered in January 2019. The Group recouped the investment with an amount of RMB51,327,000, exceeding the carrying amount of its investment of RMB51,200,000. An investment income of RMB127,000 was recognised as "other net income" during the year ended 31 December 2019.

Notes to the financial statements (continued)

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17 INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of the associate, adjusted for fair value and any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	West Cement	
	30 September 2019* RMB'000	31 December 2018** RMB'000
Gross amounts of the associate		
Current assets	**4,385,285**	3,152,903
Non-current assets	**9,877,949**	9,870,651
Current liabilities	**(3,113,483)**	(4,621,346)
Non-current liabilities	**(1,848,783)**	(171,756)
Equity	**9,300,968**	8,230,452
Equity attributable to equity shareholders of the associate	**9,146,441**	8,156,762
	1 October 2018 – 30 September 2019* RMB'000	*1 January 2018 – 31 December* 2018** RMB'000
Revenue	**7,060,053**	5,911,744
Gain from continuing operations	**1,507,233**	1,103,242
Other comprehensive income	**–**	–
Total comprehensive income	**1,507,233**	1,103,242
Dividend received from the associate	**57,378**	44,913
Reconciled to the Group's interests in the associate		
Gross amount of net assets of the associate	**9,146,441**	8,156,762
Group's effective interest	**21.11%**	21.11%
Group's share of net assets of the associate	**1,931,166**	1,722,205
Goodwill	**8,825**	8,825
Others	**117,510**	–
Carrying amount in the consolidated financial statements	**2,057,501**	1,731,030

* Figures were quoted from the financial information disclosed by Yaobai Special Cement Group Co., Ltd., a domestic operating entity of Western Cement, as at 30 September, 2019, taking into account overseas consolidation adjustments and adjustments based on fair value at the time of investment.

** Figures were quoted from West Cement's published financial information, and were adjusted based on the fair value adjustment.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INTERESTS IN JOINT VENTURES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Share of net assets	**1,731,440**	1,368,088
Goodwill	**31,672**	31,672
	1,763,112	1,399,760

Details of the Group's interests in joint ventures, which are unlisted and operating in the PRC and overseas, at 31 December 2019 are as follows:

Name of joint venture	Particulars of registered capital and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("Conch Kawasaki Equipment") 安徽海螺川崎裝備製造有限公司	RMB 348,000,000	50%	50%	–	Provision of installation and maintenance services of machinery
Sino-Myanmar International Trading Co., Ltd. ("Sino-Myanmar International") 中緬 (蕪湖) 國際貿易有限公司	USD 90,000,000	45%*	45%	–	Export and import business
PT SDIC Papua Cement Indonesia ("Papua Cement") 國投印尼巴布亞水泥有限公司	USD 80,000,000	49%*	49%	–	Manufacture and sale of clinker and cement product
Myanmar Conch Cement Company Limited ("Myanmar Conch") 緬甸海螺水泥有限公司	USD 44,000,000	45%*	45%	–	Manufacture and sale of clinker and cement product
Myanmar Conch Cement (Yangon) Company Limited ("Yangon Conch") 緬甸海螺(仰光) 水泥有限公司	USD 10,000,000	50%	50%	–	Manufacture and sale of clinker and cement product
Huaibei Mining Xiangshan Cement Company Limited ("Xiangshan Cement") 淮北礦業相山水泥有限責任公司	RMB 408,628,000	40%*	40%	–	Manufacture and sale of clinker and cement product
PT Eternal Richway 印尼富恒利有限公司	USD 2,000,000	49%*	–	49%	Mining and related services

* According to the Articles of Association of these five entities, the Group jointly controls these entities, together with other third parties.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

18 INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of the joint ventures, adjusted for fair value and any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2019 RMB'000	2018 RMB'000
Gross amounts of joint ventures		
Current assets	**3,750,196**	2,536,079
Non-current assets	**4,710,189**	4,920,681
Current liabilities	**(2,779,697)**	(2,488,280)
Non-current liabilities	**(1,429,535)**	(1,550,425)
Equity	**4,251,153**	3,418,055
Equity attributable to equity shareholders of the joint ventures	**4,203,011**	3,383,387
Included in the above assets and liabilities:		
Cash and cash equivalents	**612,601**	268,991
Current financial liabilities (excluding trade and other payables and provisions)	**701,908**	406,523
Revenue	**4,646,850**	3,752,900
Profit from continuing operations	**1,103,291**	471,247
Other comprehensive income	**23,272**	(27,912)
Total comprehensive income	**1,126,563**	443,335
Dividend received from the joint ventures	**131,518**	15,524
Included in the above profit:		
Depreciation and amortisation	**(379,287)**	(299,225)
Interest income	**7,445**	2,787
Interest expense	**(111,123)**	(121,031)
Income tax expense	**(327,247)**	(208,283)

	2019 RMB'000	2018 RMB'000
Reconciled to the Group's interests in joint ventures		
Gross amounts of net assets	**4,203,011**	3,383,387
Group's effective interest	**40% – 50%**	40% – 50%
Group's share of net assets of the joint ventures	**1,730,617**	1,388,774
Goodwill	**31,672**	31,672
Other adjustments	**823**	(20,686)
Carrying amount in the consolidated financial statements	**1,763,112**	1,399,760

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

19 LOANS AND RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Loans and receivables	**522,072**	369,414
Less: current portion of loans and receivables (note 26)	**(147,760)**	(110,000)
	374,312	259,414

As at 31 December 2019, advances of RMB80,000,000 (2018: RMB65,000,000) to government authorities are unsecured, bearing interest at rates from 4.35% to 4.75% (2018: from 4.35% to 4.75%) per annum, and repayable from 2020 to 2021. The remaining advances of RMB442,072,000 (2018: RMB276,454,000) are unsecured, interest-free and repayable from 2020 to 2024.

20 LONG-TERM PREPAYMENTS

The long-term prepayments comprised of a deposit of RMB123,000,000 for acquisition of a third-party company paid in August 2019, and the deposits of RMB10,000,000 for obtaining the mining resource rights. The deposits will not be refunded and are treated as part of the long-term assets when the acquisitions of such long-term assets are completed.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

21 FINANCIAL ASSETS MEASURED AT FVOCI

	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Financial assets measured at FVOCI (non-recycling)			
– Listed equity securities (Non- trading purpose)	(i)	**254,320**	258,680
– Unlisted equity investment (Non-trading purpose)	(ii)	**71,776**	–
		326,096	**258,680**

Note (i): Financial assets measured at FVOCI – listed equity securities held by the Group are shares in Anhui Xinli Finance Co., Ltd which is listed on the Shanghai Stock Exchange ("SSE"). The fair values of these investments are measured with reference to the respective quoted market prices as at 31 December 2019 and 2018.

Note (ii): The Group has newly acquired an unlisted equity investment by exchanging the equity interest in a subsidiary of the Group in July 2019 (see note 40(f)). The fair value of the unlisted equity investment on the acquisition date was determined by an independent appraiser at the amount of RMB71,776,000. As at 31 December 2019, the fair value of the unlisted equity investment is approximately the same as its cost.

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(Expressed in Renminbi Yuan unless otherwise indicated)

22 INVENTORIES

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Raw materials	**2,616,808**	3,001,274
Work in progress	**268,545**	276,731
Finished goods	**2,310,089**	2,355,588
Spare parts	**376,081**	389,124
	5,571,523	6,022,717

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Carrying amount of inventories sold	**104,449,113**	81,061,621
Write down of inventories	**–**	6,702
	104,449,113	81,068,323

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

23 ASSETS HELD FOR SALE

In October 2018, the Group committed to a plan to sell part of land use right and certain property, plant and equipment. Accordingly, those assets are presented as a disposal group held for sale. As at 31 December 2019, the carrying amount of the remaining disposal group was RMB9,811,000, which is lower than the fair value less costs to sell of RMB13,271,000. Efforts to sell the remaining disposal group have started and the sale is expected to be completed in 2020.

At 31 December 2019, the disposal group was stated at carrying amount and comprised the following assets.

	31 December 2019 RMB'000	31 December 2018 RMB'000
Property, plant and equipment	**2,565**	51,104
Land use rights	**7,246**	11,536
Assets held for sale	**9,811**	62,640

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

24 TRADE RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade debtors	**1,287,008**	1,237,501
Less: loss allowance for doubtful debts	**(17,331)**	(10,320)
	1,269,677	1,227,181
Bank acceptance notes receivable, carried at amortised cost	**8,368,902**	9,027,183
Commercial acceptance notes receivable, carried at amortised cost	**6,500**	40,401
Bank acceptance notes receivable, carried at fair value through other comprehensive income	**3,350,586**	4,066,653
	12,995,665	14,361,418

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

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

24 TRADE RECEIVABLES (CONTINUED)

(a) Ageing analysis

The following ageing analysis of trade debtors (net of loss allowance) are based on invoice date as of the statement of financial position date:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 1 year	**1,257,023**	1,224,498
1 to 2 years	**12,654**	2,683
2 to 3 years	**–**	–
More than 3 years	**–**	–
	1,269,677	1,227,181

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. Bank acceptance notes receivable are due within 1 year from the date of issuance.

Further details on the Group's credit policy are set out in note 40(a).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

24 TRADE RECEIVABLES (CONTINUED)

(b) Endorsed bank acceptance notes

As at 31 December 2019, the Group endorsed the undue bank acceptance notes receivable of RMB6,975,154,000 (2018: RMB8,794,473,000) to its suppliers to settle trade payables of the same amounts and derecognised these bank acceptance notes receivable and the payables to suppliers in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bank acceptance notes have been substantially transferred. The Group's continuous involvement in these derecognised undue bank acceptance notes receivable is limited to when the issuance banks of these undue bank acceptance notes are unable to settle the amounts due to the holders of these bank acceptance notes. As at 31 December 2019, the maximum exposure to loss from its continuous involvement represents the amounts of bank acceptance notes receivable of RMB6,975,154,000 (2018: RMB8,794,473,000), which the Group endorsed to its suppliers. The endorsed undue bank acceptance notes receivable will be derecognised if management consider, based on its "risks and rewards" evaluation, that the Group has transferred substantially all of the risks and rewards of ownership of the bank acceptance notes receivable.

As at 31 December 2019, undue bank acceptance notes receivable of RMB3,577,773,000 (2018: RMB3,284,639,000) endorsed to its suppliers to settle the trade payables were not derecognised because management believed that the credit risk of ownership were not substantially transferred. The associated trade payables were also not derecognised. The carrying amounts of these undue bank acceptance notes receivable and trade payables approximate its fair values. All these undue bank acceptance notes receivable were due within 1 year.

(c) Bank acceptance notes receivable, carried at fair value

Due to the requirement of cash management, the Group endorsed part of the bank acceptance notes receivable to the suppliers. The business model of bank acceptance notes management is for the purpose of collecting cash flow of contracts and sales. Therefore, the Group classified bank acceptance notes receivable of RMB3,350,586,000 (2018: RMB4,066,653,000) as bank acceptance notes receivable carried at fair value and whose changes are included in other comprehensive income.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

25 FINANCIAL ASSETS MEASURED AT FVPL

	31 December 2019 RMB'000	31 December 2018 RMB'000
Wealth management products (Note)	**16,782,212**	–
Derivative financial assets	**525**	25,140
	16,782,737	25,140

Note: As at 31 December 2019, the balance represents investments in short-term wealth management products issued by banks. The principal amounts of these products are RMB16,500,000,000 in total, and they bear interests at floating rates. They were classified as financial assets at fair value through profit or loss at 31 December 2019 as their contractual cash flows are not solely payments of principal and interest.

26 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Purchase prepayments	**2,586,246**	2,096,906
Current portion of loans and receivables (note 19)	**147,760**	110,000
Value-added tax recoverable and other tax prepayment	**393,324**	354,623
Interest receivable	**579,762**	294,017
Wealth management product issued by bank and investment income receivable*	**2,070,767**	10,123,877
Other receivables	**717,780**	798,604
	6,495,639	13,778,027

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

* As at 31 December 2019, the balance represents investments in short-term wealth management products issued by banks. The principal amounts of these products are RMB2,000,000,000 in total, with interest rate 4.5% per annum (2018: RMB10,000,000,000 with a fixed interest rate of 4.00% to 4.85% per annum). The principal amounts of these wealth management products is carried at amortised cost and the related principal and investment income will be received in 2020.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

27 AMOUNTS DUE FROM/TO RELATED PARTIES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Amounts due from:		
Papua Cement	**58,043**	47,331
Conch Kawasaki Equipment	**75,866**	81,802
Anhui Conch Construction Materials Design Centre ("Conch Design Institute") 安徽海螺建材設計研究院	**12,772**	14,748
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment") 安徽海螺川崎節能設備製造有限公司	**29,673**	36,933
Myanmar Conch	**30,210**	26,310
Wuhu Conch Investment Ltd. and its subsidiaries ("WH Investment and its subsidiaries") 蕪湖海螺投資有限公司及其附屬公司	**32,122**	23,964
Anhui Conch Kawasak Engineering Co., Ltd. and its subsidiaries ("CK Engineering and its subsidiaries") 安徽海螺川崎工程有限公司及其附屬公司	**2,787**	20,517
Xiangshan Cement and its subsidiaries	**26,411**	7,125
Chengli Construction Material	**30,154**	4,132
PT Eternal Richway	**34,214**	–
Other related parties	**15,567**	20,627
	347,819	283,489

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

27 AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

	31 December 2019 RMB'000	31 December 2018 RMB'000
Amounts due to:		
Conch Kawasaki Equipment	**13,670**	52,702
CK Equipment	**23,321**	82,370
Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu") 蕪湖海創實業有限責任公司	**4,613**	18,597
Papua Cement	**4,111**	15,532
Anhui Conch Information Technology Engineering Co., Ltd. ("Conch IT Engineering") 安徽海螺信息技術工程有限公司	**15,776**	25,985
CK Engineering and its subsidiaries	**27,798**	41,936
Conch Design Institute	**11,663**	5,228
Other related parties	**162,569**	30,878
	263,521	273,228

The amounts due from/to related parties mainly arose from the related party transactions as disclosed in note 41. The amounts due from/to related parties are unsecured and repayable on demand.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

28 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Bank deposits with original maturity within three months	**12,531,184**	2,548,156
Cash at bank and on hand	**9,473,955**	7,309,516
Other cash and cash equivalents	**9,006**	–
Cash and cash equivalents in the statement of financial position and consolidated cash flow statement	**22,014,145**	9,857,672

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

28 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

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

	Note	2019 RMB'000	2018 RMB'000
Profit before taxation		**44,595,861**	39,675,319
Adjustments for:			
Depreciation of investment properties and other property, plant and equipment	6(c)	**4,931,221**	4,647,299
Impairment loss on trade receivables, prepayments and other receivables	6(c)	**7,011**	2,432
Impairment loss on inventories	6(c)	**–**	6,702
Impairment loss on property, plant and equipment	6(c)	**1,164,210**	200,289
Reversal of impairment loss on prepayments and other receivables	6(c)	**(751)**	–
Amortisation of interest in leasehold land held for own use under operating leases	6(c)	**–**	131,005
Amortisation of right-of-use assets		**136,207**	–
Amortisation of intangible assets	6(c)	**203,535**	175,109
Finance costs	6(a)	**446,008**	483,382
Interest income	5	**(1,588,833)**	(1,076,546)
Share of profits of associates		**(381,610)**	(230,767)
Share of profits of joint ventures		**(448,219)**	(205,919)
Net loss on disposal of property, plant and equipment	5	**68,356**	46,643
Net loss on disposal of lease prepayments	5	**–**	7,542
Net realised and unrealised gain on financial assets measured at FVPL	5	**(257,597)**	(22,834)
Net gain on deregistration of investment in an associate	5	**(127)**	–
Net gain on maturity of wealth management products issued by banks	5	**(326,716)**	(198,104)
Net gain on disposal of a subsidiary	5	**(28,615)**	–
Before changes in working capital carried forward		**48,519,941**	43,641,552

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

28 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

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

	2019 RMB'000	2018 RMB'000
Before changes in working capital brought forward	**48,519,941**	43,641,552
Changes in working capital:		
Decrease/(increase) in inventories	**451,058**	(1,238,757)
Decrease/(increase) in trade receivables	**1,651,014**	(657,533)
Increase in prepayments and other receivables	**(470,546)**	(1,418,668)
(Increase)/decrease in amounts due from related parties	**(73,322)**	691
Increase/(decrease) in trade payables	**511,571**	(200,729)
Increase in contract liabilities	**180,335**	3,312,151
Increase/(decrease) in other payables and accruals	**179,343**	(487,752)
Increase in amounts due to related parties	**103,687**	35,822
Increase/(decrease) in deferred income	**4,555**	(14,364)
Cash generated from operations	**51,057,636**	42,972,413

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

28 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

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

	Bank loans and other borrowings RMB'000 (Notes 32&33)	Unsecured debentures RMB'000 (Notes 33)	Other payables and accruals RMB'000 (Note 30)	Lease liabilities RMB'000 (Note 35)	Total RMB'000
At 1 January 2019	6,734,752	3,498,750	7,940,936	–	18,174,438
Impact on initial application of IFRS 16 (Note)	–	–	–	60,630	60,630
At 1 January 2019	6,734,752	3,498,750	7,940,936	60,630	18,235,068
Changes from financing cash flows:					
Proceeds from new bank loans and other borrowings	5,697,238	–	–	–	5,697,238
Repayment of bank loans and other borrowings	(4,664,132)	–	–	–	(4,664,132)
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	–	–	(292,855)	–	(292,855)
Other payments related to financing activities	–	(1,000)	(4,343)	–	(5,343)
Capital element of lease rentals paid	–	–	–	(20,111)	(20,111)
Total changes from financing cash flows	1,033,106	(1,000)	(297,198)	(20,111)	714,797
Exchange adjustments	31,249	–	–	–	31,249

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

28 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans and other borrowings RMB'000 (Notes 32&33)	Unsecured debentures RMB'000 (Notes 33)	Other payables and accruals RMB'000 (Note 30)	Lease liabilities RMB'000 (Note 35)	Total RMB'000
Other changes:					
Changes arising from operating and investing activities	(10,000)	304	311,988	(2,798)	299,494
Increase in lease liabilities from entering into new leases during the year	–	–	–	17,387	17,387
Dividends declared to non-controlling interests of non-wholly owned subsidiaries	–	–	292,855	–	292,855
Total other changes	(10,000)	304	604,843	14,589	609,736
At 31 December 2019	7,789,107	3,498,054	8,248,581	55,108	19,590,850

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

28 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans and other borrowings RMB'000 (Notes 32&33)	Unsecured debentures RMB'000 (Notes 33)	Other payables and accruals RMB'000 (Note 30)	Total RMB'000
At 1 January 2018	7,981,252	5,997,766	8,423,956	22,402,974
Changes from financing cash flows:				
Proceeds from new bank loans and other borrowings	1,389,385	–	–	1,389,385
Repayment of bank loans and other borrowings	(2,732,265)	(2,500,000)	–	(5,232,265)
Dividends paid to non-controlling interests of non-wholly owned subsidiaries	–	–	(352,322)	(352,322)
Other payments related to financing activities	–	–	(35,059)	(35,059)
Total changes from financing cash flows	(1,342,880)	(2,500,000)	(387,381)	(4,230,261)
Exchange adjustments	70,610	–	–	70,610
Other changes:				
Changes arising from operating and investing activities	25,770	984	(189,896)	(163,142)
Dividends declared to non-controlling interests of non-wholly owned subsidiaries	–	–	94,257	94,257
Total other changes	25,770	984	(95,639)	(68,885)
At 31 December 2018	6,734,752	3,498,750	7,940,936	18,174,438

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

29 TRADE PAYABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade payables	**7,145,833**	6,341,351

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 1 year (inclusive)	**7,136,013**	6,330,341
Between 1 year and 2 years (inclusive)	**6,270**	4,938
Between 2 years and 3 years (inclusive)	**89**	622
Over 3 years	**3,461**	5,450
	7,145,833	6,341,351

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

30 OTHER PAYABLES AND ACCRUALS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Construction cost payables	**1,225,985**	943,620
Deposits from suppliers	**1,161,174**	999,345
Retention monies	**442,340**	329,678
Expense accruals	**562,763**	621,109
Value-added tax payables	**1,607,880**	1,968,398
Other taxes payables	**1,200,714**	1,123,134
Interest payable	**50,860**	44,660
Payables for acquisition of subsidiaries	**399,341**	547,431
Payroll payables	**1,480,292**	1,246,100
Other payables	**117,232**	117,461
	8,248,581	7,940,936

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

31 CONTRACT LIABILITIES

Contract liabilities	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Receipts in advance from customers		
– For purchase of clinker and cement products	**3,492,486**	3,312,151
	3,492,486	3,312,151

Movements in contract liabilities

	2019 RMB'000
Balance at 1 January	**3,312,151**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(3,312,151)**
Net increase in contract liabilities as a result of cash receipts in advance from customers for purchase of clinker and cement products (net off the contract liabilities as a result of recognising revenue during the year)	**3,492,486**
Balance at 31 December	**3,492,486**

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

32 CURRENT BANK LOANS AND OTHER BORROWINGS

The analysis of the carrying amount of current bank loans and other borrowings is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Bank loans (note 34)		
– unsecured	**3,917,815**	4,128,170
	3,917,815	4,128,170

33 NON-CURRENT BANK LOANS AND OTHER BORROWINGS

(a) The analysis of the carrying amount of non-current interest-bearing borrowings is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Bank loans (note 34)		
– unsecured	**3,871,292**	2,606,582
Unsecured debentures (note 33(b))	**3,498,054**	3,498,750
	7,369,346	6,105,332

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

33 NON-CURRENT BANK LOANS AND OTHER BORROWINGS (CONTINUED)

(b) Significant terms and repayment schedule of non-bank borrowings:

In November 2012, the Company issued corporate bonds with an aggregate principal amount of RMB3,500,000,000 with a maturity period of 10 years ("10-year bond"). The 10-year bond carried fixed annual interest rate of 5.10%, which is repaid annually.

In accordance with the terms of the above 10-year bond, the Company had an option to adjust corporate bond coupon rate in the seventh year from the issuance of corporate bonds, i.e. 2019 then the investors of 10-year bond could determine whether they would sell the corporate bonds back to the Company earlier in 2019. In September 2019, the Company published the announcements that the Company would not adjust corporate bond coupon rate of 10-year bond and published the corresponding corporate bond repurchase announcement. The final repurchased principal amount were RMB1,000,000 during the year ended 31 December 2019. The remaining principal amount of the 10-year bond will be fully repayable on 7 November 2022.

Conch Holdings provides unconditional and irrevocable joint liability guarantee for the above bonds over the respective maturity periods.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

34 BANK LOANS

At 31 December 2019, the bank loans were repayable as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 1 year or on demand (note 32)	**3,917,815**	4,128,170
After 1 year but within 2 years	**991,555**	779,710
After 2 years but within 5 years	**2,524,737**	1,266,955
After 5 years	**355,000**	559,917
Total non-current bank loans (note 33 (a))	**3,871,292**	2,606,582
	7,789,107	6,734,752

As at 31 December 2019, total available banking facilities of the Group amounted to RMB72,313,477,000 (2018: RMB135,389,793,000). These facilities were utilised as bank loans to the extent of RMB7,789,107,000 (2018: RMB6,734,752,000) as at 31 December 2019.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

35 LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 31 December 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**20,275**	**20,741**	18,979	19,476
After 1 year but within 2 years	**14,389**	**15,475**	12,749	13,679
After 2 years but within 5 years	**11,597**	**13,291**	19,957	24,633
After 5 years	**8,847**	**18,799**	8,945	20,106
	34,833	**47,565**	41,651	58,418
	55,108	**68,306**	60,630	77,894
Less: total future interest expense		**(13,198)**		(17,264)
Present value of lease liabilities		**55,108**		60,630

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to IFRS 16 are set out in note 2(c)

Notes to the financial statements (continued)

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36 LONG-TERM PAYABLES

The remaining contractual maturities of the Group's long-term payables at the end of the reporting period are as follows:

	At 31 December 2019		At 31 December 2018	
	Present value of the long-term payments RMB'000	**Total long-term payments RMB'000**	Present value of the long-term payments RMB'000	Total long-term payments RMB'000
Within 1 year	**437,358**	**474,262**	–	–
After 1 year but within 2 years	**458,132**	**474,262**	–	–
	895,490	**948,524**	–	–
Less: total future interest expense		**(53,034)**		–
Present value of long-term payables		**895,490**		–

Pursuant to an agreement entered into between a subsidiary of the Group and Jiande Urban Planning and Natural Resources Bureau on 10 September 2019, the cash consideration of RMB1,580,872,000 in respect of the acquisition of certain mining rights is payable between 2019 and 2021, of which RMB632,349,000 was settled in 2019 and the remaining RMB474,262,000 and RMB474,262,000 will be settled in 2020 and 2021.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

37 DEFERRED INCOME

	2019 RMB'000	2018 RMB'000
At 1 January	**634,579**	614,099
Government grants received (note)	**75,246**	94,847
Recognised in the consolidated statement of profit or loss	**(70,691)**	(74,367)
At 31 December	**639,134**	634,579

Note: Deferred income mainly represents the government grants received from relevant PRC authorities for property, plant and equipment improvement, such as energy-efficiency improvement. The grants are recognised in the consolidated statement of profit or loss over the estimated useful lives of the respective assets. There are no unfulfilled conditions and contingencies relating to the grants.

38 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2019 RMB'000	2018 RMB'000
Balance at 1 January	**4,091,176**	1,857,619
Provision for the year (note 7(a))	**10,091,808**	9,147,004
Tax paid during the year	**(10,319,431)**	(6,913,447)
Balance at 31 December	**3,863,553**	4,091,176
Representing:		
Tax recoverable	**(31,768)**	(64,949)
Tax payable	**3,895,321**	4,156,125
	3,863,553	4,091,176

38 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

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

Deferred tax arising from:	Expected credit loss allowances and impairment RMB'000	Unrealised profits (Note) RMB'000	Arising from business combination RMB'000	Tax losses RMB'000	Deferred deductible expense RMB'000	Property, plant and equipment RMB'000	Deferred income RMB'000	Fair value change of financial asset measured at FVOCI RMB'000	Financial assets measured at FVPL RMB'000	Total RMB'000
At 1 January 2018	(95,954)	(335,090)	258,442	(184,081)	-	5,300	(65,116)	104,050	577	(311,872)
Charged/(credited) to income statement	(42,755)	(46,049)	(26,299)	(2,529)	(163,333)	142,803	(21,369)	-	5,708	(153,823)
Credited to reserves	-	-	-	-	-	-	-	(50,682)	-	(50,682)
Arising from acquisition	-	-	28,818	-	-	-	-	-	-	28,818
At 31 December 2018	(138,709)	(381,139)	260,961	(186,610)	(163,333)	148,103	(86,485)	53,368	6,285	(487,559)
At 1 January 2019	(138,709)	(381,139)	260,961	(186,610)	(163,333)	148,103	(86,485)	53,368	6,285	(487,559)
Charged/(credited) to income statement	(175,103)	(18,617)	(11,240)	59,020	1,373	205,325	(11,995)		64,268	113,031
Credited to reserves	-	-	-	-	-	-	-	(1,090)	-	(1,090)
At 31 December 2019	(313,812)	(399,756)	249,721	(127,590)	(161,960)	353,428	(98,480)	52,278	70,553	(375,618)

Note: The unrealised profits arose from intra-group sales of inventories and property, plant and equipment, intra-group borrowings, and sale of inventories and property, plant and equipment to/from associates and joint ventures.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

38 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (continued)

(ii) Reconciliation to the consolidated statement of financial position

	31 December 2019 RMB'000	31 December 2018 RMB'000
Net deferred tax assets recognised on the consolidated statement of financial position	**(1,099,391)**	(953,856)
Net deferred tax liabilities recognised on the consolidated statement of financial position	**723,773**	466,297
	(375,618)	(487,559)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB108,814,000 (2018: RMB15,934,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The Group has not recognised deferred tax assets in respect of certain impairment of property, plant and equipment of RMB48,293,000 (2018: Nil) for the same reason mentioned above.

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39 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company	Note	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Fair value reserve (non-recycling)	Retained profits (note)	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018		5,299,303	16,579,355	217,270	2,649,654	312,150	56,395,062	81,452,794
Changes in equity for 2018:								
Total comprehensive income		–	–	–	–	(152,047)	27,465,554	27,313,507
Dividends approved in respect of the previous year	39(b)	–	–	–	–	–	(6,359,163)	(6,359,163)
Balance at 31 December 2018 (note)		5,299,303	16,579,355	217,270	2,649,654	160,103	77,501,453	102,407,138
Impact on initial application of IFRS16		–	–	–	–	–	–	–
Balance at 1 January 2019		5,299,303	16,579,355	217,270	2,649,654	160,103	77,501,453	102,407,138
Changes in equity for 2019:								
Total comprehensive income		–	–	–	–	(3,270)	16,459,259	16,455,989
Dividends approved in respect of the previous year	39(b)	–	–	–	–	–	(8,955,821)	(8,955,821)
Balance at 31 December 2019		5,299,303	16,579,355	217,270	2,649,654	156,833	85,004,891	109,907,306

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2019 **RMB'000**	2018 RMB'000
Final dividend proposed after the statement of financial position date of RMB2.00 (2018: RMB1.69) per ordinary share	**10,598,605**	8,955,821

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.

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

	2019 **RMB'000**	2018 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB1.69 (2018: RMB1.2) per ordinary share	**8,955,821**	6,359,163

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Registered and issued share capital

	31 December 2019		31 December 2018	
	No. of shares ('000)	**Amount RMB'000**	No. of shares ('000)	Amount RMB'000
Registered:				
H shares of RMB1 each	**1,299,600**	**1,299,600**	1,299,600	1,299,600
A shares of RMB1 each	**3,999,703**	**3,999,703**	3,999,703	3,999,703
	5,299,303	**5,299,303**	5,299,303	5,299,303
Issued and fully paid:				
H shares of RMB1 each	**1,299,600**	**1,299,600**	1,299,600	1,299,600
A shares of RMB1 each	**3,999,703**	**3,999,703**	3,999,703	3,999,703
	5,299,303	**5,299,303**	5,299,303	5,299,303

The Company issued 361,000,000 H shares with a par value of RMB1.00 each in October 1997 at an issue price of Hong Kong Dollars (the "HKD") 2.28 per share. The H shares were listed on the Stock Exchange of Hong Kong Limited on 21 October 1997.

The Company issued 200,000,000 A shares with a par value of RMB1.00 each in January 2002 at an issue price of RMB4.10 per share. The A shares were listed on the Shanghai Stock Exchange ("SSE") on 7 February 2002.

The Company issued 72,200,000 H shares with a par value of RMB1.00 each at an issue price of HKD8.20 per share in November 2003.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(i) Registered and issued share capital (continued)

According to the resolution of the A-share shareholders' meeting held on 20 February 2006, the Proposal of Share Segregation Reform of Anhui Conch Cement Company Limited ("the Proposal") was approved whereby Conch Holdings agreed to pay cash consideration of RMB15 for every 10 floating A shares held by holders of floating A shares at the total amount of RMB300,000,000 with a view to obtaining a restricted listing right for the 622,480,000 non-floating state-owned shares of the Company then held by Conch Holdings. After the implementation of the Proposal, the proportion and number of shares in the Company held by holders of A shares and state-owned shares as well as the total issued share capital of the Company remained unchanged. The State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province ("SASAC") approved the Proposal on 15 February 2006.

On 1 March 2007, the board of directors of the Company applied to the SSE for the listing of the 62,784,000 shares with trading restrictions (representing approximately 5% of the total issued shares of the Company at 31 December 2006) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 62,784,000 shares with trading restrictions on 7 March 2007.

On 24 April 2007, the Company obtained the approval of CSRC and (i) issued an aggregate of 22,755,147 A shares to Conch Holdings as consideration for the acquisition of 100% equity interest of Ningchang Plastic, 75% equity interest of Wuhu Plastic and 100% equity interest of Conch International Trading; and (ii) issued an aggregate of 287,999,046 A shares to Anhui Conch Venture Investment Co. Limited ("CV Investment") (安徽海螺創業投資有限責任公司) as consideration for the acquisition of 49% equity interest in Digang Conch, 49% equity interest in Zongyang Conch, 49% equity interest in Chizhou Conch and 31.86% equity interest in Tongling Conch. Pursuant to these transactions, the registered capital of the Company was increased to RMB1,566,434,193 by the issuance of an additional 310,754,193 restricted A shares of RMB1 each, ranking pari passu with the then existing shares of the Company in all respects, except for the trading restrictions as noted above.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(i) Registered and issued share capital (continued)

On 25 February 2008, the board of directors of the Company applied to the SSE for the listing of the 62,784,000 A shares with trading restrictions (representing approximately 4% of the total issued shares of the Company at 31 December 2007) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 62,784,000 shares with trading restrictions on 3 March 2008.

The Company issued 200,000,000 A shares with a par value of RMB1.00 each in May 2008 at an issue price of RMB57.38 per share, ranking pari passu with the then existing shares of the Company in all respects. The aforementioned A shares were listed on the SSE on 28 May 2008.

On 25 February 2009, the board of directors of the Company applied to the SSE for the listing of the 496,912,000 shares with trading restrictions (representing approximately 28% of the total issued shares of the Company at 31 December 2008) in the Company held by Conch Holdings on the SSE. The SSE approved the listing of such 496,912,000 shares with trading restrictions on 2 March 2009.

On 20 May 2010, the board of directors of the Company applied to the SSE for the listing of the 310,754,000 shares with trading restrictions (representing approximately 18% of the total issued shares of the Company at 31 December 2009) in the Company held by Conch Holdings, CV Investment and Ping An Trust and Investment Co., Ltd. on the SSE. The SSE approved the listing of such 310,754,000 shares with trading restrictions on 26 May 2010.

A shares and H shares rank pari passu in all respects, except that dividends on A shares are payable in RMB, while dividends on H shares are payable in HKD.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(ii) Capitalisation issue

The 2010 Annual General Meeting held on 31 May 2011 approved the bonus issue of 5 shares for every 10 shares held by the shareholders as at 15 June 2011. As a result, the issued share capital of the Company increased from RMB3,532,868,000 to RMB5,299,303,000 after capitalisation of share premium of RMB1,766,435,000.

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents net assets acquired from Conch Holdings in excess of the par value of shares issued, and proceeds from the issuance of H shares and A shares (or fair value of A shares) issued in excess of their par value, net of underwriting commissions, professional fees and other reorganisation costs for listing purpose.

(ii) Capital reserve

The capital reserve comprises the following:

– the differences between the cost of acquisition of non-controlling interests in subsidiaries and the carrying amount of the net assets additionally acquired;

– cash contributed by Conch Holdings; and

– share of change of capital reserve of the investees.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iii) Statutory surplus reserve

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

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

For the year ended 31 December 2019, the subsidiaries of the Company appropriated the statutory surplus reserve in accordance with the articles of association. No statutory surplus reserve was appropriated for the Company in 2019, since the balance of the statutory surplus reserve reached 50% of the registered capital of the Company.

(iv) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see note 2(g)).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(v) Retained earnings

The distribution of dividends is made in accordance with the Company's articles of association at the recommendation of the Board of Directors and subject to approval by shareholders in general meetings. Pursuant to the Notice [1995] 31 issued by the Ministry of Finance of the PRC on 24 August 1995, the amount of profit available for distribution to equity shareholders will be determined based on the lower of unappropriated profits in the Company's financial statements determined in accordance with (i) CAS and regulations, and (ii) IFRSs.

(e) Capital management

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

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

The Group monitors its capital structure on the basis of the adjusted net debt-to-capital ratio. For this purpose adjusted net debt is calculated as bank loans and other borrowings plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital represents total equity attributable to equity shareholders of the Company, less unaccrued proposed dividends.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

39 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (continued)

During 2019, the Group's strategy, which was unchanged from 2018, was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to IFRS 16 was as follows:

	Note	**31 December 2019 RMB'000**	1 January 2019 RMB'000	31 December 2018 RMB'000
Current liabilities:				
Bank loans and other borrowings	32	**3,917,815**	4,128,170	4,128,170
Lease liabilities	35	**20,275**	18,979	–
Non-current liabilities:				
Bank loans and other borrowings	33(a)	**7,369,346**	6,105,332	6,105,332
Lease liabilities	35	**34,833**	41,651	–
Total debt		**11,342,269**	10,294,132	10,233,502
Add: Proposed dividends	39(b)	**10,598,605**	8,955,821	8,955,821
Less: Cash and cash equivalents	28(a)	**(22,014,145)**	(9,857,672)	(9,857,672)
Adjusted net debt		**(73,271)**	9,392,281	9,331,651
Total equity attributable to equity shareholders of the Company		**137,186,402**	112,476,588	112,476,588
Less: Proposed dividends	39(b)	**(10,598,605)**	(8,955,821)	(8,955,821)
Adjusted capital		**126,587,797**	103,520,767	103,520,767
Adjusted net debt-to-capital ratio		**N/A**	9.07%	9.01%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, bank acceptance notes receivable and derivative financial assets is limited because the counterparties are banks and financial institutions, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 42, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 42.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2019: 31.31% (2018: 25.74%) of the total trade receivables was due from the Group's five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 60 days from the date of billing. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

Trade receivables (continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors as at 31 December 2019 and 2018:

		2019	
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**0%**	**1,121,012**	**–**
1 – 3 months past due	**0%**	**88,775**	**–**
3 – 6 months past due	**5%**	**31,576**	**1,578**
6 – 12 months past due	**10%**	**19,153**	**1,915**
12 – 24 months past due	**20%**	**15,818**	**3,164**
More than 24 months past due	**100%**	**10,674**	**10,674**
		1,287,008	**17,331**

		2018	
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0%	1,145,113	–
1 – 3 months past due	0%	68,735	–
3 – 6 months past due	5%	9,299	465
6 – 12 months past due	10%	2,018	202
12 – 24 months past due	20%	3,354	671
More than 24 months past due	100%	8,982	8,982
		1,237,501	10,320

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

Trade receivables (continued)

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade debtors during the year is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Balance at 1 January	**10,320**	8,982
Amounts written off during the year	**(1,061)**	–
Impairment losses recognised during the year	**8,072**	1,338
Balance at 31 December	**17,331**	10,320

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

Other than endorsed bank acceptance notes with full recourse which were derecognised by the Group (see note 24), the following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2019 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade payables	7,145,833	-	-	-	7,145,833	7,145,833
Other payables and accruals	3,959,694	-	-	-	3,959,694	3,959,694
Bank loans and other borrowings	4,293,338	982,233	6,022,112	812,352	12,110,035	11,287,161
Lease liabilities	20,741	15,475	13,291	18,799	68,306	55,108
Current portion of long-term payables	474,262	-	-	-	474,262	437,358
Long-term payables	-	474,262	-	-	474,262	458,132
Amounts due to related parties	262,316	-	-	-	262,316	262,316
	16,156,184	1,471,970	6,035,403	831,151	24,494,708	23,605,602

	2018 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade payables	6,341,351	–	–	–	6,341,351	6,341,351
Other payables and accruals	3,603,303	–	–	–	3,603,303	3,603,303
Bank loans and other borrowings	4,503,087	805,481	5,506,359	614,157	11,429,084	10,233,502
Amounts due to related parties	272,277	–	–	–	272,277	272,277
	14,720,018	805,481	5,506,359	614,157	21,646,015	20,450,433

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings at the end of the reporting period.

	2019		2018	
	Interest rate %	**RMB'000**	Interest rate %	RMB'000
Net fixed rate borrowings:				
Bank loans	**2.48%~4.15%**	**2,781,568**	1.97% ~ 8.80%	3,134,463
Unsecured debentures	**5.10%**	**3,498,054**	5.10%	3,498,750
Lease liabilities	**3.98%~7.50%**	**55,108**	–	–
Long-term payables	**4.75%**	**458,132**	–	–
Current portion of long-term payables	**4.75%**	**437,358**	–	
Less: Loans and receivables	**4.35%~4.75%**	**(30,000)**	4.35% ~ 6.00%	(32,960)
Amounts due from related parties	**6.00%**	**(27,960)**	–	–
Prepayments and other receivables	**4.35%~4.75%**	**(2,050,000)**	4.00% ~ 4.85%	(10,060,000)
Restricted cash deposits	**1.35%~3.99%**	**(246,928)**	0.46% ~ 3.85%	(177,588)
Bank deposits with maturity over three months	**3.95%~4.30%**	**(32,503,597)**	3.30% ~ 5.00%	(27,503,597)
Bank deposits with maturity within three months	**1.00%~5.60%**	**(12,531,184)**	3.73% ~ 5.55%	(2,548,156)
		(40,159,449)		(33,689,088)
Variable rate borrowings:				
Bank loans	**2.66%~4.51%**	**5,007,539**	3.48% ~ 4.67%	3,600,290
Less: Restricted cash deposits	**0.03%~1.67%**	**(212,408)**	0.30% ~ 3.30%	(80,250)
Cash and cash equivalents	**0.04%~8.00%**	**(9,481,668)**	0.06% ~ 7.20%	(7,309,158)
		(4,686,537)		(3,789,118)
Total		**(44,845,986)**		(37,478,206)

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB36,332,000 (2018: increased/decreased RMB28,885,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to fair value interest rate risk arising from fixed rate non-derivative instruments held by the Group at the end of the reporting period, the Group does not account for any fixed rate non-derivative instruments at fair value through profit or loss. Therefore a change in interest rate at the end of the reporting period would not affect profit or loss. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2018.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables, bank loans and other borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are United States Dollar, Thai Baht, Hong Kong Dollar and RMB. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of cash and cash equivalents, receivables, payables, bank loans and other borrowings denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date (United States Dollar referred to as "USD", Thai Baht referred to as "THB", Hong Kong Dollar referred to as "HKD"):

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

	Exposure to foreign currencies (expressed in RMB'000)							
	2019				2018			
	USD	**THB**	**HKD**	**RMB**	USD	THB	HKD	RMB
The functional currency is RMB:								
Trade receivables	**547**	**-**	**3,963**	**-**	7,065	-	6,390	-
Trade payables	**(22,863)**	**-**	**-**	**-**	(115,619)	-	-	-
Cash and cash equivalents	**598,394**	**-**	**42,386**	**-**	56,562	-	8,990	-
Bank loans and other borrowings	**(319,541)**	**-**	**-**	**-**	-	-	-	-
The functional currency is Indonesia Rupiah:								
Cash and cash equivalents	**109,139**	**-**	**-**	**73,908**	45,315	-	-	58,303
Bank loans and other borrowings	**(2,050,523)**	**-**	**-**	**(1,777,925)**	(782,404)	-	-	(1,807,475)
Trade payables	**(103)**	**-**	**-**	**(36,294)**	(305)	-	-	-
The functional currency is Lao Kip:								
Cash and cash equivalents	**2,159**	**1**	**-**	**19,596**	2,656	-	-	15,691
Trade receivables	**-**	**-**	**-**	**-**	-	-	-	4,318
Trade payables	**(7,866)**	**-**	**-**	**(14,087)**	-	-	-	31
The functional currency is Myanmar Kyat:								
Cash and cash equivalents	**132,670**	**-**	**-**	**-**	30,440	-	-	-
Bank loans and other borrowings	**-**	**-**	**-**	**(380,000)**	-	-	-	-
The function currency is Uzbekistani Som:								
Cash and cash equivalents	**47,893**	**-**	**-**	**-**	18,920	-	-	-
Gross exposure arising from recognised assets and liabilities	**(1,510,094)**	**1**	**46,349**	**(2,114,802)**	(737,370)	-	15,380	(1,729,132)
Notional amounts of swap contract	**52,369**	**-**	**-**	**-**	514,740	-	-	-
Net exposure arising from recognised assets and liabilities	**(1,457,725)**	**1**	**46,349**	**(2,114,802)**	(222,630)	-	15,380	(1,729,132)

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2019		2018	
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase in profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits RMB'000
USD	**1%**	**(10,933)**	1%	(1,670)
THB	**1%**	**–**	1%	–
HKD	**1%**	**348**	1%	115
RMB	**1%**	**(15,861)**	1%	(12,969)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2018.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments held for non-trading purpose (see Note 21).

The Group mitigates the risk associated with investments in equity securities by making strategic investment with its disposable fund pursuant to the authorisation of the board of directors, and by limiting the investments to certain listed domestic companies with considerable scale, competitive advantage and development potential.

The scale of such investments is controlled under a reasonable cap, and investment strategies are designed collectively by the Group based on securities market conditions and the corporate governance of the targeted companies.

In compliance with PRC laws and regulations and based on the Group's investment strategy, investments in equity securities are held for non-trading purpose, which are then monitored and managed under these classifications respectively.

Listed investments that are held for non-trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk (continued)

At 31 December 2019, it is estimated that an increase/(decrease) of 1% (2018: 1%) in the relevant stock price (for listed investments), with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

		2019			2018	
		Effect on profit after tax and retained profits	**Effect on fair value reserve**		Effect on profit after tax and retained profits	Effect on fair value reserve
		RMB'000	**RMB'000**		RMB'000	RMB'000
Change in quoted share price						
Increase	**1%**	**–**	**1,907**	1%	–	1,940
Decrease	**(1%)**	**–**	**(1,907)**	(1%)	–	(1,940)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and fair value reserve that would arise assuming that the changes in the respective quoted share prices had occurred at the statement of financial position date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant share price, that none of the Group's non-trading equity investments would be considered impaired as a result of the short-term fluctuation of the relevant share price, and that all other variables remain constant. The analysis is performed on the same basis for 2018.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value measurement

(i) Financial instruments carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

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

- Level 3: Fair value measured using significant unobservable inputs

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value measurement (continued)

(i) Financial instruments carried at fair value (continued)

		Fair value measurements as at 31 December 2019 using		
	Fair value at 31 December 2019	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement				
Financial assets:				
Financial assets measured at FVPL:				
– Wealth management product issued by bank	16,782,212	–	16,782,212	
– Derivative financial Instruments	525	–	525	–
Financial assets measured at FVOCI:				
– Listed equity securities	254,320	254,320	–	–
– Unlisted equity securities	71,776	–	–	71,776
– Bank acceptance notes	3,350,586		3,350,586	–
	20,459,419	254,320	20,133,323	71,776

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value measurement (continued)

(i) Financial instruments carried at fair value (continued)

		Fair value measurements as at 31 December 2018 using		
	Fair value at 31 December 2018	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments	25,140	–	25,140	–
Financial assets measured at FVOCI:				
– Listed equity securities	258,680	258,680	–	–
– Bank acceptance notes	4,066,653	–	4,066,653	–
	4,350,473	258,680	4,091,793	–

During the years ended 31 December 2018 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

Derivative financial instruments in Level 2 are cross-currency swap contracts. The fair value of cross-currency swap contracts are determined using option model and observable inputs.

For wealth management product issued by banks that are measured at fair value through profit and loss, the fair value is determined by calculating based on the discounted cash flow method.

For bank acceptance notes that are measured at fair value through other comprehensive income, the fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair value measurement (continued)

(i) Financial instruments carried at fair value (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of unlisted equity securities is determined based on medium market multiples (e.g. price-to-earnings ratio, price-to-sales ratio) of comparable companies or comparable transactions with a discount for lack of marketability as appropriate. As the acquisition of these unlisted equity securities are near to the year end, the fair value of unlisted equity securities is approximate to the cost of obtaining the equity securities.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019 and 2018.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

41 COMMITMENTS

(a) Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	2019 **RMB'000**	2018 RMB'000
Contracted for	**3,979,444**	1,089,377
Authorised but not contracted for	**871,538**	1,426,958
	4,850,982	2,516,335

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties RMB'000	**Others** RMB'000	**Total** RMB'000
Within 1 year	18,918	817	19,735
After 1 year but within 5 years	34,732	3,268	38,000
After 5 years	105	20,866	20,971
	53,755	24,951	78,706

The Group is the lessee in respect of a number of properties and items of plant and land use rights which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

42 CONTINGENT LIABILITIES

At 31 December 2019, the Company has issued guarantees to banks in respect of bank loans of its subsidiaries amounting to RMB7,738,858,000 (2018: RMB6,722,287,000). The Company has issued guarantees to banks in respect of banking facilities of its subsidiaries amounting to RMB1,945,133,000 (2018: RMB850,896,000). The directors do not consider it probable that a claim will be made against the Company under any of these guarantees.

At 31 December 2019, outstanding letters of credit issued by the Group amounted to RMB145,297,000 (2018: RMB92,291,000). The directors do not consider it probable that the outstanding letters of credit issued would cause additional financial risk.

At 31 December 2019, the Group has issued guarantees to banking facilities of its related parties, Papua Cement and Myanmar Conch, amounting to RMB1,061,695,000 in aggregate (2018: RMB995,992,000). These facilities were utilised to the extent of RMB1,061,695,000 (2018: RMB995,992,000) as at 31 December 2019. The directors do not consider it probable that a claim will be made against the Group under any of these guarantees.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related parties information

In addition to the associates and joint ventures of the Group as disclosed in notes 17 and 18 of these financial statements, the directors are of the view that the following entities are related parties of the Group.

Name of related party	Nature of relationship
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of the Company
China Conch Venture Holdings Limited (“China Conch Venture”) 中國海螺創業控股有限公司	Major shareholder of Conch Holdings
Conch Profiles and Science Co., Ltd. and its subsidiaries (“Conch Profiles and Science and its subsidiaries”) 蕪湖海螺型材科技股份有限公司及其附屬公司	Subsidiary of Conch Holdings
Wuhu Conch International Hotel (“WH Conch Hotel”) 蕪湖海螺國際大酒店	Subsidiary of Conch Holdings
Conch Design Institute 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Conch IT Engineering 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Holdings
Conch New Materials and its subsidiaries 安徽海螺新材料科技有限公司及其附屬公司	Subsidiary of Conch Holdings
Conch New Energy Co., Ltd. and its subsidiaries (“Conch New Energy and its subsidiaries”) 安徽海螺新能源有限公司及其附屬公司	Subsidiary of Conch Holdings
Anhui Jinggong Testing and Inspection Center Co., Ltd. (“Jinggong Testing”) 安徽精公檢測檢驗中心有限公司	Subsidiary of Conch Holdings

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related parties information (continued)

Name of related party	Nature of relationship
Wuhu Conch Trading Co., Ltd. (“WH Trading”) 蕪湖海螺貿易有限公司	Subsidiary of Conch Holdings
Anhui International Trade Group Holding Co., Ltd. (“Anhui International Trade”) 安徽國貿集團控股有限公司	Subsidiary of Conch Holdings
CK Engineering and its subsidiaries 安徽海螺川崎工程有限公司及其附屬公司	Subsidiary of China Conch Venture
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. (“CK Equipment”) 安徽海螺川崎節能設備製造有限公司	Subsidiary of China Conch Venture
Yangzhou Haichang Port Industrial Co.,Ltd. (“HC Port”) 揚州海昌港務實業有限責任公司	Subsidiary of China Conch Venture
Anhui Haizhong Environmental Protection Co., Ltd. and its subsidiaries (“Haizhong Environmental and its subsidiaries”) 安徽海中環保有限責任公司及其附屬公司	Subsidiary of China Conch Venture
Anhui Conch Venture New Energy-saving Construction Material Co., Ltd. (“Conch Venture Green”) 安徽海創新型節能建築材料有限責任公司	Subsidiary of China Conch Venture
Bozhou Conch Venture New Energy-saving Construction Material Co., Ltd. (“Bozhou Conch Venture Green”) 亳州海創新型節能建築材料有限責任公司	Subsidiary of China Conch Venture
WH Investment and its subsidiaries 蕪湖海螺投資有限公司及其附屬公司	Subsidiary of China Conch Venture

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related parties information (continued)

Name of related party	Nature of relationship
Conch Venture Wuhu 蕪湖海創實業有限責任公司	Subsidiary of China Conch Venture
WH Electric Conch Clean Energy (“Clean Energy”) 蕪湖市國家電投海螺清潔能源有限公司	Joint venture of the subsidiary of Conch Holdings
Conch Kawasaki Equipment 安徽海螺川崎裝備製造有限公司	Joint venture of the Company
Papua Cement 印尼巴布亞水泥有限公司	Joint venture of the Company
Sino-Myanmar International 中緬(蕪湖)國際貿易有限公司	Joint venture of the Company
Myanmar Conch 緬甸海螺水泥有限公司	Joint venture of the Company
Yangon Conch 緬甸海螺 (仰光) 水泥有限公司	Joint venture of the Company
PT Eternal Richway 印尼富恒利有限公司	Joint venture of the Company
Xiangshan Cement 淮北礦業相山水泥有限責任公司	Joint venture of the Company
West Cement 中國西部水泥有限公司	Associate of the Company
Chengli Construction Material 建德市成利建材有限公司	Under the trust of the Group

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies

The Group has entered into the following material related party transactions:

(i) Transactions with Conch Holdings

	2019 RMB'000	2018 RMB'000
Receiving services and purchase of goods	**34,443**	33,310
Interest expense on lease liabilities*	**49**	–
Purchase of right-of-use assets*	**4,644**	–
Provision of services and sales of goods	**1,702**	1,708

As at 31 December 2019, bank loans and other borrowings amounting to RMB3,500,000,000 (31 December 2018: RMB3,500,000,000) are guaranteed by Conch Holdings.

* The Group has initially applied IFRS 16 using the modified retrospective approach and recognised right-of-use assets of RMB1,678,000 acquired from Conch Holdings and corresponding lease liabilities of RMB1,678,000 due to Conch Holdings as at 1 January 2019.

The amount of rent paid/payable by the Group under such leases is RMB1,642,000 for the year ended 31 December 2019.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(ii) Transactions with other related parties

	2019	2018
	RMB'000	RMB'000
Sales of goods	**262,328**	362,378
Sales of assets	**21,262**	12,825
Provision of services	**129,185**	90,288
Purchase of property, plant and equipment	**330,024**	438,087
Purchase of materials	**2,413,839**	879,167
Purchase of right-of-use assets*	**26**	–
Interest expense on lease liabilities*	**94**	–
Receiving services	**307,570**	316,549
Interest on loans	**1,701**	1,701

* The Group has initially applied IFRS 16 using the modified retrospective approach and recognised right-of-use assets of RMB2,219,000 acquired from other related parties and corresponding lease liabilities of RMB2,219,000 due to other related parties as at 1 January 2019.

The amount of rent paid/payable by the Group under such leases is RMB640,000 for the year ended 31 December 2019.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related companies (continued)

(iii) Loan guarantees provided to other related parties

	2019	2018
	RMB'000	RMB'000
Papua Cement	**1,014,606**	918,931
Xiangshan Cement	**–**	40,000
Myanmar Conch	**47,089**	37,061
	1,061,695	995,992

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2019	2018
	RMB'000	RMB'000
Short-term employee benefits	**15,739**	12,524
Post-employment benefits	**424**	431
	16,163	12,955

Total remuneration is included in "staff costs" (see note 6(b)).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

43 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of China Conch Venture and its subsidiaries, Conch Holdings, Conch Design Institute, Conch Profiles and Science and its subsidiaries, Conch IT Engineering, WH Conch Hotel, Conch New Materials and its subsidiaries, WH Trading, Conch New Energy and its subsidiaries, Jiangsu Material (the Group's subsidiary) and Jinggong Testing above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The continuing connected transactions with Conch Design Institute, Jiangsu Material and Conch New Materials and its subsidiaries are provided in section 6(10) of the Director's Report in accordance with Chapter 14A of the Listing Rules. The other transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

44 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2019		31 December 2018(note)	
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment					
– Investment property			**39,221**		21,025
– Other property, plant and equipment			**1,455,659**		1,114,250
– Lease prepayments			**–**		196,365
Intangible assets			**26,892**		33,595
Investments in subsidiaries	16		**42,340,478**		40,799,527
Interest in associates			**–**		49,671
Interest in joint ventures			**1,169,474**		1,156,012
Loans and receivables			**5,746,973**		5,118,293
Financial assets measured at FVOCI	21		**326,096**		258,680
			51,104,793		48,747,418
Current assets					
Inventories		**262,400**		211,664	
Trade receivables		**188,514**		294,888	
Prepayments and other receivables		**5,386,745**		12,779,545	
Financial assets measured at fair value through profit and loss		**16,782,212**		–	
Amounts due from subsidiaries		**7,371,443**		20,826,050	
Amounts due from related parties		**140,531**		144,587	
Bank deposits with original maturity over three months		**32,500,000**		27,500,000	
Cash and cash equivalents		**16,010,885**		5,828,259	
		78,642,730		67,584,993	

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

44 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

		31 December 2019		31 December 2018(note)	
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Trade payables		161,748		137,841	
Other payables and accruals		708,122		917,694	
Contract liabilities		57,332		37,082	
Bank loans and other borrowings		1,000		97,500	
Amounts due to subsidiaries		14,940,575		8,847,722	
Amounts due to related parties		28,008		71,371	
Income tax payable		191,386		241,927	
		16,088,171		10,351,137	
Net current assets			62,554,559		57,233,856
Total assets less current liabilities			113,659,352		105,981,274
Non-current liabilities					
Bank loans and other borrowings		3,596,554		3,498,750	
Deferred income		13,939		15,851	
Deferred tax liabilities		141,553		59,535	
			3,752,046		3,574,136
NET ASSETS			109,907,306		102,407,138
CAPITAL AND RESERVES	39(a)				
Share capital			5,299,303		5,299,303
Reserves			104,608,003		97,107,835
TOTAL EQUITY			109,907,306		102,407,138

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

45 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) Subsequent to the end of reporting period, the directors proposed a final dividend. Further details are disclosed in note 39(b).

(ii) The outbreak of the new coronavirus in China which started in January 2020 has had a short-term negative impact on the Group's business due to the slowdown in supply and demand in construction materials industry.

Management of the Company are still in the process of assessing the impact of the epidemic and the management believes that the impact of the epidemic is limited and will not have a material adverse effect on the financial performance of the Group.

46 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

47 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2019, the directors consider the immediate parent and ultimate controlling company of the Group to be Conch Holdings and Anhui Provincial Investment Group Limited respectively, which are both state-owned enterprises established in the PRC. These entities do not produce financial statements available for public use.

Notes to the financial statements (continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

48 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Definition of a business*	1 January 2020
Amendments to IAS 1 and IAS 8, *Definition of material*	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*	1 January 2020
IFRS 17, *Insurance contracts*	1 January 2021
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2022
Amendments to HKFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

13. Documents for Inspection

(1) Financial statements bearing the signatures and seals of the legal representative, officer-in-charge of the accounting function and officer-in-charge of the accounting department.

(2) Original of the audited report with the seal of the accounting firm affixed and the signatures and seals of the registered accountants affixed.

(3) Originals of all the corporate documents and the announcements of the Company which were disclosed in newspaper designated by the CSRC during the Reporting Period.

(4) Annual report published on the website of the Stock Exchange.

Anhui Conch Cement Company Limited
20 March 2020

14. Written Confirmation of the Directors, Supervisors and Senior Management on the Annual Report of 2019

Pursuant to the requirements and provisions of Securities Law (as revised in 2019) and No. 2: "Content and Format of Annual Reports" of "Standards of Contents and Format for Information Disclosure of Companies Which are Securities Issuers" (as revised in 2017), as the Directors, Supervisors and members of the senior management of Anhui Conch Cement Company Limited, upon full understanding and review of the annual report of 2019 and summary of the annual report, we are of the view that:

1. the Company has strictly complied with the financial regulations for a joint stock company in its operation, the annual report for year 2019 and its summary have fairly reflected the financial position and operating results of the Company for the year;

2. the audit report of Anhui Conch Cement Company Limited for year 2019 as audited by KPMG Huazhen LLP and KPMG are objective, true and fair.

We warrant that the information disclosed in the annual report for year 2019 and its summary is true, accurate and complete, and we undertake that it does not contain misrepresentation, misleading statement or material omissions, and we are severally and jointly responsible for the truthfulness, accuracy and completeness of its contents.

Name	Position	Name	Position
Gao Dengbang	Chairman and Executive Director	Yang Mianzhi	Independent non-executive Director
Leung Tat Kwong Simon	Independent non-executive Director	Zhang Yunyan	Independent non-executive Director
Wang Jianchao	Deputy Chairman and Executive Director	Wu Bin	Executive Director and General manager
Li Qunfeng	Executive Director and Deputy general manager	Ding Feng	Non-executive Director
Wu Xiaoming	Chairman of the Supervisory Committee	Wang Pengfei	Supervisor
Liu Tiantian	Employee Supervisor	Li Xiaobo	Deputy general manager
Ke Qiubi	Deputy general manager	Li Leyi	Chief engineer of technical art
Yu Shui	Assistant to general manager and secretary to the Board	Wu Tiejun	Assistant to general manager

20 March 2020