CHINA TIANRUI GROUP CEMENT COMPANY LIMITED

中國天瑞集團水泥有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1252

Annual Report 2017

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Corporate Information

REGISTERED NAME OF THE COMPANY

China Tianrui Group Cement Company Limited

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

01252

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Liufa

EXECUTIVE DIRECTORS

Mr. Xu Wuxue
Mr. Li Jiangming
Mr. Ding Jifeng (appointed on 15 May 2017)

NON-EXECUTIVE DIRECTORS

Mr. Li Heping (resigned on 18 January 2018)
Mr. Yang Yongzheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kong Xiangzhong
Mr. Wang Ping
Mr. Du Xiaotang

AUDIT COMMITTEE

Mr. Wang Ping (Chairman)
Mr. Kong Xiangzhong
Mr. Du Xiaotang

NOMINATION COMMITTEE

Mr. Kong Xiangzhong (Chairman)
Mr. Yang Yongzheng
Mr. Wang Ping

REMUNERATION COMMITTEE

Mr. Du Xiaotang (Chairman)
Mr. Xu Wuxue
Mr. Kong Xiangzhong

PRINCIPAL BANKERS

Bank of China, Henan Branch
Industrial and Commercial Bank of China, Henan Branch
China Construction Bank, Henan Branch
Everbright Bank, Zhengzhou Branch
Huaxia Bank, Zhengzhou Branch
Bohai Bank
Shanghai Pudong Development Bank, Zhengzhou Branch

REGISTERED OFFICE

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PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Guangcheng Road East No. 63
Ruzhou City
Henan Province
PRC

PLACE OF BUSINESS IN HONG KONG

Room 2005A, 20/F
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89 Queensway
Admiralty, Hong Kong

Corporate Information

COMPANY WEBSITE

http://www.trcement.com

JOINT COMPANY SECRETARIES

Mr. Li Jiangming
Ms. Ng Ching Mei (appointed on 15 May 2017)
Ms. Kwong Yin Ping Yvonne (resigned on 15 May 2017)
Mr. Yu Chunliang (resigned on 6 October 2017)

AUTHORIZED REPRESENTATIVES

Mr. Li Jiangming
Ms. Ng Ching Mei (appointed on 15 May 2017)
Ms. Kwong Yin Ping Yvonne (resigned on 15 May 2017)

CAYMAN ISLANDS SHARE REGISTRAR AND SHARE TRANSFER AGENT

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111
Cayman Islands

AUDITORS

Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS

As to Hong Kong law

JunHe LLP
Suite 3701–10, 37/F
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1 Connaught Place
Central
Hong Kong

As to PRC law

DeHeng Law Offices
12th Floor, Tower B, Focus Place
No. 19 Financial Street
Xicheng District
Beijing 100033
PRC

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Company Profile

China Tianrui Group Cement Company Limited is one of the top national cement producers, and is also the only non-state-owned enterprise designated by the Ministry of Industry and Information Technology of the PRC as one of the five leading cement companies that have received support from the PRC government for undertaking cement industry-specific mergers and acquisitions in the central China region. When undertaking cement industry-specific mergers and acquisitions and seeking project investments, our Group receives government support in the form of priority and preferential policies with respect to project approvals, grants of land use right and credit approvals. The Group has actively adapted to the changes to the policies of the state and the industry, and strives to achieve environmental protection and sustainable development through advanced technological equipment, reasonable regional layout, sufficient reserve of resources, standardized management and brand advantages. The Group can achieve rapid development and maintain and strengthen its leading market position in Henan and Liaoning provinces through active organic growth and acquisition activities.

- **Advanced technological equipment.** As of 31 December 2017, all of our clinker production lines are New Dry Process clinker production lines (NSP technology) equipped with residual heat power generation equipment, which can effectively reduce electricity cost and pollution, including a clinker production line of daily production of 12,000 tonnes established in 2009, which represented the world's largest clinker production line using the most advanced technology at the time, and operated smoothly with remarkable benefits since its commencement of production.

- **Reasonable regional layout.** The Group mainly maintains its layout in Henan and Liaoning, as well as the involvement in Tianjin and Anhui. In Henan Province, the Group develops its layout along "Two Vertical and Three Horizontal" expressways and the metropolitan life circle around Zhengzhou. In Liaoning, the Group develops its layout along "Harbin-Daqing Expressway" and Bohai Bay Rim Economic Belt. This makes the major production facilities of the Group to be located by limestone resources and terminal market, as well as the convergence point of major traffic routes, which can be benefitted in the long run.

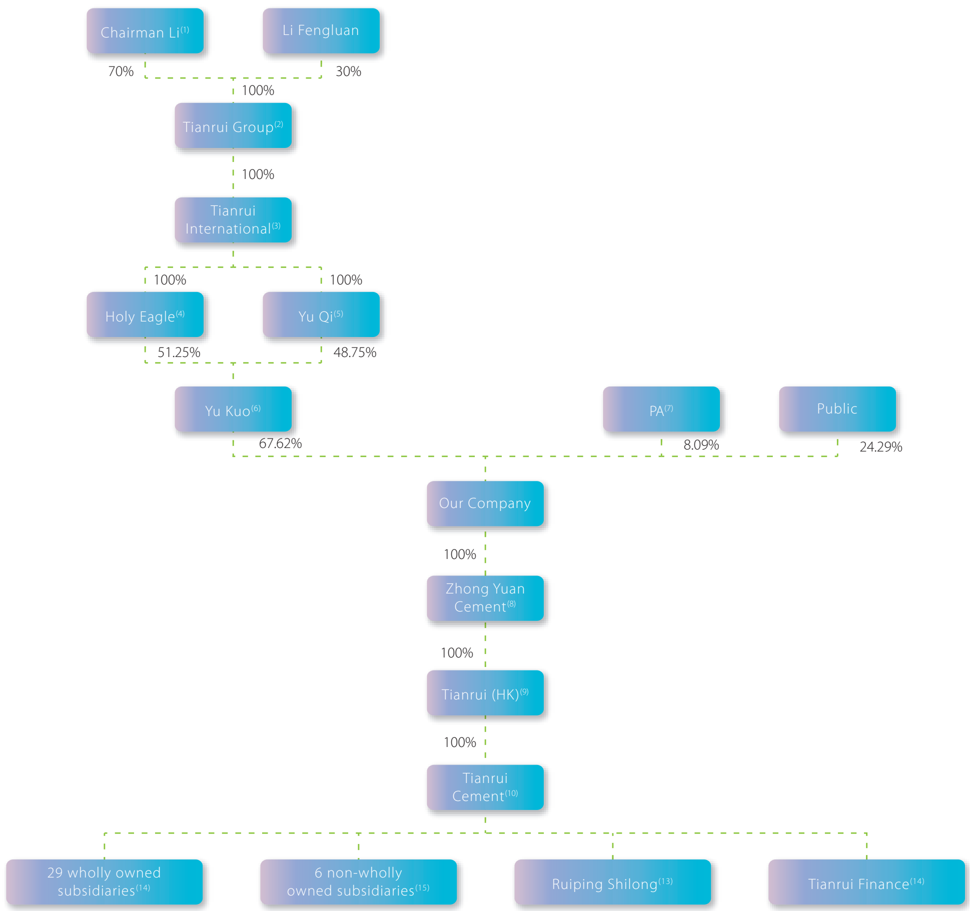
- **Sufficient reserve of resources.** We have sufficient limestone reserves and composite materials in Henan and Liaoning provinces. All of our clinker production facilities are located near our limestone quarries with sufficient resources to support our operations for at least 30 years.

- **Standardized management and brand advantage.** The Group has adopted a management model in line with international standards. The timely technical support provided by our professional technology team to our management team has laid down the foundation of our product quality and operation safety. Our Group is one of the few cement producers in China which have obtained the International Organization for Standardization (ISO) certifications for three management systems of quality control, environmental management and occupational health and safety and for product quality, at both the parent and operating subsidiary levels. Leveraging our management and high-quality products, we have successfully won tenders and become a qualified primary cement provider for a number of high-profile, large-scale infrastructure projects in China, including, among other things, the South-North Water Transfer (南水北調), Harbin-Dalian Express Railway (哈大高鐵), Shijiazhuang-Wuhan Express Railway (石武高鐵), Zhengzhou-Xuzhou Express Railway (鄭徐高鐵) and Beijing-Shenyang Passenger Dedicated Line (京瀋客專).

- **Committed to environment protection and sustainable development.** The Group is committed to the research and development of advanced and environmentally-friendly technologies and recycling of waste materials. We have invested to construct residual heat recovery power generation equipment, to improve dust recovery equipment, and to construct mullock recycle system and waste materials recycle system. We are also one of the three Chinese cement companies that have been accepted by World Business Council for Sustainable Development as a member of the Cement Sustainability Initiative (CSI). The Group will as always improve its competitiveness and sustainability, and believes that it will achieve better results in future.

I. CORPORATE STRUCTURE

As of 31 December 2017, the corporate structure of our Group was as follows:



Notes:

(1) "Chairman Li" refers to Mr. Li Liufa (李留法), the founder, chairman and controlling shareholder of our Group. Ms. Li Fengluan is the spouse of Chairman Li.

(2) "Tianrui Group" refers to Tianrui Group Company Limited (天瑞集團股份有限公司), a company incorporated in the PRC with limited liability, which is 70% owned by Chairman Li and 30% owned by Li Fengluan, the spouse of Chairman Li.

(3) "Tianrui International" refers to Tianrui (International) Holding Company Limited (天瑞(國際)控股有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Tianrui Group.

(4) "Holy Eagle" refers to Holy Eagle Company Limited (神鷹有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Tianrui International.

(5) "Yu Qi" refers to Yu Qi Company Limited (煜祺有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Tianrui International.

(6) "Yu Kuo" refers to Yu Kuo Company Limited (煜闊有限公司), a company incorporated in the BVI with limited liability, which is 51.25% owned by Holy Eagle and 48.75% owned by Yu Qi.

(7) "PA" refers to PA Investments Funds SPC-PH Greater China Industrial Opportunities Fund Segregated Portfolio.

(8) "Zhong Yuan Cement" refers to Zhong Yuan Cement Company Limited (中原水泥有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of our Company.

(9) "Tianrui (HK)" refers to China Tianrui (Hong Kong) Company Limited (中國天瑞(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of our Company.

(10) "Tianrui Cement" refers to Tianrui Cement Group Company Limited (天瑞水泥集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of our Company.

(11) The 29 wholly-owned PRC subsidiaries of our Group are Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司, "Ruzhou Cement"), Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司, "Zhoukou Cement"), Weihui Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司, "Weihui Cement"), Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司, "Shangqiu Cement"), Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司, "Zhengzhou Cement (Xingyang)"), Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司, "Dalian Cement"), Yingkou Tianrui Cement Company Limited (營口天瑞水泥有限公司, "Yingkou Cement"), Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司), Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司, "Liaoyang Cement"), Tianrui Group Yuzhou Cement Company Limited (天瑞集團禹州水泥有限公司, "Yuzhou Cement")), Tianrui Group Xuchang Cement Company Limited (天瑞集團許昌水泥有限公司), Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司 "Guangshan Cement"), Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司, "Zhengzhou Tianrui"), Tianrui Group Xiaoxian Cement Company Limited (天瑞集團蕭縣水泥有限公司), Tianrui Group Ningling Cement Company Limited (天瑞集團寧陵水泥有限公司), Lushan Antai Cement Company Limited (魯山安泰水泥有限公司, "Antai Cement"), Yuzhou Zhongjin Mining Company Limited (禹州中錦礦業有限公司), Liaoyang Tianrui Liaota Cement Company Limited (遼陽天瑞遼塔水泥有限公司, "Liaota Cement"), Liaoyang Tianrui Dengta Mining Company Limited (遼陽天瑞燈塔礦業有限公司, "Dengta Mining"), Liaoyang Tianrui Liaodong Cement Company Limited (遼陽天瑞遼東水泥集團有限公司, "Liaodong Cement"), Liaoyang Tianrui Weiqi Cement Company Limited (遼陽天瑞威企水泥有限公司, "Weiqi Cement"), Dalian Tianrui Jinhaian Cement Company Limited (大連天瑞金海岸水泥有限公司, "Dalian Jinhaian"), Haicheng the First Cement Company Limited (海城市第一水泥有限公司, "Haicheng Cement"), Haicheng Tianying Construction Stone Mining Company Limited (海城市天鷹建築石材採掘有限公司, "Tianying Mining"), Zhuanghe Tianrui Cement Company Limited (莊河天瑞水泥有限公司, "Zhuanghe Cement"), Panjin Jinrun Cement Company Limited (盤錦金潤水泥有限公司) ("Panjin Cement"), Xinyang Tianrui Cement Company Limited (信陽天瑞水泥有限公司, "Xinyang Cement"), Henan Yongan Cement Company Limited (河南永安水泥有限責任公司, "Yongan Cement") and Zhong Yuan Tianrui Power Company Limited (中原天瑞電力有限公司, "Tianrui Power")

(12) The 6 non-wholly owned PRC subsidiaries of our Group are Tianjin Tianrui Cement Company Limited (天津天瑞水泥有限公司, "Tianjin Cement"), the other two shareholders are Wang Aimin (汪愛敏) and Li Ji'ang (李激昂) while each of them holds 20% of the equity interest in Tianjin Cement; Pingdingshan Tianrui Yaodian Cement Company Limited (平頂山天瑞姚電水泥有限公司, "Yaodian Cement"), the other shareholder is Pingdingshan Yaomeng Power Group Company Limited (平頂山姚孟電力集團有限公司) which holds 9% equity interest in Yaodian Cement; Liaoyang Tianrui Chengxing Cement Company Limited (遼陽天瑞誠興水泥有限公司, "Chengxing Cement"), the other shareholder of Chengxing Cement is Yang, Qinggeng (楊慶庚), who holds 30% equity interest; Shenyang Tiger Cement Company Limited (瀋陽老虎水泥有限公司, "Tiger Cement"), the other shareholder is Shenyang Taifeng Special Concrete Company Limited (瀋陽泰豐特種混凝土有限公司) which holds its 40% equity interest; Tianrui Xindeng Zhengzhou Cement Company Limited (天瑞新登鄭州水泥有限公司, "Xindeng Cement"), the other shareholder is Zhengzhou Xindeng Enterprise Group Company Limited (鄭州新登企業集團有限公司) which holds its 45% equity interest; China Tianrui Information Technology Limited (天瑞集團信息科技有限公司), the other shareholder is Li Jia (李佳) who holds its 10% equity interest.

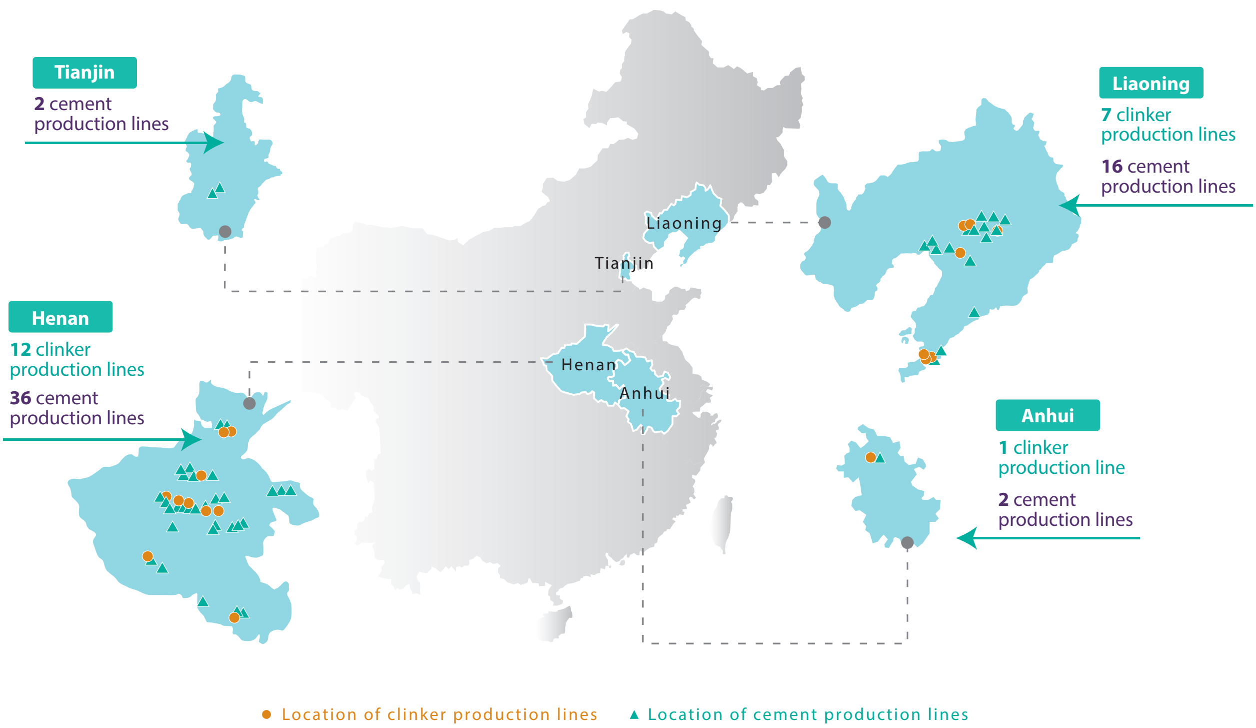
(13) "Ruiping Shilong" refers to Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司), a company established in the PRC with limited liability, its 40% equity interest is held by Tianrui Cement and the other shareholder, Pingdingshan Ruiping Coal & Electricity Company Limited (平頂山市瑞平煤電有限公司 ("Ruiping Power")), is holding its 60% equity interest. Ruiping Power is held by Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司) ("Tianrui Foundry") (indirectly and jointly wholly-owned by Chairman Li and Ms. Li Fengluan (Chairman Li's spouse)) as to 40% and by an Independent Third Party as to 60%.

(14) "Tianrui Finance" refers to Tianrui Group Finance Company Limited (天瑞集團財務有限公司), a company established in the PRC with limited liability, its 25.5% equity interest is held by the Company and 74.5% equity interest is held by the other shareholders, being Tianrui Group and its subsidiaries.

II. DISTRIBUTION AND PRODUCTION CAPACITY OF PRODUCTION FACILITIES

The Group's operating production facilities are mainly located in Henan province, Liaoning province, Tianjin city and certain parts of Anhui province. Our production facilities in Henan province are strategically located along the "Two Vertical and Three Horizontal" expressways and the "Two Vertical and Two Horizontal" railways, and our production facilities in Liaoning province and Tianjin city are strategically located along the Harbin-Dalian Express Railway and the Bohai Economic Rim. Our production facilities are strategically located at the intersection area of limestone resources, end market and the junctions of transportation lines, providing us with unique long-term strategic advantages.

As of 31 December 2017, the Group had 20 clinker production lines and 56 cement grinder production lines with a total annual production capacity of about 30.7 million tonnes of clinker and 55.3 million tonnes of cement, respectively. Compared to those as of 31 December 2016, an increase of 2.6 million tonnes was recorded for the clinker production capacity, while the cement production capacity recorded an increase of 4.4 million tonne. Of such total annual production capacity, Henan region (including Anhui) had a cement production capacity of 36.9 million tonnes and a clinker production capacity of 20.7 million tonnes, and Liaoning region (including Tianjin) had a cement production capacity of 18.4 million tonnes and a clinker production capacity of 10.0 million tonnes. In addition, we directly own 40% equity interest in an associated company which operates two New Dry Process clinker production lines with an annual production capacity of 3.1 million tonnes in Pingdingshan. Based on our attributable interest in such associated companies, the Group has a total of attributable production capacity of about 31.9 million tonnes of clinker and 55.3 million tonnes of cement as of 31 December 2017. The Group prepares internal reports mainly based on two broad geographical locations named Central China and Northeastern China. Central China includes Henan province and certain parts of Anhui province. Northeastern China includes Liaoning province and Tianjin City.



Financial Highlights

	For the year ended 31 December		
	2017	2016	Percentage of Change
	RMB'000	RMB'000	(%)
Revenue	**8,420,551**	6,008,605	40.1%
Gross profit	**2,396,894**	1,516,804	58.0%
EBITDA	**3,334,681**	2,131,909	56.4%
Profit	**992,770**	249,570	297.8%
Of which: Profit attributable to owners of the Company	**1,001,764**	295,812	238.6%
Basic earnings per share *(RMB)**	**0.37**	0.12	208.3%

* The calculation basis was different from previous year.

	As at 31 December		
	2017	2016	Percentage of Change
	RMB'000	RMB'000	(%)
Total assets	**25,904,081**	24,116,401	7.4%
Of which: Current assets	**10,661,688**	7,650,108	39.4%
Total liabilities	**15,968,310**	16,476,711	-3.1%
Of which: Current liabilities	**14,440,872**	12,109,593	19.3%
Total equity	**9,935,771**	7,639,690	30.1%
Of which: Equity attributable to owners of the Company	**9,820,855**	7,758,372	26.6%

Management Discussion and Analysis

BUSINESS REVIEW

In 2017, against the backdrop of continuous slowdown in the growth rate of national investment in fixed assets, further deepening of supply-side reform and the strengthening of environmental conservation, the cement industry of China accelerated the implementation of the relevant policy of "reduction of overcapacity", leading to an overall industry performance characterized by lower volume, rising prices and a significant increase in profits. In active response to the changes in the environment and the market, the Group, under the new industry trends of alternative production arrangements and production halt for environmental protection, actively adjusted the schedules for both production and kiln suspension and reasonably controlled inventory level and turnover, thereby effectively enhancing sales volume and selling prices in core regions. Despite the small decrease in overall sales volume, the significant increase in selling prices substantially improved the profits and gross profit margin of the core business of the Group.

In 2017, the Group sold approximately 29.3 million tons of cement, a decrease of 0.2 million tons or 0.7% compared with approximately 29.5 million tons in 2016, of which, the sales volume of cement in Henan and the northeastern region was approximately 22.5 million tons and approximately 6.8 million tons, respectively, representing a year-over-year increase of 0.4 million tons and a year-over-year decrease of 0.6 million tons, respectively.

In 2017, the Group's cumulative sales volume of cement above P.O42.5 was 21.4 million tons, an increase of 1.3 million tons compared with 20.1 million tons in 2016. Its share in total annual sales volume of cement in 2017 was 73.0%, representing an increase of 4.9% year-over-year. On the other hand, the cumulative sales volume of P.C32.5 cement was 7.9 million tons, a decrease of 1.5 million tons compared with 9.4 million tons in 2016. Its share in total annual sales volume of cement in 2017 was 27.0%, representing a decrease of 4.9% year-over-year. The share of 32.5 cement in the Group's sales showed a downward trend.

In 2017, the Group sold 2.2 million tons of clinker, an increase of 0.5 million tons or 29.8% compared with 1.7 million tons in 2016, of which, the sales volume of clinker in Henan and the northeastern region was 0.7 million tons and 1.5 million tons, respectively, representing year-over-year increase of 0.3 million tons and 0.2 million tons, respectively.

In 2017, the Group produced 3.6 million tons of limestone aggregate, an increase of 0.8 million tons or 28.6% compared with 2.8 million tons in 2016.

In 2017, the average selling price of cement of the Group increased from approximately RMB194.5 per ton in 2016 to approximately RMB268.7 per ton in 2017, representing an increase of RMB74.2 or approximately 38.1%, of which, the average selling price of cement in Henan and the northeastern region was RMB277.8 per ton and RMB238.4 per ton, respectively.

In 2017, the average selling price of clinker of the Group was approximately RMB248.0 per ton, an increase of RMB89.4 per ton or 56.4% compared with approximately RMB158.6 per ton in 2016, of which, the average selling price of clinker in Henan and the northeastern region was RMB264.6 per ton and RMB239.6 per ton, respectively.

For the year ended 31 December 2017, the revenue of the Group was RMB8,420.6 million, an increase of RMB2,412.0 million or 40.1% compared with approximately RMB6,008.6 million in 2016.

In 2017, the residual heat power generation of the Group was 673.6 million kW.h, an increase of 20.4 million kW.h compared with the same period last year. The average comprehensive power consumption of clinker was 57.2kW.h/t, an increase of 1.7kW.h/t compared with 55.5kW.h/t in the same period last year.

In 2017, the Group made investment in the transformation of production system in respect of the emission of dust, sulphur dioxide and nitrogen oxides in order to meet the environmental standards. Through the transformation, all production lines meet the standards with the concentration of emitted particulates less than 20mg. As of the end of 2017, with all clinker production lines of the Group equipped with denitrification system and bag filter, the concentration of emitted nitrogen oxides and particulates was lower than the limit of the national pollutant emission standards and the concentration of emitted sulphur dioxide met the national standards.

In 2017, the employees of the Group were respectively awarded with the first prizes in the areas of inspection and maintenance under the two skill competitions of construction materials industry in Henan, as well as two Henan Labor Day Awards, five Henan Skill Master honors and seventeen Industry Master honors. In 2017, the Group won 13 first prizes, 44 second prizes and 30 third prizes in the Industry Technological Innovation Award Selection of Henan, and the Group was recommended to participate in the national selection for the innovative technologies with the 13 first prizes.

As of the end of 2017, the number of employees of the Group was 7,822, a decrease of 122 or 1.5% compared with the average number in 2016 of 8,112. Under the same conditions of production and scale of sales of the Group, during the year, the effective implementation of digital cement projects, application of diversified production technologies and optimization of production flows procured production efficiency of the units to be improved by reduction in headcount. In 2017, all subsidiaries of the Group carried out staff training as planned with 6,401 training hours and 94,341 trainees in total.

In 2017, all subsidiaries of the Group passed the four-in-one certification of quality, environment, occupational health and safety management system and products, while all clinker production companies passed the energy management system certification.

Our completed mergers and acquisitions and the new investments in 2017 are as follows:

— On 7 June 2017, the Company completed its acquisition of 100% equity interest in Henan Yongan Cement Company Limited and 55% equity interest in Tianrui Xindeng Zhengzhou Cement Company Limited (the "**Acquisition**") at a consideration of RMB919,000,000 pursuant to the acquisition agreement dated 25 November 2016 entered into between the Company and Tianrui Group Company Limited by allotment and issuance of 537,381,647 new shares as consideration shares to Yu Kuo Company Limited. As a result of completion of the Acquisition, Henan Yongan Cement Company Limited has become an indirect wholly-owned subsidiary of the Company and Tianrui Xindeng Zhengzhou Cement Company Limited has become an indirect non-wholly owned subsidiary of the Company; and their financial results have been consolidated into the accounts of the Company. Upon completion of the Acquisition, the shareholding interest in the Company held by Yu Kuo Company Limited increased from 39.75% to 50.62%. Following the completion of the Acquisition, the Group has new production capacity of clinker and cement of 2.6 million tons and 4.4 million tons, respectively. The total production capacity of cement has reached 55.3 million tons.

— On 27 June 2017, the registered capital of the joint venture of the Group, Tianrui Group Finance Company Limited, increased from RMB0.3 billion to RMB1 billion pursuant to which the joint venture partners namely Tianrui Group Company Limited, Tianrui Travel Group Company Limited, Tianrui Group Foundry Company Limited of the joint venture and Tianrui Cement Group Company Limited contributed RMB0.4625 billion, RMB0.23 billion, RMB52.50 million and RMB0.255 billion to Tianrui Group Finance Company Limited, respectively.

In 2017, Pengyuan Credit Rating Co., Ltd. carried out follow-up rating for the subsidiary company of the Company, Tianrui Cement Group Company Limited, and maintained its original rating of AA+ and expected a stable prospect.

BUSINESS ENVIRONMENT

In 2017, the Chinese economy improved amid stability and the structural reform of the supply side made important progress. The five major tasks to "address overcapacity, reduce inventory, deleverage, lower costs, and bolster areas of weakness" progressed relatively well. According to the information of National Bureau of Statistics, the GDP growth rate of China was 6.9% in 2017, which was the first increase in economic growth rate since 2011. Investment in fixed assets (excluding rural households) grew by 7.2% compared with last year. The regions where the Group's core operations were located experienced slightly better momentum for economic development than the previous year. According to the information of Henan Bureau of Statistics, the GDP of Henan grew at a rate of 7.8% in 2017 over 2016, with 10.4% increase in fixed asset investment, 3.2 percentage points above the national growth rate, and 14.7% increase in real estate investment. According to the information of Liaoning Bureau of Statistics, the GDP of Liaoning grew at a rate of 4.2% in 2017 over 2016, with 0.1% increase in fixed asset investment compared with last year and 9.3% increase in real estate investment. The growth rate of both GDP and fixed asset investment in Liaoning changed from negative to positive, turning around the downward trend in economic growth rate since 2011. Improvement was seen in the macroeconomic environment faced by the Group.

In 2017, the Chinese government stepped up efforts in the implementation of environmental regulations and policies on ecological environmental protection, pollution prevention and control, and energy conservation and emission reduction. Enormous pressure brought by "environmental protection monitoring" maintained throughout the year while the enactment and the enforcement of laws on preventing and controlling water, soil, air and other major types of pollution were comprehensively carried out, which had a material impact on the main industrial enterprises. Meanwhile, the Chinese government also continued to strengthen the monitoring in respect of environmental protection. In March 2017, the Ministry of Environmental Protection issued "2017 Plan on Air Pollution Prevention and Control Works in Beijing-Tianjin-Hebei and Surrounding Areas" (《京津冀及周邊地區2017年大氣污染防治工作方案》), which clarified the prevention and control tasks of air pollution in the "2+26" cities during the year. The "2+26" cities referred in the plan represent the areas spreading air pollution in Beijing, Tianjin and Hebei. The cement industry and the Group have been significantly affected by the policies on environmental protection and their enforcement. In addition to the great pressure and challenges, such policies have also brought positive impact by increasing selling prices and eliminating backward production capacity.

In 2018, while intensively promoting the structural reform of the supply side and insisting on the development of real economy, the Chinese government will continue to "address overcapacity, reduce inventory, deleverage, lower costs, and bolster areas of weakness". It will also vigorously streamline administration and reduce taxes and fees as well as continuously optimizing the business environment, with a view to further vitalizing the market and enhancing the quality of economic development. The Chinese government aims for GDP growth of approximately 6.5%, reduction in energy consumption per unit of GDP of over 3%, and continuous decrease in main pollutant emissions. Other goals include the structural reform of the supply side making substantial progress, the macroeconomic leverage ratio remaining basically stable, and various risks being effectively controlled in an orderly manner, etc. Meanwhile, it is proposed that the prevention and control of pollution shall obtain bigger results. The effectiveness of the battle for blue sky shall be enhanced, with the emissions of sulphur dioxide and nitrogen oxides reduced by 3% and the concentration of small particulates (PM2.5) decreased continuously.

The Group considers that compared with 2017, the business environment faced by it in 2018 will show improvement and yet pose challenges. The improving trends in 2017 are expected to continue in the cement industry. As a sizable group in the cement industry, the Group on one hand will strengthen its edges in operations, and on the other hand proactively coordinate with the government policies and the calls in the industry. This will consolidate the Group's leading position in the industry.

CEMENT INDUSTRY

In 2017, the demand for cement in China shrank slightly in view of the continuous decline in the growth rate of fixed asset investment and the decrease in the actual growth rate of real estate investment. However, due to the remarkable results of supply-side control, the continuous reduction in new production capacity and the gradual decrease in cement production volume, the price of cement continued to increase during the year. Meanwhile, affected by the production-limiting factors such as environmental protection control, alternative production arrangements, energy conservation and emission reduction, as well as the rising prices of coal and raw materials, there was certain increase in the industry cost. However, the overall profits of the industry increased significantly. According to the relevant data of the China Cement Association, in 2017, the cement industry recorded revenue and total profits of RMB914.9 billion and RMB87.7 billion, respectively, representing year-over-year increase of 17.89% and 94.41%, respectively. Total profits set a second record high after the historical peak in 2011.

According to the data of National Bureau of Statistics (國家統計局), in 2017, the cumulative cement production volume of China was 2.316 billion tons with 0.2% decrease year-over-year while the cumulative clinker production volume of China was 1.4 billion tons with 1.24% increase year-over-year. By region, cement production volume in the northern, northwestern and northeastern regions decreased due to weak demand, stricter limitations on the supply side by suspending kilns from production and smog-induced production halts. In particular, cement production volume of the northern region and the northeastern region decreased by 21.38% and 10.81% year-over-year, respectively, while that of the northwestern region remained relatively stable with a slight decrease of 0.39% only. Cement production volume of Henan and Liaoning was 150 million tons and 36.88 million tons, respectively, representing year-over-year decrease of approximately 2.59% and approximately 3.94%, respectively. On the other hand, positive growth was recorded in the eastern and mid-southern regions, of which, demand for cement in the eastern region increased by 2.6% year-over-year.

In respect of market price, according to Digital Cement (數字水泥網), the average market price of cement in China increased from RMB327 per ton (tax inclusive) in the beginning of 2017 to RMB415 per ton (tax inclusive) in December 2017 (excluding Tibet), representing an increase of 27%.

With regard to inventory of the industry, the overall balance of industry supply and demand was changed in with the influences from the production-limiting factors such as environmental protection control, alternative production arrangements, energy conservation and emission reduction, leading to a continuously low level of inventory and thus increasing prices. At the same time, due to the pressure brought by the first rigorous environmental protection monitoring in history, the production of almost all enterprises in the affected areas was halted during the monitoring period. This temporarily led to a sharp decrease in inventory, and the overall inventory level of the industry hit the lowest in nearly three years.

As for environmental protection, the Ministry of Environmental Protection of the PRC issued the "2017 Plan on Air Pollution Prevention and Control Works in Beijing-Tianjin-Hebei and Surrounding Areas" (《京津冀及周邊地區2017年大氣污染防治工作方案》) in March 2017, which states that alternative production arrangements will continue to be fully implemented for the cement, foundry and other industries in the "2+26" cities including Beijing and Tianjin. In November 2017, the Ministry of Industry and Information Technology and the Ministry of Environmental Protection of the PRC jointly issued the "Notice on the Implementation of Alternative Production Arrangements in F/W 2017–2018 for Certain Industries in the '2+26' Cities" (《關於「2+26」城市部分工業行業2017–2018年秋冬季開展錯峰生產的通知》), requiring the cement industry (including special cement but excluding grinding plants) to implement alternative production arrangements during the heat season in accordance with the relevant requirements of the "Notice on Further Promotion of Alternative Production Arrangements of Cement" (《關於進一步做好水泥錯峰生產的通知》) issued by the Ministry of Industry and Information Technology and the Ministry of Environmental Protection. During the year, the Chinese government continued to strengthen environmental regulation. Various departments such as the National Development and Reform Commission carried out dedicated inspection in the cement and glass industries, clearance and consolidation of backward production capacity and implementation of the environmental policy standards, as well as proposing relevant rectification opinions. The Ministry of Environmental Protection conducted nationwide central environmental protection monitoring for two times with a view to checking whether the enterprises met the emission standards. In May 2017, the Ministry of Environmental Protection issued the "Guidelines for the Examination of Business Permit for the Co-processing of Hazardous Waste in Cement Kilns (for Trial Implementation)" (《水泥窰協同處置危險廢物經營許可證審查指南(試行)》), specifying the examination focus on technological personnel, transportation of hazardous waste, co-processing ("**co-processing**") technology and facilities of cement kilns, etc.

Regarding the control over new production capacity, it is stated in the Circular No. 34 (2016) of the General Office of the State Council that the production of 32.5 composite Portland cement will be halted while the production of cement 42.5 and above will be focused on. In May 2017, the production of 32.5 cement was fully stopped in Xinjiang. By soliciting opinions on the amendment to "Common Portland Cement" (《通用硅酸鹽水泥》) national standards in September 2017, the Ministry of Industry and Information Technology intended to eliminate Portland cement with strength grading of 32.5R. Meanwhile, the Ministry of Industry and Information Technology issued the amended measures for the implementation of capacity replacement for the cement industry in December 2017, prohibiting new capacity increase projects of cement and clinker from being filed and implemented. According to the statistics of China Cement (中國水泥網), a total of nine clinker production lines were newly put into operation in China in January-November 2017, with new clinker production capacity totaling 13.33 million tons. Henan and the northeastern region had no additional production capacity.

In respect of industry concentration, the "Thirteenth Five-Year Plan for the Cement Industry" (《水泥工業「十三五」發展規劃》) published by the China Cement Association in 2017 proposed to focus on fostering mergers, restructuring and reduction in the number of enterprises and pushing forward the formation of a batch of large-scale group enterprises. Clinker and cement production capacity of the top ten large corporate groups shall reach the goals of accounting for over 70% and 60% of total production capacity in China, respectively.

FINANCIAL REVIEW

Revenue

Our revenue was approximately RMB8,420.6 million in 2017, representing an increase of RMB2,412.0 million, or 40.1%, from approximately RMB6,008.6 million in 2016.

Our revenue from cement sales was approximately RMB7,868.2 million in 2017, representing an increase of RMB2,131.7 million, or 37.2%, as compared with 2016. The sales volume of our cement decreased by 0.2 million tons or 0.7%, from 29.5 million tons in 2016 to 29.3 million tons in 2017, which was primarily due to the demands reduction in Henan and Liaoning where the Group operates. The Group took an active market strategy and continuously raised the selling prices to face the changes of the demands and prices in the cement market, resulting in the significant increase in our sales revenue in 2017.

Clinker is a semi-finished product used to produce cement. Our clinkers produced in 2017 were primarily used to satisfy our internal demand for cement production. Only 2.2 million tons of the Group's clinkers were sold externally. We recorded approximately RMB552.3 million of revenue generated from clinker sales in 2017, representing an increase of RMB280.2 million, or 103.0%, from approximately RMB272.1 million in 2016. The revenue growth was mainly due to the significant increase in the price of clinker.

In 2017, the Group's sales revenue from the central China region amounted to RMB6,444.9 million, representing an increase of RMB1,912.0 million or 42.2% compared to RMB4,532.9 million in 2016. The Group's sales revenue from the Northeastern region of China amounted to RMB1,975.6 million, representing an increase of RMB499.9 million or 33.9% compared to RMB1,475.7 million in 2016.

Our revenue from sales of cement was approximately 93.4% of the total revenue in 2017 and 95.5% of the total revenue in 2016, respectively. Our revenue from sales of clinker was approximately 6.6% of the total revenue in 2017 and 4.5% of the total revenue in 2016, respectively.

Cost of Sales

In 2017, we continued our efforts in reducing unit production costs of cement and clinker by leveraging on our economies of scale and through centralized procurement. Our cost of sales was approximately RMB6,023.7 million in 2017, representing an increase of RMB1,531.9 million, or 34.1% as compared with 2016. The increase was primarily due to the higher bulk purchase price of raw materials for the production of cement and clinker.

Our cost of sales mainly consists of cost of raw materials, coal and electricity. In 2017, our costs of raw materials, coal and electricity as a percentage of cost of sales were 33.4%, 35.3% and 14.2%, respectively. During the period, our costs of raw materials, coal and electricity for production of cement per ton were RMB63.8, RMB67.5 and RMB27.1, respectively, representing an increase of RMB9.6, an increase of RMB32.4 and an increase of RMB0.5, respectively, as compared with 2016.

Gross Profit, Gross Profit Margin and Segment Profit (Loss)

Our gross profit was approximately RMB2,396.9 million for the year ended 31 December 2017, representing an increase of RMB880.1 million, or 58.0%, from approximately RMB1,516.8 million last year. Our gross profit margin increased to approximately 28.5% in 2017 from 25.2% in 2016. The increase in gross profit margin was primarily due to the larger increase in selling prices of cement and clinker than the increase in unit production cost.

In 2017, the Group's segment profit from the central China region amounted to RMB1,125.2 million, representing an increase of RMB763.9 million or 211.5% compared to RMB361.3 million in 2016. The increase was due to the significant increase in the gross profit of the segment of that particular region. The Group's segment loss from the Northeastern region amounted to RMB228.9 million, representing an increase of a loss of RMB182.5 million or a decrease of 393.3% compared to a segment loss of RMB46.4 million in 2016. This was due to the provision of RMB212.8 million made by the management based on the relevant forecasting analysis of the goodwill and the fixed assets of the subsidiaries of that particular region; eliminating this factor for comparison, the Group's segment loss from the Northeastern region was under a significant reduction as compared to 2016.

Other income

Other income was approximately RMB503.5 million for the year ended 31 December 2017, representing an increase of RMB29.0 million, or 6.1%, from approximately RMB474.5 million for the year ended 31 December 2016. The increase was primarily due to the improvement in the limestone aggregate sales performance and the increase in value added tax subsidies for the integrated use of resources.

Gains on fair value changes of derivative financial assets

As reference to the circular dated 31 October 2014 (the "**Circular**"), the amended deed of non-competition ("**Amended Non-competition Deed**") undertaking was entered into by Tianrui Group Company Limited ("**Tianrui Group**"), controlled by Mr. Li Liufa, a non-executive director of the Company, in favour of the Company. Under the Amended Non-competition Deed, Tianrui Group granted the Group the option ("**Option**") to acquire the business which is or may be in competition, directly or indirectly, with the business of the Group (the "**New Business Opportunity**").

Under the Amended Non-competition Deed, we have the option to acquire the New Business (as defined in the Circular) or any interest in it in accordance with (a) commercial terms which (i) will not be less favourable than those applicable to the acquisition of the same New Business Opportunity by Tianrui Group in the first instance, provided that the Company shall reimburse Tianrui Group for the acquisition costs (including tax expenses, financing costs, professional fees and travelling expenses) incurred by them in respect of their acquisition of such New Business Opportunity; and (ii) have been opined by an independent financial adviser of the Company as being normal commercial terms arrived at in the ordinary course of business of the Company, fair and reasonable and in the interest of the Company and the shareholders as a whole; and (b) any requirement under the Listing Rules in relation to the acquisition of the New Business and any interest in it.

Under the Amended Non-competition Deed, we are entitled to exercise the Option at any time during the Restricted Period as defined in the Circular.

The fair value of the Option at the end of December 2016 was about RMB761,065,000 while there was no Option at the end of December 2017. The revenue of the change in fair value during the year in the amount of about RMB451,279,000 was recognized in profit or loss in the consolidated financial statements.

Selling and Distribution Expenses

Our selling and distribution expenses were approximately RMB341.0 million for the year ended 31 December 2017, representing an increase of RMB26.9 million, or 8.5%, from approximately RMB314.1 million for the year ended 31 December 2016. The increase was primarily due to the increase in relevant marketing and transportation expenses as a result of the increase in our sales revenue.

Administrative Expenses

Administrative expenses were approximately RMB421.1 million for the year ended 31 December 2017, representing an increase of RMB57.7 million, or 15.9%, from approximately RMB363.4 million for the year ended 31 December 2016. The increase in administrative expenses was mainly due to the acquisition of two new companies during the year and the improvement in employees' remuneration packages.

Other Expenses

Other expenses were approximately RMB79.9 million for the year ended 31 December 2017, representing an increase of approximately RMB11.2 million, or 16.2%, from approximately RMB68.7 million for the year ended 31 December 2016. The increase in other expenses was mainly due to the increase in expense incurred in temporary suspension period due to seasonal effect.

Finance Costs

Finance costs were approximately RMB1,005.6 million for the year ended 31 December 2017, representing an increase of RMB77.8 million, or 8.4%, from RMB927.8 million for the year ended 31 December 2016. The increase was primarily attributable to the increase in the Company's cost of debt and the decrease in capitalized interest.

PROFIT BEFORE TAXATION

As a result of the foregoing, our profit before taxation was approximately RMB1,354.0 million for the year ended 31 December 2017, representing an increase of approximately RMB1,002.4 million, or approximately 285.1%, from approximately RMB351.6 million for the year ended 31 December 2016.

INCOME TAX EXPENSES

Our income tax expenses were approximately RMB361.3 million for the year ended 31 December 2017, representing an increase of RMB259.2 million, or about 253.9% from approximately RMB102.1 million for the year ended 31 December 2016, which was mainly due to the significant increase of operating income other than the revenue of the fair value change of financial derivatives in the profit before tax.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

As a result of the foregoing, our profit attributable to owners of the Company for the year ended 31 December 2017 was approximately RMB1,001.8 million, representing an increase of RMB706.0 million, or about 238.6%, from approximately RMB295.8 million for the year ended 31 December 2016. The net profit margin increased from 4.9% for the year ended 31 December 2016 to 11.9% for the year ended 31 December 2017.

FINANCIAL AND LIQUIDITY POSITION

Trade and other receivables

Trade and other receivables increased from RMB2,742.3 million as at 31 December 2016 to RMB3,642.9 million as at 31 December 2017, mainly due to the increase in balance of trade receivables and the increase in bills endorsed to suppliers and prepayments.

Amounts due from an associate

The amounts due from an associate of approximately RMB626.0 million as at 31 December 2017 (2016: RMB323.8 million) represents the advance payment paid to Ruiping Shilong for the clinker purchase in 2017 under the Clinker Supply Framework Agreement.

Inventories

Inventories increased from RMB750.7 million as at 31 December 2016 to RMB949.3 million as at 31 December 2017, primarily due to the increase in the inventory cost during the year 2017.

Cash and cash equivalents

Cash and bank balance increased from RMB726.2 million as at 31 December 2016 by RMB104.5 million or 14.4% to RMB830.7 million as at 31 December 2017, primarily due to the higher cash balance generated as a result of the growth in profit.

Borrowings

As at 31 December 2017, the amount of total borrowings and debentures (including corporate bonds) of the Group decreased by approximately RMB402.6 million or 3.3% to approximately RMB11,897.7 million from RMB12,300.3 million last year. Borrowings due within one year and short-term debentures (including mid-term debentures due within one year) increased from RMB8,196.2 million as at 31 December 2016 to RMB10,750.8 million as at 31 December 2017; borrowings due after one year, midterm debentures and long-term corporate bonds decreased from RMB4,104.1 million as at 31 December 2016 to RMB1,146.9 million as at 31 December 2017; the Group has been repaying the debts in accordance with the terms of the loan agreement, and the Group had unutilized bank facilities of approximately RMB1,240.5 million as at 31 December 2017.

Principal sources of liquidity

The Group's principal sources of liquidity have historically been cash generated from operations and bank and other borrowings. We have historically used cash from such sources for working capital, production facility expansions, other capital expenditures and debt repayments. We anticipate these sources will continue to be our principal financing in the future. We expect our cash flow will be sufficient to fund our ongoing business requirements. Meanwhile, we have decided to further broaden our financing channels to improve our capital structure.

MAJOR ACQUISITIONS AND DISPOSALS

On 7 June 2017, the Company completed the Acquisition pursuant to the acquisition agreement dated 25 November 2016 entered into between the Company and Tianrui Group Company Limited by allotment and issuance of 537,381,647 new shares as consideration shares to Yu Kuo Company Limited. As a result of completion of the Acquisition, Henan Yongan Cement Company Limited has become an indirect wholly-owned subsidiary of the Company and Tianrui Xindeng Zhengzhou Cement Company Limited has become an indirect non-wholly owned subsidiary of the Company; and since then, their financial results have been consolidated into the combined financial reports of the Company.

GEARING RATIO

As at 31 December 2017, our gearing ratio was 61.6%, representing a decrease of 6.7 percentage points from 68.3% as at 31 December 2016. The change of gearing ratio was due to the increase in interests of the holders and the decrease of the debt scale.

As at 31 December 2017, our current gearing ratio was 0.7, representing an increase of 16.9% from 0.6 as at 31 December 2016. Our quick ratio was 0.7, representing an increase of 18.0% from 0.6 as at 31 December 2016. Changes of the above ratios were due to the increase scale of current assets except inventory which is larger than the increase of current liabilities.

As at 31 December 2017, our debt equity ratio was 1.6, representing a decrease of 0.6 or 27.3% from 2.2 as at 31 December 2016. The change of debt equity ratio was due to the increase in interests of the holders and the decrease of debts during the current year.

Notes:

1. Gearing ratio = total liabilities/total assets X 100%;

2. Current ratio = current assets/current liabilities;

3. Quick ratio = (current assets — inventory)/current liabilities;

4. Debt Equity ratio = Total liabilities/equity interest, of which, equity interest includes minority interest and non-controlling interest

NET GEARING RATIO

As at 31 December 2017, our net gearing ratio was 78.1%, representing a decrease of 31.4 percentage points from 109.5% as at 31 December 2016. Net gearing ratio is calculated by dividing net debts by equity attributable to owners of the Company.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure for the year ended 31 December 2017 was approximately RMB102.7 million (2016: approximately RMB65.3 million) and capital commitments for the year ended 31 December 2017 was approximately RMB470.7 million (2016: approximately RMB478.1 million). Both the capital expenditure and capital commitments were mainly related to the construction of production facilities for cement and aggregate businesses and the acquisition of machinery, office equipment, investment in construction in progress and mining rights. Our Group funded capital expenditure through cash generated from operations and bank and other borrowings.

PLEDGE OF ASSETS

As at 31 December 2017, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB4,143.7 million (2016: approximately RMB2,632.7 million).

CONTINGENT LIABILITIES

As at 31 December 2017, other than contingent liabilities arising from the provision of guarantee to related parties amounting to approximately RMB1,710.0 million (31 December 2016: RMB1,542.0 million), we did not have other contingent liabilities. The guarantees provided to the related parties have been provided pursuant to Tianrui Cement Guarantees according to the 2017 Framework Agreement Provision of Mutual Guarantees, the details of which are set out in the circular dated 1 May 2017.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2017, save as disclosed in this announcement and the expansion of limestone aggregate business, the Group neither held any material investment nor planned to make any material investment and acquire any capital assets as of 31 December 2017.

MARKET RISKS

Interest rate risk

We are exposed to interest rate risk resulting from our long-term and short-term borrowings. We review our borrowings regularly to monitor our interest rate exposure, and will consider hedging significant interest rate exposure should the need arise. As our exposure to interest rate risk relates primarily to our interest-bearing bank loans, our policy is to keep our borrowings at variable rates of interest so as to minimize fair value interest rate risk, and to manage our interest rate exposure in all of our interest-bearing loans through the use of a mix of fixed and variable rates.

Liquidity risk

We have established an appropriate liquidity risk management system for our short, medium and long-term funding and liquidity management requirements. We manage the liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in (both actual and forecasted) cash flows. Our management also monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Exchange rate risk

Certain pledged bank balances and other receivables of the Group are denominated in Hong Kong Dollar ("HK$") and borrowings are denominated in United States Dollar ("US$"), therefore exchange rate movement exposure is incurred. Currently, the Group does not have any foreign currency hedge strategy in relation to foreign currency exposure. However, the management will closely monitor exchange rate risk in HK$ and US$ and will consider to hedge material currency exposure if necessary.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, our Group had 7,822 employees (31 December 2016: 8,066). As at 31 December 2017, the employees' cost (including remuneration) was approximately RMB418.6 million (2016: approximately RMB387.3 million). The remuneration policies, bonus and training programs for employees of our Group were implemented continuously according to policies disclosed in the 2012 Annual Report of the Company and no change has been made for the year ended 31 December 2017.

According to the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Board established the Remuneration Committee to formulate the remuneration policies of the Directors and senior management, ensuring the Company to have proper and transparent procedures. The remuneration of the Group's employee, including the Directors, is generally determined with reference to the prevailing market conditions, their individual qualifications and their duties and responsibilities with the Company. Annual remuneration system and annual target responsibility system are the main forms of evaluation, incentive and regulation for the senior management and the management of the branch companies and subsidiaries. The Company signs a letter of annual target responsibility in the beginning of the year with the senior management and the management of the branch companies and subsidiaries, which covers the key indicators like production and sales volume, cost, profit, control and management targets, and the annual requirements of duty performance. In the end of the year, the Company conducts performance appraisal, evaluating the annual operating result and the working and management abilities of the senior management and the management of the branch companies and subsidiaries. Such appraisal links with the annual remuneration. The remuneration is determined according to the individual performance of the employees, and is subject to regular review. This is to implement a monthly performance and job based remuneration scheme that links to the overall operating efficiency of the Company and based on the duties and responsibilities of the employee.

The Company values its employee as its most valuable assets. We place great importance on effective communication with all levels of staff, as we believe that enhancing the employee's sense of belonging is the core value of successful operation. According to the relevant PRC laws and regulations, we provide all staff with remuneration packages that include salary, allowances and social benefits like pension insurance, work injuries insurance, medical insurance and unemployment insurance, subject to regular review by our management. The Company has also invested in providing induction and professional skill trainings for all levels of management and other employees, so as to constantly improve their skills and knowledge. For the year ended 31 December 2017, we have organized 6,401 training hours of different training programmes (each session lasts 45-50 minutes) with a total attendance of 94,341 participants.

PROSPECTS

In 2017, subject to the structural problem of Chinese economic development and social issues, the Chinese government secured a relatively high speed of economic growth through a series of regulating and control measures. Complemented with quality, structure and efficiency, the picture of economic growth was satisfactory. 2018 is the first year for putting the guiding principles of the 19th National Congress of the Communist Party into action, as well as the 40th anniversary of the reforms and opening-up. It is a critical year to build on the past and herald the future-a decisive year for building a prosperous society in all respects and implementing the "Thirteenth Five-Year" Plan. Despite the continuous recovery of the global economy, various factors of instability and uncertainties exist. The domestic economy is now undergoing a pivotal period, with changes in the ways of development, optimization in the economic structure and a shift in growth momentum. The Chinese government has set the following goals: GDP will increase by 6.5%; the energy consumption per unit of GDP will decline by over 3%; the main pollutant emissions will continue to decrease; the structural reform of the supply side will make substantial progress; the macroeconomic leverage ratio will remain basically stable; and various risks will be effectively controlled in an orderly manner, thus setting the direction and goals for economic growth in 2018. The Central Government of China has determined to complete the railway construction investment of RMB732 billion and the road and water transport investment of RMB1.8 trillion as well as the investment in hydraulics under construction of RMB1 trillion in 2018. Policy measures were implemented to encourage private investment. With regard to the sectors such as railway, civil aviation, oil and gas and telecommunications, a batch of attractive projects were launched in order to attract private investment. These policies and goals shall support the stable cement demands.

In 2018, the work report of the Chinese government proposed to deepen the development of the supply-side reform and to strive for substantial progress. Besides, the "Thirteenth Five-Year Plan for the Cement Industry" issued by the China Cement Association proposed various goals of fostering sustainable development of the industry. In the area of the reduction of overcapacity, the Association proposed to reduce the production capacity of clinker by 392.70 million tons in three years, close down 540 cement grinding plant enterprises, reach an average utilization rate of 80% for clinker production capacity and reach an average utilization rate of 70% for cement production capacity in China; clinker and cement production capacity of the top ten large corporate groups shall account for over 70% and 60% of total production capacity in China, respectively. Besides, the Plan also proposed the goals to reduce the comprehensive energy consumption of cement and clinker to 105kg of standard coal per ton and to increase the proportion of the production lines of co-processing in cement kilns to 15% by 2020. By that time, the cement industry will have tightened the entry of new capacity, reduced wasted supply, stringently enforced the regulations and standards in respect of environmental protection, quality and safety, resolved excessive production capacity and eliminated backward production capacity. As one of the 12 major national cement companies recognized in China and one of the five cement companies designated by the Ministry of Industry and Information Technology, the Group has been encouraged to assume the important responsibility of merging and consolidating the central cement market. Also, to encourage the integration of the cement industry, the Chinese government has provided support for designated companies, such as tax incentives and special projects or financing approvals. The Group will work on the integration and coordination of regional markets and grasp the new profit growth points through internal structure adjustment, and enhance our leading market positions in Henan and Liaoning by fully leveraging the policies and our own advantages.

Meanwhile, we will further expand the scope of the unified purchase of materials, strengthen fine management, optimize production technology and process, and improve production efficiency, so that we can further reduce the unit energy consumption and production costs and then maintain our leading positions in the markets. We believe that maintaining and increasing the cost advantages will be beneficial for the Group to enjoy more robust profitability in Henan and Liaoning cement markets compared with our main competitors.

Profiles of Directors and Senior Management

DIRECTORS

As at 31 December 2017, our Board consisted of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The Board is responsible for and has general powers over the management and conduct of our business. The table below shows certain information in respect of the members of our Board:

Name	Age	Main Position
Li Liufa	60	Non-executive Director and Chairman of the Board of Directors
Ding Jifeng	48	Executive Director
Xu Wuxue	42	Executive Director and Chief Financial Officer
Li Jiangming	40	Executive Director and Joint Company Secretary
Li Heping	61	Non-executive Director
Yang Yongzheng	49	Non-executive Director
Wang Ping	47	Independent non-executive Director
Kong Xiangzhong	63	Independent non-executive Director
Du Xiaotang	44	Independent non-executive Director

Chairman and Non-executive Director

Mr. Li Liufa (李留法), male, aged 60, is a non-executive Director and the chairman of our Board. He is the founder of our Group. Mr. Li was appointed as a non-executive Director on 2 July 2011. Chairman Li is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Chairman Li has extensive experience in the cement industry. He was a non-executive Director of Sanmenxia Tianyuan Aluminum Company Limited (a company previously listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 8253.HK) from March 2006 to July 2008. Chairman Li was the representative of Henan province in the Tenth National People's Congress in March 2003, the Eleventh National People's Congress in March 2008, the Twelfth National People's Congress in March 2013 and the Thirteenth National People's Congress in March 2018. Chairman Li was the executive director, executive director-chairman of the board of directors of China Shanshui Cement Group Limited (691.HK) ("Shanshui Cement") from 1 December 2015 to 31 May 2016 and he was re-appointed as an executive director and the chairman of the board of directors of Shanshui Cement on 19 March 2018. Chairman Li obtained his executive MBA degree from Peking University (北京大學) in 2006. Chairman Li was named "Model Worker of Henan Province (河南省勞動模範)" in 1999. In January 2005, he was awarded "Henan Province Excellent Entrepreneur (河南省優秀民營企業家)" by the People's Government of Henan Province.

Executive Directors

Mr. Ding Jifeng (丁基峰), male, aged 48, is an executive Director of the Company and the general manager of our Group (the Company and its subsidiaries are collectively referred to as our "Group"). Mr. Ding Jifeng was appointed as an executive Director of the Company on 15 May 2017. He joined our Group in December 2007 and has worked as deputy general manager of Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司), deputy general manager of Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司), general manager of Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司), chairman and the general manager of Weihui Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) ever since. He has extensive experience in the cement industry and is primarily responsible for the daily sales, administrative and human resources management of our Group. Before joining our Group, he had served in Jiaxian Tian Guang Group Company Limited (郟縣天廣集團有限公司) and Pingdingshan Xingfeng Group Company Limited (平頂山星峰集團有限責任公司) since 1991. He is currently the general manager of Shandong Shanshui, a subsidiary of Shanshui Cement. Mr. Ding graduated from Henan University in 1996, majoring in economic management. He has the title of "Economist".

Mr. Xu Wuxue (徐武學), male, aged 42, is an executive Director of the Company, the Chief Financial Officer and a member of the remuneration committee. Mr. Xu was appointed as an executive Director and Chief Financial Officer of the Company on 11 May 2013. He has 16 years of experience in finance and accounting. Mr. Xu joined the Group in 2006 and served as the Deputy Financial Controller and head of the finance department of Tianrui Cement, and was appointed as the Chief Financial Officer of Tianrui Cement on 9 January 2013. Before that, Mr. Xu served as a clerk of the finance department of Ruzhou Tongyong Casting Co., Ltd. (汝州市通用鑄造公司) and the deputy general manager and head of the finance department of Xingfeng Group Co., Ltd. (星峰集團有限責任公司) and the director of Tianrui Group Finance Company Limited since 14 July 2015. Mr. Xu graduated from Luoyang Industrial College (洛陽工業高等專科學校), majoring in finance, in 1996.

Mr. Li Jiangming (李江銘), male, aged 40, is an executive Director, a joint company secretary and authorized representative of the Company and a vice general manager of capital operation of the Group and a chief representative for Hong Kong business. He is mainly responsible for capital market investment and financing business and investor relations. Mr. Li was appointed as the joint company secretary of the Company on 1 March 2013 and was appointed as the executive Director of the Company on 11 June 2014. Mr. Li has extensive experience in capital operation and had participated in the whole process of Initial Public Offering of China Tianrui Group Cement Company Limited on the Hong Kong Stock Exchange. After joining our Group, Mr. Li served as the sales manager of Tianrui Group Zhengzhou Cement Company Limited, the deputy head of the capital operation department of Tianrui Cement, the general manager of Zhengzhou Tianrui Cement Company Limited and the assistant to the general manager of the Company and director of Hong Kong Office of the Company. Before joining the Group, Mr. Li had been a marketing assistant of Henan Xinfei Electric Appliance Co., Ltd. (河南新飛電器有限公司) and a Requirement Engineer of China E-port Data Center (中國電子口岸數據中心). Mr. Li obtained his master's degree from Wuhan University of Technology (武漢理工大學), majoring in international economics and trade, and obtained the securities practice qualification from the Securities Association of China. Mr. Li Jiangming is the younger brother of the spouse of Chairman Li.

Non-executive Directors

Mr. Li Heping (李和平), aged 61, is a non-executive Director of the Company. Mr. Li was appointed as a non-executive Director of the Company on 4 December 2015. Before that, Mr. Li was the executive director of the Company between 9 December 2011 and 26 April 2013, and chief executive officer of the Company between 9 December 2011 and 30 November 2015. Mr. Li used to serve as the chief accountant of Luoyang Mining Machinery Factory (洛陽礦山機器廠), the deputy head of the Commission for Restructuring the Economic System of Henan Province (河南省經濟體制改革委員會), the general manager of Zhongxin Heavy Machinery Company (中信重型機械公司) and a director and senior management member of Tianrui Group Company Limited. Mr. Li was a non-executive Director and the chairman of the board of Sanmenxia Tianyuan Aluminum Company Limited (a company which was listed on the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") with the stock code of 8253.HK) between March 2006 and May 2012, currently an executive director and a member of executive committee of China Shanshui Cement Group Limited ("Shanshui Cement", a company listed on the Hong Kong Stock Exchange with the stock code of 691.HK) since 1 December 2015, the chairman and legal representative of Shandong Shanshui Cement Group Co., Ltd., a wholly owned subsidiary of Shanshui Cement since 3 December 2015, the chief executive officer of Shanshui Cement since 16 December 2015 and a director of Henan Tongli Cement Co., Ltd (a company listed on the Shenzhen Stock Exchange with the stock code of 000885.SZ). Mr. Li graduated from Henan University of Science & Technology (河南科技大學) (formerly known as Luoyang Institute of Agricultural Machinery) (洛陽農機學院) with a bachelor's degree in mechanic engineering in 1982 and Tsinghua University (清華大學) with a master's degree in engineering in 1988. Mr. Li also holds qualifications of "Senior Engineer" and "Senior Accountant".

Mr. Yang Yongzheng (楊勇正), male, aged 49, is a non-executive Director of the Company and a member of the Nomination Committee. Mr. Yang was re-designated from an executive director to a non-executive Director of the Company on 3 December 2015. Before that, Mr. Yang was an executive Director of the Company from 11 May 2013 to 2 December 2015, the Chief Operating Officer of the Company from 1 October 2013 to 2 December 2015, a member of the Nomination Committee of the Board, and general manager of Tianrui Cement from 2012 to 2 December 2015. He has extensive experience in the cement industry and is primarily responsible for the daily production and operation of the Company and its subsidiaries (collectively the "Group"). Mr. Yang joined the Group in 2004, and has served as the deputy general manager of Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司) and Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司), the general manager of Yingkou Tianrui Cement Company Limited (營口天瑞水泥有限公司) and the chairman and general manager of Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司) ever since. Mr. Yang is a director and general manager of Shandong Shanshui Cement Group Co., Ltd., a wholly-owned subsidiary of Shanshui Cement since December 2015. Mr. Yang obtained his bachelor degree in Petroleum and Engineering from Henan University in 1991 and obtained his EMBA from Peking University in 2012. In June 2012, Mr. Yang was awarded "Advanced Worker in the Mining Industry and Building Material Industry of Small and Medium Enterprises in Liaoning Province" (遼寧省中小企業礦業建材行業先進工作者). Mr. Yang obtained the title of "Senior Economist" in December 2013.

Independent non-executive Directors

Mr. Wang Ping (王平), male, aged 47, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee. Mr. Wang was appointed the independent non-executive Director on 24 December 2012.

Mr. Wang has nearly 15 years of experience in corporate finance, audit, accounting and taxation. He was an executive director and chief financial officer of China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited), a company listed on the Stock Exchange (stock code: 1269.hk) from April 2014 to December 2015 and March 2012 to December 2015 respectively. In December 2010, Mr. Wang joined Guang Da (China) Automotive Components Holdings Limited, a subsidiary of China Vehicle Components Technology Holdings Limited as a senior vice president. Prior of that, Mr. Wang worked for EV Capital Pte Ltd., a financial advisory and consulting firm focusing on initial public offerings, capital raising and private equity investments, from May 2007 to March 2010 as vice president and subsequently as director in May 2008. From February 2004 to March 2007, he served as chief financial officer for China Jishan Holdings Limited, the shares of which are listed on the main board of Singapore Stock Exchange. From September 1999 to August 2002, he served as a senior accountant and subsequently a manager for audit department of Deloitte Touche Tohmatsu CPA Ltd. Mr. Wang has been serving as an independent non-executive director of China Hangking Holdings Limited (Stock Code: 3788), a company listed on the Stock Exchange since February 2011, an independent non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd. which is listed on the Shenzhen Stock Exchange since November 2010, an independent non-executive director of Shenzhen Fuanna Bedding and Furnishing Co. Ltd., a company listed on the Shenzhen Stock Exchange since December 2013, an independent non-executive director of Jia Yao Holdings Limited (Stock Code: 1626), a company listed on the Stock Exchange since June 2014 and an independent non-executive director of China Sinostar Group Company Limited (formerly known as Shihua Development Company Limited) (Stock Code: 485), a company listed on the Stock Exchange since July 2014 and an independent non-executive director of Sichuan CRUN Co., Ltd. which is listed on the Shenzhen Stock Exchange since March 2016. He was appointed an independent non-executive director of Shenzhen Zowee Tech. Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002369), in July 2016. Mr. Wang graduated from Nanjing University and obtained a Master's Degree in Business Administration from Lingnan (University) College of Sun Yat-Sen University in 2004. He is a member of the Chinese Institute of Certified Public Accountants.

Mr. Kong Xiangzhong (孔祥忠), male, aged 63, is an independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. Mr. Kong was appointed as an independent non-executive Director on 24 December 2012.

Mr. Kong currently serves as the vice chairman and secretary of China Cement Association. He is a senior engineer and an expert entitled to special allowance from the State Council. Mr. Kong was appointed as an independent non-executive Director of Jilin Guanghua Holding Group Co., Ltd. (Stock Code: 000546), a company listed on Shenzhen Stock Exchange, in 2012. Mr. Kong graduated from Inorganic Materials Department of Shandong Building Materials Industry Institute (山東建築材料工業學院) in 1982. He has long engaged in cement technology research and development, engineering design and technical management, and held various positions including the deputy office head of Hefei Cement Research and Design Institute, director of the cement grinding department and chief engineer of Hefei Cement Research and Design Institute. Mr. Kong has also participated in and led many projects at national, provincial and ministry levels. He has served as the chief person in charge of design and engineering of some projects and a responsible person for a project financed by the World Bank.

Mr. Du Xiaotang (杜曉堂), male, aged 44, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Du was appointed as an independent non-executive Director on 11 June 2014.

Mr. Du is currently a department managing director of China Everbright Limited (Stock Code: 165), a company listed on the Hong Kong Stock Exchange, since 2014. Mr. Du is also currently an independent non-executive director of Shanghai Inoherb Cosmetics Co., Ltd (上海相宜本草化妝品股份有限公司) since 2011 and an independent non-executive director of Jiangsu Jinshan Environmental Protection Co., Ltd (江蘇金山環保股份有限公司) since 2012 to 2016. Mr. Du was a teacher at Henan University (河南大學) between 1996 and 2002, and was an associate and then a partner with Grandall Law Firm (國浩律師事務所) (a PRC law firm) between 2003 and 2013. Mr. Du's working experience mainly covers corporate finance, capital market, private equity, merger and acquisitions and legal compliance advisory to listed companies, securities firms and mining companies. Mr. Du obtained his bachelor degree in education and master degree in law from Henan University (河南大學) in 1996 and 2002 respectively, and doctorate degree in economics from Fudan University (復旦大學) in 2005. Mr. Du is a qualified PRC lawyer.

Senior Management

Mr. Ding Jifeng (丁基峰), male, aged 48, is a general manager of our Group. Details of Mr. Ding's profile are set out in the section headed "Directors" above.

Mr. Jing Xianyu (井獻玉) (formerly known as Jing Xianyu (井現於)), male, aged 53, is a deputy general manager of our Group. He has extensive experience in the cement industry and is primarily responsible for production and quality related management. Mr. Jing joined our Group in 2000 and has worked as general manager of Weihui Cement and Yuzhou Cement, chairman of Zhengzhou Cement (Xingyang) and Zhengzhou Tianrui ever since. He has been the deputy general manager and executive deputy general manager of Tianrui Cement from February 2008 to 2012 and from 25 February 2012 to 2016 respectively. Mr. Jing obtained his executive MBA degree from Peking University (北京大學) in 2008. Mr. Jing was recognized as "Outstanding Leader of Quality Management of National Building Material Industry (全國建材行業品質管制卓越領導者)" in July 2008 and was named "60th Anniversary of the Founding of PRC Henan Province Meritorious Entrepreneur (建國60周年河南省建材工業功勳企業家)" in September 2009.

Mr. Xu Wuxue (徐武學), male, aged 42, is the Chief Financial Officer of our Company and the Financial Controller of our Group. Details of Mr. Xu's profile are set out in the section headed "Directors" above.

Mr. Gao Yunhong (高運紅), male, aged 47, is a deputy general manager of our Group. He has extensive experience in the cement industry and is primarily responsible for the sales of the Group. Mr. Gao joined the Group in 2005 and served as the deputy general manager of Ruzhou Cement, Zhengzhou Cement and Guangshan Cement (光山水泥) successively. He graduated from the PLA Information Engineering University, majoring in computer science and technology, in 2008. In the same year, Mr. Gao was awarded as "Model Worker of Zhengzhou City" and "60th Anniversary of the Founding of PRC Henan Province Excellent Entrepreneur in Building Material Industry (建國60周年河南省建材工業優秀企業家)".

Mr. Li Jiangming (李江銘), male, aged 40, is a vice general manager of capital operation of the Group and a chief representative for Hong Kong business. Details of Mr. Li's profile are set out in the section headed "Directors" above.

Mr. Lv Xing (呂行), male, aged 39, is the deputy financial controller of our Company and a deputy chief accountant of our Group. Mr. Lv joined the Company as a deputy chief accountant in 2012 and was appointed as the deputy financial controller of our Company on 1 October 2013, and is primarily responsible for the review and analyzing of financial reports, finance and mergers and acquisitions business. Mr. Lv has extensive experience in financing. He served as an assistant auditor, senior auditor and an audit manager in Deloitte Touche Tohmatsu since 2001 prior to joining the Company. Mr. Lv graduated from Beijing University of Industry and Commerce (北京工商大學) with bachelor's degree in economics in 2001. Mr. Lv holds the certificate of "Certified Public Accountant".

Joint Company Secretaries

Mr. Li Jiangming (李江銘), male, was appointed as the joint company secretary of the Company on 1 March 2013 and was appointed as authorized representative of the Company on 10 September 2015. Details of Mr. Li's profile are set out in the section headed "Directors" above.

Ms. Ng Ching Mei (吳靜薇), female, was appointed as the joint company secretary and the authorized representative of our Company on 15 May 2017. Ms. Ng holds a Bachelor Degree of Business Administration in Accounting and Finance from the University of Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants. She has extensive experience in auditing, finance and accounting gained from multinational corporations and an international accounting firm. She was the company secretary of Sanmenxia Tianyuan Aluminum Company Limited (a company previously listed on The Stock Exchange of Hong Kong Limited with the stock code of 8253.HK) from April 2014 to September 2015.

Report of the Directors

The Board hereby presents this Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017 (the “Consolidated Financial Statements”).

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 7 February 2011 as an exempted company with limited liability. The Group’s operations are substantially conducted through its subsidiaries in the PRC. The Group is principally engaged in the excavation of limestone, production, sale and distribution of clinker and cement. Details of the principal subsidiaries of the Group during the year ended 31 December 2017 are set out in Note 53 to the Consolidated Financial Statements.

Details of the business review of the Company are set out in the section of “Management Discussion and Analysis — Business Environment” of this annual report which forms part of the directors’ report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in this Annual Report.

The Board did not propose the declaration of final dividend for the year ended 31 December 2017 (2016: Nil).

FINANCIAL SUMMARY

A summary of our results and the assets and liabilities for the current financial year and for the past five financial years, as extracted from the Group’s audited consolidated financial statements, is set out in the section headed “Financial Summary” of this Annual Report which forms part of the directors’ report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group’s property, plant and equipment during the year are set out in Note 17 to the Consolidated Financial Statements of this Annual Report.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are set out in Notes 32, 33, 35 and 36 to the Consolidated Financial Statements of this Annual Report.

SHARE CAPITAL

During the year ended 31 December 2017, the issued share capital of the Company was increased by 537,381,647 shares from 2,400,900,000 shares to 2,938,281,647 shares.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity of this Annual Report.

DISTRIBUTABLE RESERVES OF THE GROUP

The Group's reserves available for distribution to shareholders as at 31 December 2017 amounted to RMB5,969.1 million (31 December 2016: RMB5,349.3 million).

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of our Directors, our Company has maintained the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as at the date of this Annual Report.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive right under the Company's articles of association or applicable laws of the Cayman Islands where the Company was incorporated.

DIRECTORS

The Directors of the Company as at 31 December 2017 were:

Non-executive Director and Chairman of the Board of Directors

Mr. Li Liufa

Executive Directors

Mr. Ding Jifeng
Mr. Xu Wuxue
Mr. Li Jiangming

Non-executive Directors

Mr. Li Heping
Mr. Yang Yongzheng

Independent Non-executive Directors

Mr. Kong Xiangzhong
Mr. Wang Ping
Mr. Du Xiaotang

DIRECTORS' PROFILES

Details of the Directors' profiles are set out in the section headed "Profiles of Directors and Senior Management" of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with our Company for a term of three years with effect from their respective date of appointment or re-appointment unless terminated by a not less than three months notice in writing served by either the executive Director or our Company. Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company for a term of three years (as for Chairman Li, a non-executive Director) and one year (as for Mr. Li Heping and Mr. Yang Yongzheng (other non-executive Directors) and all independent non-executive Directors), respectively, with effect from the dates of their respective appointment or re-appointment. The appointment is subject to the provisions of retirement and rotation of directors under the Articles of Association.

None of the Directors who would offer themselves for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The Company has arranged appropriate insurance cover for the directors of the Company in respect of legal action against the directors during the year of 2017.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. We consider that each of our independent non-executive Directors has been independent during their respective appointment period in 2017 and remains independent as of the date of this Annual Report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

Name of Director	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Mr. Li Liufa[(1) (2)]	Interests in controlled corporation/Long position	1,986,984,822	67.62
	Short position	440,000,000	14.97

(1) Mr. Li Liufa is deemed to be interested in the shares held by Yu Kuo Company Limited (煜闊有限公司) ("Yu Kuo") by virtue of Yu Kuo being ultimately controlled by Mr. Li Liufa through Tianrui Group Company Limited (天瑞集團股份有限公司), ("Tianrui Group Company"), Tianrui (International) Holding Company Limited (天瑞(國際)控股有限公司) ("Tianrui International"), Holy Eagle Company Limited (神鷹有限公司) and Yu Qi Company Limited ("Yu Qi") (details of which is set out in the "Corporate Structure" of this annual report).

(2) As at 31 December 2017, Yu Kuo pledged its 440,000,000 shares (approximately 14.97% of the issued share capital of the Company) held in the Company to the financial institutions specified by the institutional lenders in order to fulfil the conditions of securing loans from the leaders.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 25 November 2016, the Company and Tianrui Group Company Limited (an entity controlled by Chairman Li) entered into an acquisition agreement, pursuant to which Tianrui Group Company Limited conditionally agreed to sell the 100% of the equity interest in Yongan Cement and 55% of the equity interest in Xindeng Cement at a total consideration by the allotment and issue of consideration shares of RMB919,000,000 to Yu Kuo Company Limited, an indirect wholly-owned subsidiary of Tianrui Group Company Limited. This acquisition agreement was approved at the extraordinary general meeting dated 19 January 2017 and was completed on 7 June 2017. For further details, please refer to the announcement of the Company dated 7 June 2017.

Other than the above, at no time during the period ended 31 December 2017 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the period ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Reference is made to the circular ("Circular") of the Company dated 31 October 2014 in relation to the amended deed of non-competition ("Amended Non-competition Deed") which has been approved in the extraordinary general meeting of the Company on 17 November 2014 ("Effective Date"). Unless stated otherwise, capitalized terms used herein shall have the same meaning as those defined in the Circular.

Under the Amended Non-competition Deed, the Controlling Shareholders are allowed to pursue New Business Opportunity after they have fulfilled the notification and best-effort requirements as set out in the Amended Non-competition Deed. Further, the Controlling Shareholders have undertaken to, inter alia, grant the Company the Option upon the terms which are not less favourable than the acquisition in the first instance. The independent board committee should periodically review the New Business Opportunities, in order to determine whether to exercise the Option and disclose the basis for the decision.

The Board (including the independent non-executive directors) have duly reviewed the competing business owned by Tianrui Group Company (the controlling shareholder) pursuant to the Amended Non-competition Deed:

(1) Pingdingshan Ruiping Shilong

Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司) ("Ruiping Shilong") is a limited liability company incorporated in the PRC, of which 40% is owned by Tianrui Cement (the Company's wholly-owned subsidiary) and 60% is owned by Ruiping Power. Ruiping Power is held by Tianrui Foundry (indirectly and jointly wholly-owned by Chairman Li and Mrs. Li (Chairman Li's spouse)) as to 40% and by an Independent Third Party as to 60%.

Ruiping Shilong is engaged in manufacturing and selling clinker in certain areas of Henan province, so its business competes with the Company's clinker operation in those areas.

As at 31 December 2017, the Directors held the view that the Group is financially and operationally independent from Ruiping Shilong. The Controlling Shareholders currently have no intention to inject their indirect interest in Ruiping Shilong into the Group.

(2) Shanshui Cement

As at 31 December 2017, Tianrui (International) Holding Company Limited, a wholly-owned subsidiary of Tianrui Group Company which is owned as to 70% by Chairman Li, has acquired a total of 951,462,000 shares of China Shanshui Cement Group Limited (691.HK) ("Shanshui Cement", a company which is listed on the Main Board of the Stock Exchange of Hong Kong Limited) representing approximately 28.16% issued share capital of Shanshui Cement. Shanshui Cement is engaged in production of clinker and cement in China.

As at 31 December 2017, the Directors held the view that the Group is financially and operationally independent from Shanshui Cement. The Company has an option to acquire the shares in Shanshui Cement pursuant to the Non-competition Deed, but has decided not to exercise the said option at this stage after considering, among others, the recent financial performance of Shanshui Cement.

(3) Tongli Cement

After the independent board committee considered and approved on 15 December 2014 the participation of the controlling shareholder and its associates in the shares of Henan Tongli Cement Co., Ltd. ("Tongli Cement", a company which is listed on the Shenzhen Stock Exchange (stock code: 000885)) ("Tongli Shares"), Tianrui Group Company Limited (天瑞集團股份有限公司) which is owned as to 70% by Chairman Li has acquired a total of 71,365,588 shares of Tongli Cement in accumulation. Also, on 9 February 2017, Tianrui Group Company Limited enquired if the Company would exercise the option or, if not, agreed to reduce the shareholding in Tongli Cement. The Company decided not to exercise the option and agreed to reduce the shareholding in Tongli Cement. According to the proposal of Tianrui Group Company Limited, the profit from the reduction in shareholding will be vested to the Company. As of the date of this report, Tianrui Group Company Limited has completed all shareholding reductions in the shares of Tongli Cement.

(4) Xindeng Cement, Yongan Cement

On 25 November 2016, the Company and Tianrui Group Company Limited (an entity controlled by Chairman Li) entered into an acquisition agreement, pursuant to which Tianrui Group Company Limited conditionally agreed to sell the 100% of the equity interest in Yongan Cement and 55% of the equity interest in Xindeng Cement at a total consideration by the allotment and issue of consideration shares of RMB919,000,000 to Yu Kuo Company Limited, an indirect wholly-owned subsidiary of Tianrui Group Company Limited. This acquisition agreement was approved at the extraordinary general meeting dated 19 January 2017 and was eventually completed on 7 June 2017.

COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed "Compliance with Non-competition Undertaking" above, none of the Directors or Controlling Shareholders was interested in any business which competes or is likely to compete (directly or indirectly) with the business of the Group during the year ended 31 December 2017.

During the reporting period, the independent non-executive Directors have reviewed the compliance with the Non-competition Deed based on information and confirmation provided by or obtained from the Controlling Shareholders and their respective associates (as defined under the Listing Rules), and were satisfied that the controlling shareholders of the Company, namely, Mr. Li Liufa, Ms. Li Fengluan, Tianrui Group Company Limited, Tianrui (International) Holding Company Limited, Holy Eagle Company Limited, Yu Kuo Company Limited and Yu Qi Company Limited (collectively, the "Controlling Shareholders") and their respective associates have complied with the provisions of the Amended Deed of Non-competition Undertaking entered into between the Company and the Controlling Shareholders on 16 October 2014 (the "Amended Deed of Non-competition Undertaking").

DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2017, save as disclosed in "Compliance with Non-competition Undertaking", "Connected Transaction and Continuing Connected Transactions" or otherwise in this annual report, no contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party, and in which a Director or Controlling Shareholder of the Company had a material interest, whether directly or indirectly subsisted at the closing or any time during the year.

DIRECTORS' REMUNERATION

Our Directors' fees are subject to shareholders' approval at general meetings. Other emoluments, bonus and benefits are proposed by our Remuneration Committee to the Board and determined with reference to the prevailing market conditions, Directors' duties, responsibilities and our performance and results of the Group.

The details of the emoluments paid to the five highest paid individuals among Directors and Senior Management of the Company during the year are set out in Notes 13 and 14 to the Consolidated Financial Statements of this Annual Report.

RETIREMENT SCHEMES

The employees of the Group members in the PRC are members of a state-managed employee benefit plans operated by the PRC government such as pension funds, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds. The Group is required to contribute a specified percentage of its payroll costs to the employee benefit plans to fund the benefits

The Group's contributions to the employee benefit plans for the year ended 31 December 2017 were RMB38.1 million. Particulars of these plans are set out in Note 44 to the Consolidated Financial Statements of this Annual Report.

MANAGEMENT CONTRACTS

Other than employment contracts with employees of the Company, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were existed or entered into with any individual, company or body corporate during the year.

CHANGE OF HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

With effect from 25 March 2017, the Company's headquarters and principal place of business in the PRC has been changed from "21st Floor, Hailian Building, Shang Wu Wai Huan Road No. 20, Zheng Dong Xin District, Zhengzhou City, Henan Province, PRC" to "No. 63 Guangcheng Road East, Ruzhou City, Henan Province, PRC".

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, to the best knowledge of the Directors and the senior management of the Company, the persons who had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO were as follows:

Name	Capacity/Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
Yu Kuo	Beneficial owner/Long position[1]	1,986,984,822	67.62
	Short position[2]	440,000,000	14.97
Tianrui Group	Interest of corporation controlled by the substantial shareholder/Long position[1]	1,986,984,822	67.62
	Short position[2]	440,000,000	14.97
Tianrui International	Interest of corporation controlled by the substantial shareholder/Long position[1]	1,986,984,822	67.62
	Short position[2]	440,000,000	14.97
Holy Eagle	Interest of corporation controlled by the substantial shareholder/Long position[1]	1,986,984,822	67.62
	Short position[2]	440,000,000	14.97
Yu Qi	Interest of corporation controlled by the substantial shareholder/Long position[1]	1,986,984,822	67.62
	Short position[2]	440,000,000	14.97
Mr. Li Liufa	Interest of corporation controlled by the director/ Long position[1]	1,986,984,822	67.62
	Short position[2]	440,000,000	14.97
Ms. Li Fengluan	Interest of corporation controlled by the substantial shareholder/Long position[1]	1,986,984,822	67.62
	Short position[2]	440,000,000	14.97
The Export-Import Bank of China	Party with security interest over the shares/Long position	515,000,000	17.53
Ministry of Finance of the People's Republic of China	Party with security interest over the shares/Long position	515,000,000	17.53
PA Investment Funds SPC — PA Greater China Industrial Opportunities Fund Segregated Portfolio	Beneficial owner/Long position	237,600,000	8.09
China Huarong Asset Management Co., Ltd.	Party with security interest over the shares/Long position	300,000,000	10.21
China Huarong International Holdings Limited	Party with security interest over the shares/Long position	300,000,000	10.21
Right Select International Limited	Party with security interest over the shares/Long position	300,000,000	10.21
Best Ego Limited	Party with security interest over the shares/Long position	300,000,000	10.21

(1) Yu Kuo is 51.25% and 48.75% owned by Holy Eagle and Yu Qi respectively by equity interests. Holy Eagle and Yu Qi are wholly owned by Tianrui International respectively, whereas Tianrui International is wholly owned by Tianrui Group. Tianrui Group is 70% and 30% owned by Mr. Li Liufa and Ms. Li Fengluan, the spouse of Mr. Li Liufa respectively. Mr. Li Liufa, Ms. Li Fengluan, Tianrui Group, Tianrui International, Holy Eagle and Yu Qi are respectively deemed to be interested in the shares held by Yu Kuo (see "CORPORATE STRUCTURE" of this annual report for details).

(2) As at 31 December 2017, Yu Kuo pledged its 440,000,000 shares (approximately 14.97% of the issued share capital of the Company) held in the Company to the financial institutions specified by the institutional lenders in order to fulfil the conditions of securing loans from the lenders.

Saved as disclosed above, as at 31 December 2017, no other person has any interest or short position which shall be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE-BASED INCENTIVE SCHEMES

Share Option Scheme

Adoption and Validity Period

The Company has adopted a share option scheme (the "Share Option Scheme") on 12 December 2011 (the "Adoption Date"). The Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary (i.e. 12 December 2021) of the Adoption Date (the "Scheme Period").

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide person(s) and parties working for the interests of our Group with an opportunity to obtain an equity interest in our Company, thus linking their interests with the interests of our Group and thereby providing them with an incentive to work better for the interests of our Group.

Maximum Options to be Granted

As at the date of the 2017 Annual Report, the total number of Shares issued upon exercise of all Options granted under the Share Option Scheme must not in aggregate exceed 3% of the Shares of the Company (or its subsidiaries) as at the Listing Date (being 72,027,000 shares, representing 2.45% of the issued shares of the Company as at the date of the 2016 Annual Report).

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 30% of the shares in issue from time to time where there are options to be granted and yet to be exercised.

Unless approved by Shareholders in general meeting at which the relevant Eligible Person and his or her associates abstain from voting in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, the total number of Shares issued and to be issued upon exercise of the Options granted to such Eligible Person (including exercised, cancelled and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue (the "Individual Limit") at such time.

Option Period

The period within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than ten years from the date the offer has been made to the grantees (the "Option Period"). All outstanding options shall lapse when the Option Period expires, the employment of the holder ceases or where the holder is no longer a member of the Group.

Eligible Person

The Directors may at their absolute discretion grant Options to all Directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to our Company or our Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to our Company or our Group and each of the persons mentioned above is referred to as an "Eligible Person".

Acceptance of Options

The Eligible Person may accept the offer within 21 days from the date of offer (or such other period as may be determined by the Board), provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the scheme has been terminated in accordance with its terms.

When the duplicate letter comprising acceptance of the Option is duly signed by the Eligible Person, it should be submitted together with the remittance of HK$1 in favor of our Company, as a consideration for the grant irrespective of the number of Shares in respect of which the Option is accepted.

Subscription Price

The subscription price in respect of any particular Option shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant Option (the "Subscription Price"), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Date of Grant; and (iii) the nominal value of a Share.

Grant, Vesting, Cancellation and Lapse of Options During 2017

Since the Adoption Date and as of 31 December 2017, no option has been granted, vested or cancelled, or has lapsed under the Share Option Scheme.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2017, save as disclosed below, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION

Acquisition Agreement

On 25 November 2016 (after trading hours), the Company and Tianrui Group entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which Tianrui Group conditionally agreed to sell and the Company conditionally agreed to purchase the sale shares which represent 100% equity interest of Yongan Cement and 55% equity interest in Xindeng Cement at a consideration of RMB919,000,000, settled by the allotment and issue of the 537,381,647 new Shares by the Company to Yu Kuo Company Limited, a wholly-owned subsidiary of Tianrui Group Company. The Acquisition Agreement was approved at the extraordinary general meeting held on 19 January 2017 and was eventually completed on 7 June 2017.

CONTINUING CONNECTED TRANSACTIONS

(a) Purchase of Clinker

(1) On 18 December 2017, Tianrui Cement Group Company Limited ("Tianrui Cement"), a wholly owned subsidiary of the Company, and Pingdingshan Ruiping Shilong Cement Company Limited ("Ruiping Shilong") entered into the clinker supply framework agreement (the "Clinker Supply Framework Agreement") pursuant to which Tianrui Cement agreed to purchase the clinker from Ruiping Shilong. The prices payable by Tianrui Cement for the clinker will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of clinker in Pingdingshan, Henan province, with terms no less favorable than those available from independent third parties.

Ruiping Shilong is held as to 40% equity interest by Tianrui Cement and 6% by Ruiping Power, Ruiping Power is held by Tianrui Foundry (indirectly and jointly wholly-owned by Chairman Li and Ms. Li Fengluan) as to 40% and by an independent third party as to 60%. Chairman Li, the chairman, non-executive Director, controlling shareholder and ultimate controlling shareholder of the Company, controls more than 30% of the voting power at general meeting of Ruiping Shilong. Ruiping Shilong is therefore an associate of Chairman Li and a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Clinker Supply Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The background and purpose for entering into the Clinker Supply Framework Agreement are: with the continuous development of the Group, it is expected that the demand for clinker, a major intermediate product of cement, will increase. In light of its proximity of the Group, it has been able to provide a stable supply of clinker with low transportation costs over the past years. As such, the Group intended to satisfy its clinker demand by entering into the Clinker Supply Framework Agreement with Ruiping Shilong.

Pursuant to the Clinker Supply Framework Agreement, the annual caps of the transactions contemplated thereunder are RMB300,000,000, RMB300,000,000 and RMB300,000,000 for each of the three years ending 31 December 2017, 2018 and 2019 respectively.

For the year ended 31 December 2017, Tianrui Cement purchased clinker from Ruiping Shilong with transaction value of RMB298,743,906.

The Board hereby confirms that the auditors' letter relating to the above continuing connected transaction has been submitted to the Stock Exchange pursuant to Rules 14A.56 and 14A.57 of the Listing Rules.

(b) Mutual guarantees

On 11 May 2017, the Company and Tianrui Group Company Limited ("Tianrui Group") entered into a framework agreement in relation to the provision of mutual guarantees (the "2017 Framework Agreement"), with a term from 11 May 2017 to 31 December 2019 ("Term").

Tianrui Group is owned as to 70% by Chairman Li is therefore an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the 2017 Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As disclosed in the circular of the Company dated 19 July 2017 (the "Circular of Mutual Guarantees"), according to the 2017 Framework Agreement: (a) Tianrui Group has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by the Company or its subsidiaries ("Tianrui Group Guarantee"); (b) the Company has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by Tianrui Group or its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) ("Company Guarantee"). On the same date as the 2017 Framework Agreement, Chairman Li, entered into the Counter Guarantee Agreement with the Company, pursuant to which Chairman Li has agreed to indemnify the Company or its subsidiaries by means of the Counter Guarantee for any amount that it would have to pay in accordance with each Tianrui Cement under the 2017 Framework Agreement ("Counter Guarantee"). For details on Tianrui Group Guarantee, Company Guarantee and Counter Guarantee, please refer to the paragraph headed "Major Terms of 2017 Framework Agreement and the Transactions Contemplated Thereunder" in the Circular of Mutual Guarantees.

The background and purpose for entering into the 2017 Framework Agreement was that: (a) it is common commercial practice in China that the lenders require the provision of guarantees as security for granting loans to borrowers. In particular, for a privately-owned company like Tianrui Cement, the PRC banks oftentimes require the provision of the third-party guarantee for granting a loan; (b) the historical utilization of the Tianrui Group Guarantee is greater than that of the Tianrui Cement Guarantee, and there has not been default of any loans guaranteed by either the Tianrui Group Guarantee or the Tianrui Cement Guarantee; (c) the Group's business is capital-intensive, with a need of financing; (d) with respect to the Tianrui Cement Guarantee, the risks involved in assisting the financing of Tianrui Group are manageable, which is reflected by the provision of indemnity by both Tianrui Group and Chairman Li for any amount payable by Tianrui Cement. For details on the purposes of and reasons for the above transactions, please refer to the paragraph headed "Reasons for and Benefits of the 2017 Framework Agreement" in the Circular of Mutual Guarantees.

As of 31 December 2017, according to the 2017 Framework Agreement and as approved by a special committee, the Company (including its subsidiaries) provided guarantees of RMB1,710,000,000 in aggregate to Tianrui Group (including its subsidiaries), while Tianrui Group (including its subsidiaries) provided guarantees of RMB4,056,000,000 in aggregate to Tianrui Cement (including its subsidiaries).

The Board hereby confirms that the auditors' letter relating to the above continuing connected transactions has been submitted to the Stock Exchange pursuant to Rules 14A.56 and 14A.57 of the Listing Rules.

(c) Deposit and financial services agreements

On 6 October 2017, Tianrui Cement Group Company Limited ("Tianrui Cement"), a wholly owned subsidiary of the Company, and Tianrui Group Finance Company Limited ("Tianrui Finance") entered into (i) the deposit services agreement (the "Deposit Services Agreement"), pursuant to which Tianrui Finance agreed to provide Tianrui Cement and its subsidiaries (the "Cement Group") with the deposit services (*inter alia*, demand deposit, saving deposit, notice deposit and agreed deposit services) (the "Deposit Services") for a term commencing from the date of approval of the Deposit Services Agreement by the independent Shareholders (i.e. 29 December 2017) to 31 December 2019; and (ii) the financial services agreement (the "Financial Services Agreement"), pursuant to which Tianrui Finance agreed to provide the Cement Group with the credit services and settlement services (the "Financial Services") for a term commencing from 29 December 2017 to 31 December 2019.

Tianrui Finance is a subsidiary of Tianrui Group. Tianrui Finance is held as to 74.5% equity interest by Tianrui Group and its subsidiaries. Tianrui Group is the holding company of Tianrui (International) Holding Company Limited which owns the entire issued share capital of Holy Eagle Company Limited and Yu Qi Company Limited, which together owns the entire issued share capital of Yu Kuo, a controlling Shareholder of the Company. Accordingly, Tianrui Finance is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Deposit Services Agreement and the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As disclosed in the circular of the Company dated 12 December 2017 (the "Circular"), the principal terms of the Deposit Services are: the interest rate offered by Tianrui Finance to the Cement Group for the Deposit Services shall not be lower than (i) the relevant benchmark interest rate(s) as set by the PBOC and (ii) the interest rate(s) offered to the Cement Group by other mainstream financial institutions in the PRC for comparable deposits of similar nature and under similar terms during the same period. The daily balance of the Cement Group's deposits (including any interest accrued therefrom) with Tianrui Finance for the years ending 31 December 2017, 2018 and 2019 shall not exceed RMB700 million, RMB1 billion and RMB1 billion, respectively. However, the amount deposited by the Cement Group with Tianrui Finance shall not be more than the usage of the total amount of funds provided by Tianrui Finance and its affiliates to the Group (including but not limited to any loan provided by Tianrui Finance and its affiliates to the Cement Group). In the event of any default by Tianrui Finance as a result of which the Cement Group not being able to recover the amount deposited with Tianrui Finance, the Group will be able to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance.

The principal terms of the Financial Services provided by Tianrui Finance to member(s) of the Cement Group are set out below:

1. The Credit Services

Subject to the compliance of other applicable laws and regulations, the internal compliance and approval of Tianrui Finance and the entering of definitive agreement, Tianrui Finance would provide comprehensive credit facilities services to the Cement Group in aggregate amount of RMB1.5 billion, RMB2 billion and RMB2.5 billion for the years ending 31 December 2017, 2018 and 2019, respectively.

The interest rate for the Credit Services to be provided by Tianrui Finance to the Cement Group shall be determined on normal commercial terms by reference to the interest rate(s) announced by the PBOC and the market conditions, but shall not exceed the highest interest rate offered by the PBOC for the same type of loan, and shall not exceed the interest rate offered by major financial institutions for the same type of loan.

2. The Settlement Services

Tianrui Finance would provide collection and payment services and other relevant clearing and settlement services for the member(s) of the Cement Group free of charge. Tianrui Finance shall ensure that its settlement services system operates safely which protects the security of funds and control the risk of assets and liabilities.

3. Other Services

If Tianrui Finance provides any other financial services as approved by China Banking Regulatory Commission to the Cement Group, Tianrui Finance and Tianrui Cement will enter into a separate agreement, in accordance with the Financial Services Agreement and the requirements of the Listing Rules.

The fees so charged shall not be higher than the rates for the same type of services of the same period offered by any financial institutions for the same type of services in PRC.

Proposed Caps

The Company proposed the annual caps for the Credit Services for the years ending 31 December 2017, 2018 and 2019 are RMB1.5 billion, RMB2 billion and RMB2.5 billion, respectively.

The background and purpose for entering into the Deposit Services Agreement and the Financial Services Agreement are: Tianrui Finance is a non-banking financial institution subject to the supervision of the CBRC and is authorized to provide a variety of financial services including deposit services by PRC law and regulations even though it is not a bank. Given the connection between the Company and Tianrui Finance the Company is familiar with the operation of Tianrui Finance and believes that it is a reliable and suitable financial institution to make deposit with. The interest of Tianrui Cement has been protected under various terms of the Deposit Agreement. Pursuant to the Financial Services Agreement, Tianrui Finance shall provide credit to Tianrui Cement from time to time. According to the Deposit Services Agreement, the amount deposited by Tianrui Cement in Tianrui Finance shall at all time be less than the total loan outstanding balance provided by Tianrui Finance to Tianrui Cement. Furthermore, in case of any default by Tianrui Finance in returning any deposit amount, Tianrui Cement is entitled to offset the amounts owing by Tianrui Finance to Tianrui Cement against the amounts due from Tianrui Cement to Tianrui Finance. With proper internal control measures, Tianrui Cement can control the amount to be deposited with Tianrui Finance to a level that is lower than the total outstanding balance owing to Tianrui Finance. Therefore, there will not be actual loss to be incurred by Tianrui Cement in case of default by Tianrui Finance and the interest of Tianrui Cement is safeguarded.

For the year ended 31 December 2017, the amount of Tianrui Cement's deposits placed with Tianrui Finance was RMB0, while the balance of unsecured loans provided by Tianrui Finance to Tianrui Cement in respect of the Credit Services was RMB0.

The Board hereby confirms that the auditors' letter relating to the above continuing connected transactions has been submitted to the Stock Exchange pursuant to Rules 14A.56 and 14A.57 of the Listing Rules.

Annual Review by Independent Non-executive Directors and Auditor

Pursuant to the Listing Rules, the above connected transaction and continuing connected transactions have been reviewed by the independent non-executive Directors of our Company, who confirmed that these continuing connected transactions and connected transactions were entered into:

(1) in the ordinary and usual course of business of the Group, and either on normal commercial terms or on terms no less favorable to us than terms available to or from independent third parties; or

(2) not in the normal and ordinary course of business of the Group, but on commercial terms more favorable to the Group; and

(3) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in them interests of the shareholders of our Company as a whole.

Pursuant to Rule 14A.56 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the board of directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.56 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong Limited.

Related parties transactions

During the year ended 31 December 2017, the Group also engaged in certain related party transactions as disclosed in Note 45 to the Consolidated Financial Statements of this Annual Report. The related party transactions comprise (1) the Group's purchase of clinker from Ruiping Shilong which have been approved by the Board of the Company as set out in the section headed "Connected Transaction and Continuing Connected Transactions — (a) Purchase of Clinker" above; (2) the Group's rental of office from Tianrui Group Company at a consideration of RMB1,800,000 which is a connected transaction fully exempt under Rule 14A.76 of the Listing Rules; (3) provision of guarantees to Tianrui Group Company (and its subsidiaries) which have been approved by the independent shareholders of the Company as set out in the section headed "Connected Transaction and Continuing Connected Transactions — (b) Mutual Guarantees" above; and (4) Tianrui Group Company has completed the acquisition of 100% equity interests in Yongan Cement and 55% equity interests in Xindeng Cement as set out in the section headed "Connected Transaction and Continuing Connected Transactions — (c) Acquisition Agreement" above; (5) deposit in Tianrui Finance as set out in the section headed "Connected Transaction and Continuing Connected Transactions — (d) Deposit and financial services agreements" above, and is approved by the independent Shareholders of the Company. Further, the derivative financial assets as set out in the note 25 to the financial statements represent the Options granted by Tianrui Group to the Company with respect to the competing business which has been acquired by Tianrui Group pursuant to the amended deed of non-competition ("Amended Non-competition Deed"), the details of which is set out in the circular of the Company dated 31 October 2014. The Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules during the year under review.

MAJOR CUSTOMERS, SUPPLIERS AND EMPLOYEES

For the current financial year ended 31 December 2017, total sales to our five largest customers accounted for less than 30% of the Group's total sales. Total purchase from our five largest suppliers accounted for less than 30% of the Group's total purchase

Our major customers are real estate developers and concrete manufacturers etc, and major suppliers are raw material suppliers, equipment suppliers and other business partners. It is important to maintain a good relationship with customers and suppliers. Accordingly, our Group has taken measures to strengthen communication with them in order to supply highly-quality productions and services, maintain good relationships in respect of the supply chain and business challenges respectively.

"Employees" are set out in the Management Discussion and Analysis section which forms part of the directors' report.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

During the period ended 31 December 2017, save as disclosed in the Corporate Governance Report of this Annual Report, all the code provisions set out in the Code contained in Appendix 14 to the Listing Rules were met by the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of the Company's compliance with the Model Code for Securities Transactions are set out in the Corporate Governance Report of this Annual Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognizes the importance of proper adoption of environmental policies is essential to the attainability of corporate growth. For further details, please refer to the section of "Company Profile — Committed to environment protection and sustainable development" of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As at 31 December 2017 and up to the date of this report, the Board was unaware of any non-compliance with the relevant laws and regulations that have a significant impact on the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is of the view that the principal risk and uncertainty is the general global economy slowdown which might lead to the PRC market's lesser demand for cement and clinker.

FUTURE PLAN

In light of the general global economy slowdown which might lead to declining demand for cement and clinker in the PRC market, the Company will take a cautious approach with respect to production expansion and will put in more effort to improve operating efficiency.

AUDITORS

The Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu ("Deloitte"), who will retire and, being eligible, offer themselves for re-appointment at the forthcoming general meeting.

A resolution to re-appoint Deloitte as our external auditor will be submitted for shareholders' approval at our forthcoming annual general meeting. The Company has been engaging Deloitte as its auditor for the past seven years.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Our Company is committed to maintaining a high standard of corporate governance. The principle of our Company's corporate governance is to implement effective internal control measures and to increase the transparency of the Board and accountability to all shareholders.

For the period from 1 January 2017 to 31 December 2017, our Company had adopted the code provisions set out in Corporate Governance Code contained in Appendix 14 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code to corporate governance practices. Except as stated in the reminders of this section, our Company had been in compliance with all code provisions set out in the Corporate Governance Code throughout the year ended 31 December 2017.

As the CEO of the Company resigned on 1 December 2015, and as at the date of this report, the Company has not yet appointed a new CEO. The Company will actively seek a new CEO. In the meantime, the Board of the Company established an Executive Committee, which was composed of 2 executive Directors and 3 top management members of the subsidiary of the Company. The Executive Committee is in charge of the daily operation of the major businesses of the Group, the Executive Committee members do not include the chairman of the Board, and this will ensure that the authority is not be vested in the same person.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

As at 31 December 2017, Yu Kuo Company Limited, the controlling shareholder, pledged its 440,800,000 shares (approximately 14.97% of the issued share capital of the Company) held in the Company in total to the financial institutions specified by the institutional lenders in order to fulfill the conditions of securing loans from the lenders.

CHANGE OF THE DETAILS OF A DIRECTOR

According to Rule 13.51B of the Listing Rules, the change of the details of directors is as follows:

Mr. Li Liufa, non-executive Director of the Company and chairman of the board of Directors, was appointed as executive Director and chairman of the board of Directors of China Shanshui Cement Group Limited (stock code: 691), effective as at 19 March 2018.

Mr. Li Heping has resigned as non-executive Director of the Company on 18 January 2018. Ms. Li Fengluan was appointed as executive Director of the Company on 18 January 2018.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded by the Company of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2017.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and management performance so as to protect and enhance the interests of the Company and its shareholders. Matters relating to the day-to-day operation of the Group are delegated to management. For the period from 1 January 2017 to 31 December 2017, the Board (among other things) considered and approved the annual budget, results of operations and the reconciliation between them, together with management work report and the annual results for the year ended 31 December 2017, monitored the operation of our Group's key business, and assessed our Group's internal control and financial matters.

Composition of the Board

As at 31 December 2017, the Board comprises nine Directors, including three executive Directors, being Mr. Ding Jifeng, Mr. Xu Wuxue and Mr. Li Jiangming; three non-executive Directors, being Mr. Li Liufa (the Chairman of the Board), Mr. Li Heping and Mr. Yang Yongzheng; and three independent non-executive Directors, being Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang. Mr. Li Liufa is the Chairman of the Board of the Company. Mr. Li Heping ceased to be the chief executive officer of the Company on 1 December 2015 and the Company is looking for a suitable replacement candidate. Mr. Li Jiangming is the younger brother of Ms. Li Liufa's spouse. The profiles of the Directors are set out in the section headed "Profiles of Directors and Senior Management" in this Annual Report.

Non-executive Directors

As at 31 December 2017, our Company has three non-executive Directors, being Mr. Li Liufa, Mr. Li Heping and Mr. Yang Yongzheng, with a term of three years commencing from 31 December 2017 (as for Mr. Li Liufa) and a term of one year commencing from 4 December 2017 (as for Mr. Li Heping) and from 3 December 2017 (as for Mr. Yang Yongzheng) respectively.

Independent Non-executive Directors

The three independent non-executive directors of the Company are Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang, with a term for a year with effect from 24 December 2017 for Mr. Wang Ping and Mr. Kong Xiangzhong and with effect from 11 June 2017 for Mr. Du Xiaotang.

Appointment, re-election and removal of Directors

Our Company has established a nomination committee (the "Nomination Committee") with written terms of reference. The Nomination Committee is responsible for formulating the procedures for the appointment and removal of Directors. In selecting proposed Directors, the Nomination Committee considers the integrity, industry achievements and experience, expertise, educational background of candidates and whether they have sufficient time to perform their duties as Directors.

In accordance with Rule A.4 of Appendix 14 of the Hong Kong Listing Rules and article 84 and clause 3 of article 83 of the Articles of Association of our Company, at each annual general meeting one-third of Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Board may from time to time and at any time appoint any person to be a Director, either to fill a casual vacancy on the Board, or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment, and be subject to re-election at such meetings. Any Director appointed by the Board as an addition to the existing Board shall hold office until the next annual general meeting of the Company and shall be eligible for re-election.

In accordance with article 86 of the Articles of Association of our Company, the office of a Director shall be vacated if the Director: (1) resigns his office by notice in writing delivered to our Company at the Office or tendered at a meeting of the Board; (2) becomes of unsound mind or dies; (3) without special leave or absence from the Board, is absent from meetings of the Board for six consecutive months, and his alternate Director, if any, shall not during such period have attended in his stead and the Board resolves that his office be vacated; (4) becomes bankrupt or has a receiving order made against him or suspended payment or compounds with his creditors; (5) is prohibited by law from being a Director; or (6) ceases to be a Director by virtue of the Statutes or is removed from office pursuant to these Articles.

BOARD MEETINGS

The Board conducts meetings on a regular or irregular basis to discuss the overall strategy and operational and financial performance of our Group. During the year ended 31 December 2017, the Board held eight meetings (excluding the Board meetings held by way of circulation of a written resolution) as required by the operation and development of the Group. The attendance record of each Director is as follows:

Name of Directors	Attendance/Number of meetings held
Executive Directors	
Mr. Ding Jifeng	4/8
Mr. Xu Wuxue	8/8
Mr. Li Jiangming	5/8
Non-executive Directors	
Mr. Li Liufa	3/8
Mr. Li Heping	8/8
Mr. Yang Yongzheng	2/8
Independent Non-executive Directors	
Mr. Kong Xiangzhong	8/8
Mr. Wang Ping	8/8
Mr. Du Xiaotang	8/8

As noted above, Mr. Ding Jifeng only attended four Board meetings because Mr. Ding Jifeng was appointed as an Executive Director of the Company on 15 May 2017 and during the period subsequent to this, four Board meetings were convened; Mr. Li Jiangming was absent from three Board meetings because he had a material interest in the resolutions being considered at such three of those Board meetings and abstained from voting; Mr. Li Liufa was absent from five Board meetings because he had a material interest in the resolutions being considered at three of those Board meetings and abstained from voting; Mr. Yang Yongzheng was absent from six Board meetings.

Our Company gives notices of Board meetings of a reasonable period, and the procedures for the Board meetings are in compliance with the Articles of Association of our Company and relevant rules and regulations. Meeting agendas and relevant documents are circulated to all Directors (for some Board meetings in respect which notices and information were not provided to the Board in a timely basis, attention has been brought to each of Directors and waiver from compliance has been obtained) in a timely manner. In order to ensure the compliance with the procedures for the Board meetings and all applicable rules and regulations, all Directors have full and timely access to all relevant information and may request the opinions and services of our joint company secretaries. Upon making a request to the Board, all Directors may seek independent professional opinions to discharge their duties at the expense of our Company.

The joint company secretaries shall keep minutes of Board meetings which shall be available for inspection by Directors and the auditors of our Company.

Our Company held a meeting attended by the chairman of the Board and non-executive Directors (including independent non-executive Directors) during the period in compliance with requirements under Rule A.2.7 of Appendix 14 of the Hong Kong Listing Rules to discuss and consider duties and roles of the Board and its relevant members as well as their performance during the reporting period.

GENERAL MEETING

Our Company held four general meetings, being inspectively one annual general meeting and three extraordinary general meetings, for the period from 1 January 2017 to 31 December 2017. The attendance record of Directors is as follows:

List of Directors	Attendance/Number of meetings held
Executive Directors	
Mr. Ding Jifeng	3/4
Mr. Xu Wuxue	4/4
Mr. Li Jiangming	4/4
Non-executive Directors	
Mr. Li Liufa	1/4
Mr. Li Heping	4/4
Mr. Yang Yongzheng	1/4
Independent Non-executive Directors	
Mr. Kong Xiangzhong	4/4
Mr. Wang Ping	4/4
Mr. Du Xiaotang	4/4

As noted above: Mr. Ding Jifeng attended three general meetings because solely three general meetings were convened during the period subsequent to the appointment of Mr. Ding on 15 May 2017 and Mr. Yang Yongzheng was absent from three general meetings. As Yu Kuo Company Limited, which held a total of 67.62% shares of our Company and was ultimately owned by Chairman Li, was a connected person of the resolution and had material interests in that resolution to be passed at the extraordinary general meeting, Chairman Li and parties acting in concert with him holding 67.62% shares of our Company abstained from voting and Chairman Li only attended one general meeting.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions performed by the Board of Directors include the following:

(a) Formulate and review the corporate governance policy and practice of the Company;

(b) Review and monitor the training and continuous professional development of Directors and the senior management;

(c) Review and monitor the policy and practice of the Company in compliance with laws and regulatory requirements;

(d) Review the compliance with the Code of Corporate Governance by the Company and the disclosure in the Corporate Governance Report.

BOARD DIVERSITY POLICY

The Board adopt the following board diversity policy:

In order to achieve a sustainable and balanced development, the Company has realized it is very important to enhance diversity of the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All the appointments made by the Board will be based on meritocracy, with the benefit to the Board made by the board diversity policy. Selection of Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the specific demand for talents of the various stages in our business development and strategic planning.

The composition of the Board (including gender, age, educational background, and professional experience) has been disclosed in the "Profiles of Directors and Senior Management".

TRAINING FOR DIRECTORS

The Company is obliged to make arrangements for training courses (including the provision of information relating to the Group) in relation to the roles, functions and responsibilities of the Directors and provide the relevant expenditure so that the Directors are able to update or supplement their knowledge to ensure their continuous contribution to the Board of Directors.

For the year ended 31 December 2017, by participating the 44th seminar for the enhancement of continuing professional development of associates in September 2017 (where Mr. Li Jiangming as Executive Director and joint company secretary had attended this training), our Company provided materials prepared from the information mentioned in such seminar to some Directors and senior management (where the Directors included Mr. Li Liufa, Mr. Ding Jifeng, Mr. Xu Wuxue and Mr. Li Heping). Mr. Du Xiaotang and Mr. Kong Xiangzhong also participated in trainings for senior management of listed companies held by the Shenzhen Stock Exchange, and Mr. Wang Ping attended a comprehensive training for being a director of company proposed to be listed.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control system and has approved the effectiveness of the audit committee's annual review over the risk management and internal control system of the Company and its subsidiaries, including the effectiveness of financial control, operation control and compliance control, and has confirmed that it is sufficient and effective. The purpose of establishment and effective operation of such systems is to manage but not eliminate the risk of failing to achieve business objectives, and to make reasonable but not absolute assurance for no material misstatement or loss.

The Group establishes a three-level management system to identify, collect, assess, respond, evaluate and improve risk management and internal control. The three-level management system includes all relevant functional departments and business unites established internally by all branch companies and subsidiaries, in order to establish risk management group with managers as persons-in-charge; establishes risk management office with the Company management and its corporate functional departments and supervisory units thereunder, with general managers of companies as persons-in-charge; supervises management duties by the Board of the Company and the audit committee under the Board. Audit institution is the executive department for performing specific supervisory management, where the risk management group will issue risk management manual as guidelines for ordinary identification, collection and report to the risk management office. Legal institution is the advisory institution for the risk management office, it will advise on the preparation of risk management related system and material risk management practice, as well as the establishment of risk management organization and institution. The risk management office is a standing risk management institution to report to the audit committee and the Board. The audit institution is an ordinary supervisory institution and provide improvement advice to the risk management office, and, if necessary, report to the audit committee.

In relation to the process and control for the identification, collection, assessment, processing and release of inside information, the Board Office establishes the "Guidelines for Inside Information Management of China Tianrui Group Cement Company Limited"《中國天瑞集團水泥有限公司內幕資訊管理制度》. The Board Office is a standing institution for information disclosure. Officers from all departments and all branch companies and subsidiaries are the first persons-in-charge and designated contact persons for information reporting and report to the Board Office. The Board Office will make assessment on the information collected and report to the secretary of the Board and the Board, if necessary, and proceed with the processing and release, if necessary, in accordance with the instructions.

BOARD COMMITTEES

There is an audit committee, a nomination committee and a remuneration committee under the Board (collectively referred to as the "Board Committees"). The Board Committees have been provided with sufficient resources to discharge their duties, and may, upon reasonable request, seek independent professional opinions at the expense of our Company under appropriate circumstances.

Audit Committee

The responsibilities of the Audit Committee are to assist the Board in performing its fiduciary duties relating to accounting, auditing, financial reporting, risk management and internal control of the Company and its subsidiaries (the "Group") and the Group's compliance with the relevant laws and regulations, including, but not limited to, to assist the Board in supervising (a) the completeness of the financial report of the Company; (b) the Company's compliance with the requirements of laws and regulations; (c) the qualifications and independence of the independent auditor of the Company and its performance of duties; (d) the performance of duties of the internal audit department of the Company; and (e) the design, implementation and supervision of the Company's risk management and internal control system.

The Audit Committee currently comprises three members, being independent non-executive Directors Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang. Mr. Wang Ping is the chairman of the Audit Committee.

For the period from 1 January 2017 to 31 December 2017, the Company held a total of two Audit Committee meetings, at which it mainly reviewed and approved the annual audit report for 2016 and the interim review report for 2017 issued by Deloitte. Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang attended those two meetings.

On 23 March 2018, the Audit Committee and the management of our Company discussed and reviewed the audited consolidated financial information of the Group for the year ended 31 December 2017.

Nomination Committee

The responsibilities of the Nomination Committee are to assess the independence of the independent non-executive Directors, review the effectiveness of the Board diversification policy and its execution, assist the Board in dealing with the nomination of members and composition of the Board and to make recommendations on appointment and removal of Directors to the Board. The Nomination Committee comprises three members, being independent non-executive Directors Mr. Kong Xiangzhong, Mr. Wang Ping and non-executive Director Mr. Yang Yongzheng. Mr. Kong Xiangzhong is the chairman of the Nomination Committee.

For the period from 1 January 2017 to 31 December 2017, the Company held a total of two Nomination Committee meetings, at which it mainly reviewed the structure, number of members and composition (including skills, knowledge and experience) of the Board, assessed the independence of the independent non-executive Directors, discussed the retirement by rotation and re-election of each Director and made recommendations in respect of the employment of Mr. Ding Jifeng as Executive Director. Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Yang Yongzheng attended such meeting.

Remuneration Committee

The responsibilities of the Remuneration Committee are to make recommendations to the Board as to the overall remuneration policy and structure of all Directors and senior management of the Group, to review individual performance-based remuneration and to ensure no Director participates in the determination of his own remuneration. The Remuneration Committee has adopted the practice under the code provision B.1.2(c)(i) to recommend the remuneration packages of selected executive Directors and senior management to the Board. The Remuneration Committee comprises three members, being independent non-executive Directors Mr. Du Xiaotang, Mr. Kong Xiangzhong and executive Director Mr. Xu Wuxue. Mr. Du Xiaotang is the chairman of the Remuneration Committee.

For the period from 1 January 2017 to 31 December 2017, the Company held a total of two Remuneration Committee meetings, at which it mainly discussed and approved the remuneration policy and structure of all Directors and senior management of the Group, reviewed the remuneration payments of Directors and senior management for 2016 and determined the remuneration of Mr. Ding Jifeng, who was appointed as Executive Director. Mr. Du Xiaotang, Mr. Kong Xiangzhong and Mr. Xu Wuxue attended such meeting.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration policy of the senior management has been recommended, reviewed and approved by our Remuneration Committee. The remuneration of the senior management whose names appear in the section headed "Profiles of Directors and Senior Management" in this Annual Report for the year ended 31 December 2017 was classified into one class: remuneration below HK$1,000,000.

INDEPENDENT AUDITOR'S APPOINTMENT AND COMPENSATION

The independent auditor of our Company is Deloitte Touche Tohmatsu. For the year ended 31 December 2017, the compensation payable for the statutory audit and non-audit services provided by Deloitte Touche Tohmatsu is as follows:

Services provided by auditors	**Compensation** (RMB million)
Audit of annual report	2.7
Non-audit services	0.9
Total	3.6

The charges paid for non-audit services set at RMB0.9 million. It is the charges provided for performing agreed procedure on specific financial information to the Company at the request of the Audit Committee.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the independent auditors, which is subject to the approval by the Board and shareholders of the Company at the general meetings.

The Audit Committee will take into account certain factors including the audit performance, quality and objectivity and independence of the auditors, when assessing the auditors.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors of our Company have confirmed that it is responsible for making balanced, clear and understandable assessment of the consolidated financial statements set out in the annual and interim results. In preparing the financial report for the year ended 31 December 2017, the Directors have selected and applied consistently appropriate accounting policies, have adopted appropriate IFRS and have made prudent and reasonable judgment and estimates, and have prepared the financial statements on a going concern basis. The statement of the independent auditors of our Company regarding the presentation obligations for and opinions on the financial statements for the year ended 31 December 2017, are set out in the section headed the "Independent Auditors' Report" in this Annual Report.

JOINT COMPANY SECRETARIES

Mr. Li Jiangming and Ms. Ng Ching Mei are the joint company secretaries of the Company. For their details, please see the section headed "Profiles of Directors and Senior Management".

For the year ended 31 December 2017, Mr. Li and Ms. Ng had respectively attended 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of our Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of our Company shall be held in each year. Each general meeting, other than an annual general meeting is referred to as an extraordinary general meeting ("EGM").

According to article 58 of the Articles of Association of our Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of our Company carrying the right of voting at general meetings of our Company shall at all times have the right, by written requisition to the Board or the secretary of our Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

According to article 85 of the Articles of Association of our Company, no person other than a retiring Director at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head officer or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must include the candidate's biographical details as required by rule 13.51(2) of the Listing Rules. The procedures for a shareholder to propose a candidate for election as a Director have been published on the Company's website.

Shareholders may also at any time make enquires to the Board. All enquiries shall be in writing and send by post to the principal place of business in Hong Kong of our Company or by e-mail to liht@tianruigroup.cn for the attention of the joint company secretaries.

INVESTOR RELATIONS

There were no material changes to the Articles of Association of our Company for the period from 1 January 2017 to 31 December 2017. Our Company has been strictly following and implementing the Listing Rules, timely disclosing true, accurate and complete information that needs to be disclosed, and also timely disclosing information that might materially affect the decision-making of shareholders and other interested parties.

Our senior management is committed to maintaining communication channels with investors to provide them with thorough understanding of our Company and its business and strategies. In this regard, our Company has specially designated a director of investor relations, and has established and maintained proper communication channels for proper communication with investors and information disclosure.

Independent Auditor's Report

Deloitte. 德勤

To the Members of China Tianrui Group Cement Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Tianrui Group Cement Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 61 to 151, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Loan renewal rate applied in working capital forecast	
We identified the loan renewal rate applied in working capital forecast assumption as a key audit matter because it is the critical assumption in the Group's assessment on whether the application of going concern assumptions by the Group is appropriate. As at 31 December 2017, the Group recorded an amount of net current liabilities of RMB3,779,184,000. As disclosed in Note 2 to the consolidated financial statements, the directors of the Company prepared a working capital forecast of the Group assuming the current group's borrowings could be renewed at a rate of 70% based on the Group's historical average loans renewal rate of 80% in the past three years.	Our procedures in relation to the loan renewal rate applied in working capital forecast include: • Recalculating the Group's historical average loans renewal rate and understanding the management's basis of using a three-year period for the calculation; • Obtaining confirmations from the facilities providers to confirm whether they have identified any incidents which will affect the renewal of the facilities of the relevant group entities; and • Reviewing existing loan agreements and related management analysis to identify any instances of breach of loan covenants that could materially impact the loan renewals.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
We identified goodwill impairment assessment as a key audit matter due to the significance of the balance on the consolidated statement of financial position as at 31 December 2017 and the significant degree of estimates made by the management in determining the recoverable amount of the relevant cash-generating units as disclosed in Note 5 to the consolidated financial statements. As disclosed in Note 21 to the consolidated financial statements, the Group reported goodwill of RMB307,642,000 as at 31 December 2017 and an impairment loss of RMB154,951,000 was recognised during the year ended 31 December 2017. Management's determination of the recoverable amount adopts a value in use calculation of the relevant cash-generating units, to which goodwill has been allocated, primarily based on the cash flow projections and a discount rate.	Our procedures in relation to goodwill impairment included: • Testing the internal controls relevant to the determination of the recoverable amount of the relevant cash-generating units; • Evaluating the valuation methodologies and the discount rate used in determining the recoverable amount of the relevant cash-generating units, with the assistance of our internal valuation specialists; and • Comparing cement price used in the valuation to industry forecasts and comparing the sales volume growth rate and gross profit ratio to historical performance of the relevant group entities.

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment of a subsidiary	
We identified impairment of property, plant and equipment with an aggregate carrying value of RMB414,612,000 as at 31 December 2017 held by a subsidiary located in Northeast China as a key audit matter due to the significance of the balance on the consolidated statement of financial position as at 31 December 2017 and the significant degree of estimates made by management in determining the recoverable amount of the property, plant and equipment as disclosed in Note 5 to the consolidated financial statements. As disclosed in Note 17 to the consolidated financial statement, in view of the continuous losses incurred by that subsidiary, management performed an impairment assessment on its property, plant and equipment at the end of the reporting period. Based on the results of the assessment, impairment loss of RMB58,251,000 was recognised in profit or loss for the year ended 31 December 2017. Management's impairment assessment on the property, plant and equipment requires an estimation of the recoverable amount of the cash-generating units to which the property, plant and equipment belongs.	Our procedures in relation to impairment of the property, plant and equipment included: • Testing the internal controls relevant to impairment assessment of property, plant and equipment; • Evaluating the valuation methodologies and the key assumption of the discount rate, with the assistance of our internal valuation specialists; and • Comparing cement price used in the valuation to industry forecasts and comparing the sales volume growth rate and gross profit ratio to historical performance of the relevant group entities.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tung Wai Lung Ricky.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	6, 7	**8,420,551**	6,008,605
Cost of sales		**(6,023,657)**	(4,491,801)
Gross profit		**2,396,894**	1,516,804
Other income	8	**503,513**	474,509
Other gains and losses	9	**(154,631)**	(52,096)
Share of profit of an associate		**4,502**	4,252
Gain on fair value changes of derivative financial assets	25	**451,279**	82,256
Distribution and selling expenses		**(340,979)**	(314,125)
Administrative expenses		**(421,099)**	(363,439)
Other expenses		**(79,868)**	(68,717)
Finance costs	10	**(1,005,586)**	(927,809)
Profit before tax		**1,354,025**	351,635
Income tax expenses	11	**(361,255)**	(102,065)
Profit and total comprehensive income for the year	12	**992,770**	249,570
Profit/(loss) and total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**1,001,764**	295,812
Non-controlling interests		**(8,994)**	(46,242)
		992,770	249,570

	Notes	Year ended 31 December 2017 RMB	2016 RMB
Earnings per share			
Basic	15	**0.37**	0.12

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
		At 31 December	
NON-CURRENT ASSETS			
Property, plant and equipment	17	**11,959,295**	11,903,679
Deposits and advances	18	**1,017,138**	2,204,893
Prepaid lease payments	19	**872,780**	801,942
Mining rights	20	**628,845**	249,902
Goodwill	21	**307,642**	275,489
Other intangible assets	22	**4,989**	5,798
Interests in associates	23	**262,419**	109,523
Derivative financial assets	25	**—**	761,065
Deferred tax assets	37	**189,285**	154,002
		15,242,393	16,466,293
CURRENT ASSETS			
Inventories	24	**949,263**	750,671
Trade and other receivables	26	**3,642,912**	2,742,283
Amount due from an associate	28	**625,992**	323,774
Amount due from the ultimate holding company	25	**1,212,344**	—
Pledged bank balances	29	**3,400,433**	3,107,202
Cash and bank balances	30	**830,744**	726,178
		10,661,688	7,650,108
CURRENT LIABILITIES			
Trade and other payables	31	**3,248,716**	3,584,279
Mid-term debentures due within one year	35	**2,369,828**	2,275,183
Long-term corporate bonds due within one year	36	**2,998,515**	—
Borrowings due within one year	32	**5,382,423**	5,921,033
Obligations under finance leases	33	**—**	28,861
Current tax liabilities		**418,130**	273,362
Financial guarantee contracts	34	**23,260**	26,875
		14,440,872	12,109,593
NET CURRENT LIABILITIES		**(3,779,184)**	(4,459,485)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,463,209**	12,006,808

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	At 31 December 2017 RMB'000	2016 RMB'000
CAPITAL AND RESERVES			
Share capital	40	**24,183**	19,505
Share premium and reserves		**9,796,672**	7,738,867
Equity attributable to owners of the Company		**9,820,855**	7,758,372
Non-controlling interests	53	**114,916**	(118,682)
TOTAL EQUITY		**9,935,771**	7,639,690
NON-CURRENT LIABILITIES			
Borrowings due after one year	32	**1,074,662**	528,684
Mid-term debentures	35	**—**	500,000
Long-term corporate bonds	36	**72,305**	3,075,350
Deferred tax liabilities	37	**195,346**	66,527
Deferred income	38	**166,132**	174,717
Provision for environmental restoration	39	**18,993**	21,840
		1,527,438	4,367,118
		11,463,209	12,006,808

The consolidated financial statements on pages 61 to 151 were approved and authorised for issue by the board of directors on 23 March 2018 and are signed on its behalf by:

Xu Wuxue
DIRECTOR

Li Jiangming
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 *(Note i)*	Statutory reserve fund RMB'000 *(Note ii)*	Other reserves RMB'000 *(Note iii)*	Revaluation reserve RMB'000 *(Note iv)*	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	19,505	4,640	789,990	490,359	1,048,982	31,768	5,085,039	7,470,283	(52,222)	7,418,061
Profit/(loss) and total comprehensive income/(expense) for the year	—	—	—	—	—	—	295,812	295,812	(46,242)	249,570
Statutory reserve appropriation	—	—	—	32,857	—	—	(32,857)	—	—	—
Financial guarantee provided to related parties *(Note 34)*	—	—	—	—	(22,541)	—	—	(22,541)	—	(22,541)
Acquisition of non-controlling interests *(Note v)*	—	—	—	—	13,475	—	1,343	14,818	(20,218)	(5,400)
At 31 December 2016	**19,505**	**4,640**	**789,990**	**523,216**	**1,039,916**	**31,768**	**5,349,337**	**7,758,372**	**(118,682)**	**7,639,690**
Profit/(loss) and total comprehensive income/(expense) for the year	—	—	—	—	—	—	**1,001,764**	**1,001,764**	**(8,994)**	**992,770**
Statutory reserve appropriation	—	—	—	**381,995**	—	—	**(381,995)**	—	—	—
Financial guarantee provided to related parties *(Note 34)*	—	—	—	—	**(5,967)**	—	—	**(5,967)**	—	**(5,967)**
Acquisition of subsidiaries *(Note 48)*:										
Issue of new ordinary shares *(Note 40)*	**4,678**	**1,062,008**	—	—	—	—	—	**1,066,686**	—	**1,066,686**
Increase in non-controlling interests	—	—	—	—	—	—	—	—	**242,592**	**242,592**
At 31 December 2017	**24,183**	**1,066,648**	**789,990**	**905,211**	**1,033,949**	**31,768**	**5,969,106**	**9,820,855**	**114,916**	**9,935,771**

Notes:

i. Capital reserve represents the excess of capital injection over the registered capital of Tianrui Cement Group Company Limited ("Tianrui Cement"), a subsidiary of the Group, upon a group reorganisation in prior years.

ii. According to the relevant laws in the People's Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to allocate a portion of its profit after tax based on relevant PRC accounting standards or principles to statutory reserve fund. The transfer to this fund must be made before the distribution of dividend to the equity owners. The statutory reserve fund can be used to make up previous years' losses, if any. The statutory reserve fund is non-distributable other than upon liquidation.

iii. Other reserves comprise the following:

(1) Reserve arising from the group reorganisation in 2011: China Tianrui Group Cement Company Limited (the "Company") was incorporated on 7 February 2011 and became the ultimate holding company of Zhong Yuan Cement Company Limited, China Tianrui (Hong Kong) Company Limited, and Tianrui Cement and its subsidiaries (collectively referred to as the "Group") on 8 April 2011. On 2 April 2011, 474,526 ordinary shares of the Company (the "Shares") were allotted and issued to Yu Kuo Company Limited. As part of the group reorganisation, Yu Kuo Company Limited applied a bridging loan in the net amount of USD87,433,333 (equal to approximately RMB565,516,000) to pay up the Shares. The amount of USD87,433,333 in excess of the par value of 474,526 shares was recognised in the share premium account, and the resulting difference between the paid-in capital of Tianrui Cement amounting to RMB1,397,135,000 after deducting the nominal value of the Shares issued to Yu Kuo Company Limited and the share premium amounting to RMB831,615,000 was recognised in other reserves;

(2) Deemed contribution from Tianrui Group Company Limited ("Tianrui Group") of RMB229,240,000 recognised in 2015 (Note 25);

(3) Fair value of financial guarantee contracts at initial recognition provided to Tianrui Group and its subsidiaries debited to other reserves totaling RMB43,812,000 up to 31 December 2017; and

(4) The difference between the consideration of the acquisitions of non-controlling interests and the carrying amounts of non-controlling interests and relevant reserves totaling RMB16,906,000 credited to other reserves up to 31 December 2017.

iv. The revaluation reserve represents the revaluation surplus of previously held interests in associates of Tianrui Cement recognised directly in equity when Tianrui Cement acquired additional interests in those entities and obtained control.

v. In 2016, the Group acquired additional equity interests in a subsidiary for a consideration of RMB5,400,000. The difference between the consideration of RMB5,400,000 and the carrying amounts of the non-controlling interest amounting to RMB20,218,000 and related retained earnings amounting to RMB1,343,000 has been credited to other reserves.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cash flows from operating activities:		
Profit before tax	**1,354,025**	351,635
Adjustments for:		
Release of deferred income	**(8,585)**	(9,553)
Interest income on bank deposits	**(52,952)**	(119,106)
Share of profit of an associate	**(4,502)**	(4,252)
Loss on deemed disposal of partial interest in an associate	**1,606**	—
Gain on fair value change of derivative financial assets	**(451,279)**	(82,256)
Depreciation of property, plant and equipment	**924,295**	811,769
Finance costs recognised in profit or loss	**1,005,586**	927,809
Foreign exchange (gain)/loss, net	**(66,696)**	52,422
Release of financial guarantee liability	**(9,582)**	(6,303)
Release of prepaid lease payments	**22,372**	22,302
Provision/(reversal of provision) for allowances for bad and doubtful debts, net	**5,623**	(1,959)
Amortisation of mining rights	**27,594**	17,585
Amortisation of other intangible assets	**809**	809
(Gain)/loss on disposal of property, plant and equipment, net	**(1,421)**	1,633
Provision for environmental restoration	**1,690**	1,666
Impairment loss on goodwill	**154,951**	—
Impairment loss on property, plant and equipment	**58,251**	—
Operating cash flows before movements in working capital	**2,961,785**	1,964,201
Movements in working capital:		
(Increase)/decrease in inventories	**(128,329)**	89,312
(Increase)/decrease in trade and other receivables	**(711,911)**	467,299
(Increase)/decrease in amount due from an associate	**(302,218)**	184,290
Decrease in trade and other payables	**(482,374)**	(425,470)
(Decrease)/increase in discounted bills with recourse	**(45,370)**	83,197
Decrease in provision for environmental restoration	**(4,537)**	—
Cash generated from operations	**1,287,046**	2,362,829
Income tax paid	**(143,520)**	(37,261)
Net cash from operating activities	**1,143,526**	2,325,568

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cash flows from investing activities:		
Interest received	**61,957**	90,490
Capital injection for investment in an associate	**(150,000)**	—
Acquisition of subsidiaries *(Notes 48 and 49)*	**72,023**	5,332
Payments for property, plant and equipment	**(155,155)**	(58,507)
Payments for prepaid lease payments	**(3,617)**	(5,851)
Payments for mining rights	**(48,545)**	(12,081)
Proceeds from disposal of property, plant and equipment	**7,259**	1,023
Deposits paid for acquisition of businesses	**(640,000)**	—
Refund of deposits paid for acquisition of businesses	**1,460,121**	147,144
Government grants received for prepaid lease payments	**—**	6,787
Placement of pledged bank deposits	**(4,519,748)**	(5,622,662)
Withdrawal of pledged bank deposits	**4,226,517**	7,204,726
Net cash from investing activities	**310,812**	1,756,401
Cash flows from financing activities:		
Interest paid	**(1,007,003)**	(1,130,143)
Repayment of borrowings	**(8,355,514)**	(5,218,314)
New borrowings raised	**8,461,606**	7,047,895
Repayment of finance lease obligations	**(28,861)**	(59,006)
Issuance of mid-term debentures	**—**	1,955,183
Issuance of long-term corporate bonds	**—**	6,283
Repayment of short-term debentures	**—**	(3,800,000)
Repayment of mid-term debentures	**(420,000)**	(2,880,000)
Net cash used in financing activities	**(1,349,772)**	(4,078,102)
Net increase in cash and cash equivalents	**104,566**	3,867
Cash and cash equivalents at beginning of year	**726,178**	722,311
Cash and cash equivalents at end of year, represented by cash and bank balances	**830,744**	726,178

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL INFORMATION

China Tianrui Group Cement Company Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 7 February 2011. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and its principal place of business is located at No. 63, Guangcheng East Road, Ruzhou City, Henan 467500, the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of cement and clinker (See Note 53). Its immediate holding company is Yukuo Company Limited and its ultimate parent as at 31 December 2017 is Tianrui Group Company Limited ("Tianrui Group"), which is controlled by Mr. Li Liufa, a non-executive director of the Company.

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of RMB3,779,184,000 as at 31 December 2017. The Group's net current liabilities position as at 31 December 2017 was mainly attributable to trade and other payables, borrowings, and debentures and corporate bonds repayable within one year.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 December 2017, the Group's cash and cash equivalents amounted to RMB830,744,000. Meanwhile, the Group recorded net operating cash inflows for the years ended 31 December 2017 and 2016.

As at 31 December 2017, the Group had unutilised banking facilities of RMB400,000,000 from Ping An Bank Company Limited, which is available until 9 November 2018. In addition, several banks have communicated with the Group that certain banking facilities available for the Group have been approved internally and can be utilised upon request, as follows:

- a banking facility of RMB500,500,000 from Construction Bank of China, which is available until 5 August 2018;
- a banking facility of RMB300,000,000 from the Agriculture Bank of China, which is available until 6 September 2018; and
- a banking facility of RMB40,000,000 from the Industrial & Commercial Bank of China Company Limited, which is available until 12 December 2018.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

The directors of the Company have prepared a working capital forecast of the Group covering a period of not less than 12 months from 31 December 2017. Based on the forecast, the sufficiency of the Group's working capital for the next 12 months depends on the Group's ability to obtain the anticipated cash flows from the Group's operating activities, and assuming the current group's borrowings could be renewed at a rate of 70% based on the Group's historical average loans renewal rate of 80% in the past three years. The directors of the Company, after taking into account the reasonably possible changes in the operational performance, the availability of borrowings and the expected renewal of the short-term borrowings, are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due. Accordingly, the directors of the Company consider that the preparation of these consolidated financial statements on a going concern basis is appropriate.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied, for the first time, the following amendments to IFRSs that are mandatorily effective in the current year:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle

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

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, include in cash flows from financing activities.

Specially, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other business; (iii) the effect of change in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balance of these items is provided in Note 50. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 50, the application of these amendments has had no impact on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018.

[2] Effective for annual periods beginning on or after 1 January 2019.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for annual periods beginning on or after 1 January 2021.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

IFRS 9 Financial Instruments

IFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Classification and measurement:

- Debt instruments classified as trade and other receivables and amount due from the ultimate holding company carried at amortised cost as disclosed in Notes 26 and 25: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;

- Option granted by Tianrui Group to acquire 28.16% equity interests in Shanshui Cement (as defined in Note 25) that are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured are measured at cost less impairment under IAS 39 as detailed in Note 25. However, upon initial application of IFRS 9, the option will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

IFRS 9 Financial Instruments (Cont'd)

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other item that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade receivable and other receivables, and amount due from the ultimate holding company. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the International Accounting Standards Board ("IASB") issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

IFRS 15 Revenue from Contracts with Customers (Cont'd)

The main revenue of the Group are sales of cement and clinker. The performance obligations in the contract are unique and transaction price is specific.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest expense and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is an operating lease lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

IFRS 16 Leases (Cont'd)

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB9,662,000 as disclosed in Note 43. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

In addition, the sale and leaseback transactions entered into by the Group as disclosed in Note 33 do not satisfy the requirements of IFRS 15 as sales of assets and hence will be considered as collateralised borrowings under IFRS 16, whilst IFRS 16 does not require reassessment of sale and leaseback transactions entered into before the date of initial application, the application of IFRS 16 may affect sales and leaseback transactions entered into by the Group subsequent to initial application.

Furthermore, the application of new requirements may result other changes in measurement, presentation and disclosure as indicated above.

Other than disclosed above, the directors of the Company do not anticipate that the application of other new, revised and interpretations to IFRSs will have a material impact on amounts reported in the Group's consolidated financial statements and/or disclosures set out in these consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at both initial recognition and subsequently at the end of each reporting period, as explained in the accounting policies below.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principle accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of the relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill

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

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

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

Investment in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Change in net assets of the associates other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in associates (Cont'd)

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when goods are delivered and title is passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for the recognition of revenue from financial guarantee contracts is described in the accounting policy for financial guarantee contracts below.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress and stripping costs (see the accounting policy below), over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss, if any. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Stripping costs

Stripping costs incurred during the development of a limestone mine and during the production phase which provide improved access to ore are capitalised into property, plant and equipment when certain criteria are met. The costs of normal ongoing operational stripping activities are accounted for in accordance with IAS 2. Depreciation of capitalised stripping costs is provided on a straight-line basis over their estimated useful lives.

Mining rights

Mining rights acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of mining rights with finite useful lives is provided on a straight-line basis over their estimated useful lives.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Prepaid lease payments

Prepaid lease payments represent payments made to acquire land use rights and are amortised on a straight-line basis over the term of the land use rights.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating leases payment is recognised as an expense on a straight-line basis over the term of the relevant lease.

Sale and leaseback transactions

When a sale and leaseback transaction results in a finance lease, the Group neither recognise a sale nor derecognise the relevant asset. The initial cash received from the lessor, together with the present value of the obligation to repurchase the asset are recognised as liabilities to the lessor. If the sales proceeds at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount in accordance with IAS 36.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted for as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recorded in the respective functional currency at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at those dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contribution.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible assets

Internally generated intangible assets-research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near term; or

(ii) on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from the ultimate holding company, pledged bank balances and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For loans and receivables carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For loans and receivables measured at the amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the group entities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Effective interest method

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

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables, mid-term debentures, long-term corporate bonds and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss arising from subsequent measurement is recognised in profit or loss immediately.

Option or forward contracts to buy an investee or an acquiree that will result in a business combination within the scope of IFRS 3 *Business Combinations* at a future acquisition date are accounted for derivative financial instruments within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, except for the term of the forward contract for acquisition of business that is within a reasonable period normally necessary to obtain any required approvals and to complete the transaction.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured are measured at cost less impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group are initially measured at their fair values and are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for the proceeds received.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Provision for environmental restoration

The Group is required to incur costs for environment restoration after the underground sites have been mined. Provision for restoration costs were recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provision is measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of the money is material).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires a significant degree of estimates made by the management in determining the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of fair value less costs of disposal and value in use. The recoverable amount has been determined by a value in use calculation of the relevant cash-generating units, to which goodwill has been allocated, primarily based on the cash flow projections and a discount rate. The key assumptions and inputs used in cash flow projections including cement price, gross profit ratio, volume of sales and growth rate, and discount rate. The value in use requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or changes in facts and circumstances which result in downward revision of future estimated cash flows, a material impairment loss may arise. As at 31 December 2017, the carrying amount of goodwill is RMB307,642,000 (2016: RMB275,489,000). Details are disclosed in Note 21.

Estimated impairment of property, plant and equipment

Property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. The directors of the Company review their impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable at the end of each reporting period. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

In determining whether an asset is impaired, the management requires an estimation of recoverable amount of an individual asset or the cash-generating units to which the asset belongs, and has to exercise judgement and make significant degree of estimation in determining the recoverable amount of the assets, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset's value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions selected by management to determine the level of impairment, including cement price, volume of sales and growth rate, gross profit ratio or discount rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2017, the carrying amount of property, plant and equipment is RMB11,959,295,000 (2016: RMB11,903,679,000). Details of the impairment of property, plant and equipment are disclosed in Note 17.

6. REVENUE

Revenue represents the amount received and receivable for goods sold to external customers, net of sales tax.

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Sales of cement	**7,868,229**	5,736,476
Sales of clinker	**552,322**	272,129
	8,420,551	6,008,605

7. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports, which are regularly reviewed by an executive committee, which composed of executive directors of the Company and top management, (being the chief operating decision maker) in order to allocate resources to the operating segments and to assess their performance.

The Group's chief operating decision maker reviews the Group's internal reporting which is mainly based on two broad geographical locations for the purposes of resource allocation and performance assessment. This is the basis upon which the Group is organised. Management has determined the operating segments based on these reports. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

	Segment revenue Year ended 31 December		Segment profit/(loss) Year ended 31 December	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Central China	**6,444,923**	4,532,904	**1,125,241**	361,252
Northeast China	**1,975,628**	1,475,701	**(228,926)**	(46,374)
Total	**8,420,551**	6,008,605	**896,315**	314,878
Unallocated corporate administrative expenses			**(39,471)**	(20,807)
Unallocated other gains/(losses), net			**45,902**	(24,692)
Unallocated gain on fair value changes of derivative financial assets			**451,279**	82,256
Profit before tax			**1,354,025**	351,635

7. SEGMENT INFORMATION (Cont'd)

The accounting policies of the reportable and operating segments are the same as the Group's accounting polices described in Note 4. Segment profit represents the profit before tax without allocation of certain corporate administrative expense including directors' emoluments, certain other gains and losses and gain on fair value changes of derivative financial assets.

Segment revenues are derived from sales to external customers. There are no inter-segment sales.

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
SEGMENT ASSETS		
Central China	**18,139,813**	15,970,760
Northeast China	**6,036,410**	7,109,872
Total segment assets	**24,176,223**	23,080,632
Amount due from the ultimate holding company	**1,212,344**	—
Derivative financial assets	**—**	761,065
Interests in associates	**262,419**	109,523
Deferred tax assets	**189,285**	154,002
Unallocated other receivables	**9,793**	1,630
Unallocated cash and bank balances	**54,017**	9,549
Total assets	**25,904,081**	24,116,401
SEGMENT LIABILITIES		
Central China	**11,630,341**	12,259,633
Northeast China	**3,713,036**	3,862,091
Total segment liabilities	**15,343,377**	16,121,724
Deferred tax liabilities	**195,346**	66,527
Current tax liabilities	**418,130**	273,362
Unallocated other payables	**11,457**	15,098
Total liabilities	**15,968,310**	16,476,711

7. SEGMENT INFORMATION (Cont'd)

For the purposes of monitoring segment performances and allocating resources between segments:

— all assets are allocated to operating and reportable segments other than derivative financial assets, amount due from the ultimate holding company, interests in associates, deferred tax assets, certain unallocated other receivables and cash and bank balances; and

— all liabilities are allocated to operating and reportable segments other than deferred tax liabilities, current tax liabilities and certain unallocated other payables.

Other segment information

Amounts included in the measure of segment profit or loss and segment assets:

For the year ended 31 December 2017

	Central China RMB'000	Northeast China RMB'000	Total RMB'000
Additions to property, plant and equipment	128,899	40,002	168,901
Additions to prepaid lease payments	165	3,452	3,617
Additions to mining rights	27,075	334,182	361,257
Impairment loss on goodwill	—	154,951	154,951
Impairment loss on property, plant and equipment	—	58,251	58,251
Finance costs	731,618	273,968	1,005,586
Provision for environmental restoration before capitalisation	1,307	383	1,690
Depreciation and amortisation	708,518	266,552	975,070
(Reversal of provision)/provision for allowance for bad and doubtful debts	(949)	6,572	5,623
Gain on disposal of property, plant and equipment, net	(1,001)	(420)	(1,421)
Value-added tax refund	(268,447)	(38,356)	(306,803)
Incentive subsidies	(5,444)	(4,785)	(10,229)
Interest on bank deposits	(43,564)	(9,388)	(52,952)

7. SEGMENT INFORMATION (Cont'd)

Other segment information (Cont'd)

For the year ended 31 December 2016

	Central China RMB'000	Northeast China RMB'000	Total RMB'000
Additions to property, plant & equipment	156,077	46,205	202,282
Additions to prepaid lease payments	5,851	—	5,851
Additions to mining rights	348	11,733	12,081
Finance costs	852,888	74,921	927,809
Provision for environmental restoration	1,303	363	1,666
Depreciation and amortisation before capitalisation	570,227	282,238	852,465
(Reversal of provision)/provision for allowance for bad and doubtful debts, net	(6,985)	5,026	(1,959)
(Gain)/loss on disposal of property, plant and equipment, net	(2,660)	4,293	1,633
Value-added tax refund	(203,400)	(31,541)	(234,941)
Incentive subsidies	(8,438)	(14,642)	(23,080)
Interest on bank deposits	(94,742)	(24,364)	(119,106)

Revenue from major products has been disclosed in Note 6. All of the Group's operations, as well as all external customers and its non-current assets, are located in the PRC.

No revenue from a single customer or a group of customers under common control contributing over 10% of the total revenue of the Group for the years ended 31 December 2017 and 2016.

8. OTHER INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Value-added tax refund *(Note i)*	**306,803**	234,941
Incentive subsidies *(Note ii)*	**10,229**	23,080
Interest income on bank deposits	**52,952**	119,106
Rental income	**2,615**	3,583
Release of deferred income *(Note 38)*	**8,585**	9,553
Release of financial guarantee liability	**9,582**	6,303
Profits from limestone aggregate and sundry operations, net *(Note iii)*	**93,268**	74,128
Software service income *(Note iv)*	**18,803**	52
Others	**676**	3,763
	503,513	474,509

Notes:

i. Value-added tax refund represents incentives approved by relevant government authorities as a result of utilising industrial waste as part of the production materials.

ii. Amounts mainly represent subsidies granted by certain local governments for encouraging domestic business development and recognised upon receipt. There are no unfulfilled conditions or contingencies relating to these subsidies.

iii. The balances comprise profits from sundry operations incidental to the main revenue-generating activities of the Group including sales of scrap and raw materials etc.

iv. Software service income represents revenues from software development and sales.

9. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Foreign exchange (gain)/loss, net	**(66,696)**	52,422
Impairment loss on goodwill	**154,951**	—
Impairment loss on property, plant and equipment	**58,251**	—
(Gain)/loss on disposal of property, plant and equipment, net	**(1,421)**	1,633
Provision/(reversal of provision) for allowance for bad and doubtful debts, net	**5,623**	(1,959)
Loss on deemed disposal of partial interest in an associate	**1,606**	—
Others	**2,317**	—
	154,631	52,096

10. FINANCE COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest on:		
Bank borrowings	**402,328**	314,031
Finance leases	**680**	2,726
Bills discounted with recourse	**111,256**	111,173
Short-term debentures	**—**	77,252
Mid-term debentures	**292,957**	279,693
Long-term corporate bonds	**206,120**	192,810
	1,013,341	977,685
Less: amounts capitalised in the cost of qualifying assets	**(7,755)**	(49,876)
	1,005,586	927,809

The borrowing costs on general borrowing pool capitalised are calculated by applying capitalisation rate of 5.83% per annum for the year ended 31 December 2017 (2016: 7.09% per annum).

Interest on bills discounted with recourse includes interest on discounted bills issued among subsidiaries of the Group for intra-group transactions of RMB32,532,000 (2016: RMB53,333,000).

11. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**283,112**	135,819
Overprovision in prior years:		
EIT	**(4,071)**	(4,668)
Deferred tax *(Note 37)*	**82,214**	(29,086)
	361,255	102,065

No provision for Hong Kong taxation has been made during both years as the Group's income neither arisen nor is derived from Hong Kong.

Under the PRC law on Enterprise Income Tax (the "PRC EIT Law") and Implementation Regulation of the PRC EIT Law, the tax rate of the PRC subsidiaries is 25% (2016: 25%).

The tax charge for the year can be reconciled to profit before tax per consolidated statement of profit or loss and other comprehensive income as follows.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before tax	**1,354,025**	351,635
Tax at the applicable rate of 25% (2016: 25%)	**338,506**	87,909
Tax effect on expenses that are not deductible	**38,714**	7,319
Tax effect on tax losses not recognised	**28,078**	38,409
Tax effect on deductible temporary differences not recognised	**16,975**	204
Withholding tax	**121,234**	—
Utilisation of deductible temporary differences previously not recognised	**—**	(3,996)
Tax effect on income not taxable for tax purpose	**(112,820)**	(20,564)
Overprovision in prior years	**(4,071)**	(4,668)
Utilisation of tax losses previously not recognised	**(65,618)**	(1,323)
Others	**257**	(1,225)
Income tax expenses for the year	**361,255**	102,065

12. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Profit and total comprehensive income for the year has been arrived at after charging:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**924,295**	811,769
Release of prepaid lease payments	**22,372**	22,302
Amortisation of mining rights, included in cost of sales	**27,594**	17,585
Amortisation of other intangible assets, included in cost of sales	**809**	809
Total depreciation and amortisation	**975,070**	852,465
Less: amounts capitalised to inventories	**(707,973)**	(711,300)
amounts included in other expenses *(note)*	**(31,493)**	(36,954)
	235,604	104,211
Cost of inventories recognised as an expense	**6,023,657**	4,491,801
Staff costs including retirement benefit costs	**418,629**	387,309
Less: amounts capitalised to inventories	**(163,856)**	(146,510)
	254,773	240,799
Auditor's remuneration	**3,600**	3,000
Release of financial guarantee liability	**9,582**	6,303

Note:

Depreciation and amortisation amounting to RMB31,493,000 (2016: RMB36,954,000) during the temporary suspension period due to seasonal effect are included in other expenses on the consolidated statement of profit or loss and other comprehensive income.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company were as follows:

	2017				2016			
	Fee RMB'000	Salaries and other allowances RMB'000	Contributions to retirement benefits schemes RMB'000	Total emoluments RMB'000	Fee RMB'000	Salaries and other allowances RMB'000	Contributions to retirement benefits schemes RMB'000	Total emoluments RMB'000
Executive directors								
Mr. Xu Wuxue	—	402	8	410	—	398	10	408
Mr. Li Jiangming	—	651	8	659	—	680	10	690
Mr. Ding Jifeng *(note i)*	—	445	8	453	N/A	N/A	N/A	N/A
	—	1,498	24	1,522	—	1,078	20	1,098
Non-executive directors								
Mr. Li Liufa	—	—	—	—	—	—	—	—
Mr. Li Heping	—	—	—	—	—	—	—	—
Mr. Yang Yongzheng	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
Independent non-executive directors								
Mr. Kong Xiangzhong	—	—	—	—	—	—	—	—
Mr. Wang Ping	201	—	—	201	215	—	—	215
Mr. Du Xiaotang	201	—	—	201	215	—	—	215
	402	—	—	402	430	—	—	430
	402	1,498	24	1,924	430	1,078	20	1,528

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

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

Notes:

i. Mr. Ding Jifeng was appointed as an executive director of the Company on 16 May 2017.

ii. The emoluments of all directors were calculated based on their respective actual terms of office within the year.

iii. The chief executive officer of the Company is not appointed. In the meantime, the board of directors of the Company established an executive committee, which composes of two executive directors and top management members of the Group whose emoluments has been disclosed in Note 45.

No director of the Company waived any emoluments during the year ended 31 December 2017 and 2016.

14. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included three (2016: two) directors (details of whose emoluments are set out in Note 13 above), the emoluments of the remaining two (2016: three) highest paid individuals for the year were as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries and other allowances	**754**	1,120
Performance related incentive payments	**74**	210
Retirement benefit scheme contributions	**15**	21
	843	1,351

The emolument of each of the above employees in both years is below HK$1,000,000 (equivalent to approximately RMB835,900).

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the both years.

The performance related incentive payment is determined based on the employee's contribution to the operating results of the Group for the each of the year ended 31 December 2017 and 2016.

15. EARNINGS PER SHARE

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company	**1,001,764**	295,812

	2017	2016
	'000	'000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,705,662**	2,400,900

No diluted earnings per share is presented for both 2017 and 2016 as there were no potential ordinary shares in issue for both 2017 and 2016.

16. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2017, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Stripping costs RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2016	6,864,639	7,260,991	125,721	116,033	1,456,920	1,157,811	16,982,115
Additions	23,885	4,338	4,323	6,601	11,620	151,515	202,282
Additions from acquisition of a subsidiary *(Note 49)*	14,910	7,638	1,617	143	—	—	24,308
Disposals	(376)	(34,502)	(4,082)	(2)	—	—	(38,962)
Transfer	474,370	285,753	618	—	314,285	(1,075,026)	—
At 31 December 2016	7,377,428	7,524,218	128,197	122,775	1,782,825	234,300	17,169,743
Additions	3,207	14,814	3,452	3,635	4,475	139,318	168,901
Additions from acquisition of subsidiaries *(Note 48)*	473,373	336,746	16,052	1,217	—	47,711	875,099
Disposals	—	(23,600)	(11,078)	(1,038)	—	—	(35,716)
Transfer	8,704	86,438	10,378	469	—	(105,989)	—
At 31 December 2017	7,862,712	7,938,616	147,001	127,058	1,787,300	315,340	18,178,027
ACCUMULATED DEPRECIATION							
At 1 January 2016	1,196,650	2,858,685	123,686	92,984	218,596	—	4,490,601
Provided for the year	224,968	493,787	4,381	6,310	82,323	—	811,769
Eliminated on disposals	—	(32,445)	(3,859)	(2)	—	—	(36,306)
At 31 December 2016	1,421,618	3,320,027	124,208	99,292	300,919	—	5,266,064
Provided for the year	264,127	527,120	8,206	10,591	114,251	—	924,295
Eliminated on disposals	—	(20,168)	(8,724)	(986)	—	—	(29,878)
At 31 December 2017	1,685,745	3,826,979	123,690	108,897	415,170	—	6,160,481
ACCUMULATED IMPAIRMENT							
At 1 January 2016 and 31 December 2016	—	—	—	—	—	—	—
Provided for the year	—	58,251	—	—	—	—	58,251
At 31 December 2017	—	58,251	—	—	—	—	58,251
CARRYING AMOUNT							
At 31 December 2016	5,955,810	4,204,191	3,989	23,483	1,481,906	234,300	11,903,679
At 31 December 2017	6,176,967	4,053,386	23,311	18,161	1,372,130	315,340	11,959,295

17. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The above items of property, plant and equipment, other than construction in progress and stripping costs, are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line basis:

Buildings	20-30 years
Plant and machinery	5-15 years
Motor vehicles	5 years
Office equipment	5 years

Stripping costs are depreciated on a straight-line basis over their estimated useful lives ranged from 10 to 20 years. Costs incurred on stripping activity which provide improved access to the whole of the remaining ore body are depreciated over the remaining useful life of the relevant mines. Costs incurred in respect of an identified component of the ore body that is made more accessible by the activity are depreciated over a shorter period than the life of the mine. The management considers that the straight-line basis is more appropriate due to difficulty in determining the pattern of consumption of the future economic benefits reliably as the quantity of outputs to be extracted may be impacted by economical and geographical reasons.

Impairment assessment

By the end of 2017, a subsidiary of the Company located in Northeast China incurred loss for more than two consecutive years, and there was indication that its property, plant and equipment with an aggregate carrying value of RMB414,612,000 as at 31 December 2017 may suffer an impairment loss. The directors of the Company has conducted impairment testing.

Recoverable amount is the higher of fair value less costs of disposal and value in use, the recoverable amount of the relevant cash-generating unit ("CGU") to which the above property, plant and equipment belongs has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiaries covering the following 5 years with an annual sales price growth rate of 2% (2016: 2%) and sales volume growth rate of 15% (2016: 15%) for the first year and no volume growth for the remaining 4 years (2016: Nil), and pre-tax discount rate is 14% as at 31 December 2017 (2016: 10%). The above growth rates are based on the industry growth forecasts and do not exceed the average medium-term growth rate for the industry. The cash flows beyond the five-year period are extrapolated using zero growth rate. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the CGU's past performance and management expectations for the market development.

As a result of the above assessment, the directors of the Company consider that there is impairment amounting to RMB58,251,000 for property, plant and machinery in respect of that subsidiary as at 31 December 2017.

Details of the property, plant and equipment pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 41.

17. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The carrying amounts of buildings, which the application to obtain the ownership certificates is still in process, are approximately RMB628,738,000 as at 31 December 2017 (2016: RMB782,876,000).

The carrying amount of equipment under finance lease arrangement as at 31 December 2016 was approximately RMB23,849,000.

18. DEPOSITS AND ADVANCES

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Deposits paid for acquiring property, plant and equipment, land use rights and mining rights	**67,138**	434,772
Deposits paid for acquisition of businesses *(Note)*	**950,000**	1,770,121
	1,017,138	2,204,893

Note:

These deposits are mainly related to the acquisition of certain businesses which are expected to be completed in the coming few years. During the year, deposits of RMB470,000,000 (2016: Nil) were refunded to the Group due to the termination of acquisition and advances of RMB990,121,000 (2016: Nil) were refunded by the relevant investees.

19. PREPAID LEASE PAYMENTS

	RMB'000
At 1 January 2016	830,710
Additions	5,851
Acquisition of a subsidiary *(Note 49)*	8,556
Released to profit or loss	(22,302)
At 31 December 2016	822,815
Additions	3,617
Acquisition of subsidiaries *(Note 48)*	91,231
Released to profit or loss	(22,372)
At 31 December 2017	895,291

Analysis for reporting purposes as:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current assets included in trade and other receivables *(Note 26)*	**22,511**	20,873
Non-current assets	**872,780**	801,942
	895,291	822,815

Prepaid lease payments are amortised over the lease term of the respective leases. The remaining lease periods ranging from approximately 1 to 47 years.

The carrying amounts of land use rights, of which certificates have yet to obtain amounted to approximately RMB35,974,000 as at 31 December 2017 (2016: RMB36,664,000).

Details of the prepaid lease payments pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 41.

20. MINING RIGHTS

	RMB'000
COST	
At 1 January 2016	349,196
Additions	12,081
At 31 December 2016	361,277
Additions	361,257
Acquisition of subsidiaries *(Note 48)*	45,280
At 31 December 2017	767,814
ACCUMULATED AMORTISATION	
At 1 January 2016	93,790
Amortisation	17,585
At 31 December 2016	111,375
Amortisation	27,594
At 31 December 2017	138,969
CARRYING AMOUNT	
At 31 December 2016	249,902
At 31 December 2017	628,845

The above mining rights are related to limestone sites located in the PRC, and amortised over their respective estimated useful lives. The estimated useful lives of the mining rights ranging from 10 to 33 years.

Details of the mining rights pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 41.

21. GOODWILL

	2017 RMB'000	2016 RMB'000
CARRYING AMOUNT		
At 1 January	**275,489**	272,311
Impairment	**(154,951)**	—
Arose from acquisition of subsidiaries *(Notes 48 and 49)*	**187,104**	3,178
At 31 December	**307,642**	275,489

21. GOODWILL (Cont'd)

For the purposes of impairment testing, goodwill has been allocated to fifteen (2016: thirteen) cash generating units ("CGUs") or group of CGUs, comprising seventeen (2016: fifteen) subsidiaries.

The carrying amount of goodwill allocated to CGUs or groups of CGU of the relevant companies, represent the lowest level within the Group at which goodwill is monitored for internal management purpose, as are set out below:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Weihui Shi Tianrui Cement Company Limited	**10,502**	10,502
Zhengzhou Tianrui Cement Company Limited	**1,773**	1,773
Pingdingshan Tianrui Yaodian Cement Company Limited	**6,689**	6,689
Liaoyang Tianrui Weiqi Cement Company Limited (遼陽天瑞威企水泥有限公司) ("Weiqi Cement")	**—**	33,422
Liaoyang Tianrui Chengxing Cement Company Limited (遼陽天瑞誠興水泥有限公司)	**13,628**	13,628
Liaoyang Tianrui Liaota Cement Company Limited (遼陽天瑞遼塔水泥有限公司), Liaoyang Tianrui Liaodong Cement Company Limited (遼陽天瑞遼東水泥有限公司) and Liaoyang Tianrui Liaota Mining Company Limited (遼陽天瑞遼塔礦業有限公司)	**29,284**	29,284
Dalian Tianrui Jinhaian Cement Company Limited (大連天瑞金海岸水泥有限公司) ("Jinhaian Cement")	**—**	49,558
Xinyang Tianrui Cement Company Limited (信陽天瑞水泥有限公司)	**16,624**	16,624
Shenyang Tiger Cement Company Limited (瀋陽老虎水泥有限公司)	**3,974**	3,974
Zhuanghe Tianrui Cement Company Limited (莊河天瑞水泥有限公司) ("Zhuanghe Cement")	**—**	30,059
Haicheng the First Cement Company Limited (海城市第一水泥有限公司) ("Haicheng Cement")	**29,249**	71,161
Haicheng Tianying Construction Stone Mining Company Limited (海城市天鷹建築石材採掘有限公司)	**5,637**	5,637
Panjin Jinrun Cement Company Limited (盤錦金潤水泥有限公司)	**3,178**	3,178
Henan Yongan Cement Company Limited (河南永安水泥有限責任公司) ("Yongan Cement").	**126,293**	—
Tianrui Xindeng Zhengzhou Cement Company Limited (天瑞新登鄭州水泥有限公司) ("Xindeng Cement")	**60,811**	—
	307,642	275,489

21. GOODWILL (Cont'd)

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

The recoverable amounts of the relevant CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiaries covering the following 5 years with an annual sales price growth rate of 2% and annual sales volume growth rate ranging from Nil to 10%, and pre-tax discount rate ranging from 12% to 14% as at 31 December 2017 (2016: 9% to 10%). The above growth rates are estimated based on the industry growth forecasts and do not exceed the average medium-term growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using zero growth rate (2016: zero). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows in the cash flow projections include budgeted sales volume and cement price, and gross profit ratio, which are determined based on the CGUs' past performance and management expectations for the market development.

Based on the above assessment, the Group recognised an impairment loss of RMB154,951,000 during the year ended 31 December 2017 (2016: Nil) in relation to goodwill arising on acquisition of Weiqi Cement, Jinhaian Cement, Zhuanghe Cement and Haicheng Cement.

22. OTHER INTANGIBLE ASSETS

	Operating lease contracts RMB'000
COST	
At 1 January 2016, 31 December 2016 and 2017	9,353
ACCUMULATED AMORTISATION	
At 1 January 2016	2,746
Amortisation	809
At 31 December 2016	3,555
Amortisation	809
At 31 December 2017	4,364
CARRYING AMOUNT	
At 31 December 2016	5,798
At 31 December 2017	4,989

The intangible assets were acquired on acquisition of a subsidiary and are amortised on a straight-line basis over the respective contractual lease terms ranging from 7 to 18 years.

23. INTERESTS IN ASSOCIATES

	At 31 December 2017 RMB'000	2016 RMB'000
Cost of investment in associates	**375,000**	225,000
Share of post-acquisition losses and other comprehensive expenses	**(112,581)**	(115,477)
	262,419	109,523

Details of the associates as at the end of reporting period are as follows:

Name of company	Place of establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting rights 2017 %	2016 %	Principal activities
Pingdingshan Ruiping Shilong Cement Company Limited ("Pingdingshan") 平頂山瑞平石龍水泥有限公司	The PRC	RMB300,000,000	**40**	40	Manufacture and sale of clinker in the PRC
Tianrui Group Finance Company Limited ("Tianrui Finance") 天瑞集團財務有限公司	The PRC	RMB1,000,000,000	**25.5**	35	Provision of financing and relevant services in the PRC

On 27 June 2017, the registered capital of Tianrui Finance has been increased from RMB300 million to RMB1 billion, pursuant to which the Group contributed RMB150 million and the other shareholders contributed RMB550 million to Tianrui Finance, respectively. As a result of the capital injection, the proportion of ownership interest and voting right of the Group had decreased from 35% to 25.5%, and a deemed disposal loss amounting to RMB1,606,000 is recognised in the current year.

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

All associates are accounted for using the equity method in these financial statements.

23. INTERESTS IN ASSOCIATES (Cont'd)

Pingdingshan

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current assets	**197,721**	140,302
Non-current assets	**505,372**	546,668
Current liabilities	**(1,200,061)**	(1,182,973)
Net liabilities	**(496,968)**	(496,003)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**444,366**	245,978
Loss and total comprehensive expense for the year	**(965)**	(54,577)

The Group has discontinued recognition of its share of further losses of the associate upon the limit of its interests in the associate. The amounts of unrecognised share of loss of the associate, extracted from the financial statements of the associate prepared in accordance with IFRSs, are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Unrecognised share of loss of the associate for the year	**386**	21,831
Accumulated unrecognised share of loss of the associate	**198,814**	198,428

23. INTERESTS IN ASSOCIATES (Cont'd)

Tianrui Finance

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current assets	**844,907**	88,341
Non-current assets	**295,502**	361,353
Current liabilities	**(111,314)**	(136,772)
Net assets	**1,029,095**	312,922

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**43,559**	26,231
Profit and total comprehensive income for the year	**16,173**	12,148

Reconciliation of the above summarised financial information to the carrying amount of the interests in Tianrui Finance recognised in the consolidated financial statements:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Net assets	**1,029,095**	312,922
Proportion of the Group's ownership interest in the associate	**25.5%**	35%
Carrying amount of the Group's interest in the associate	**262,419**	109,523

24. INVENTORIES

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Raw materials and consumables	**576,249**	501,457
Work-in-progress	**14,320**	11,289
Finished goods	**358,694**	237,925
	949,263	750,671

25. DERIVATIVE FINANCIAL ASSETS

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Derivative financial assets		
— At fair value	**—**	761,065

The Group and Tianrui Group, controlled by Mr. Li Liufa, a non-executive director of the Company, entered into an amended deed of non-competition undertaking in favor of the Company ("Amended Non-competition Deed"). The details of the Amended Non-competition Deed are set out in the Company's circular dated 31 October 2014 (the "Circular"). Under the Amended Non-competition Deed, Tianrui Group was allowed to pursue the business which is or may be in competition, directly or indirectly, with the business of the Group (the "New Business Opportunity") subject to certain restrictions and an option in favor of the Company over the business subsequently developed by Tianrui Group. The Group is entitled to exercise the option at any time during the relevant restricted period as defined in the Amended Non-competition Deed (the "Restricted Period").

In addition, Tianrui Group have further undertaken that during the Restricted Period, without the Company's prior written consent, Tianrui Group and/or their respective associate(s) shall not transfer or dispose of any business subsequently developed from the New Business Opportunity (the "New Business") or any interest in the New Business to any third party, or create any mortgage, pledge, lien or any other encumbrance or third party's rights over the New Business or any interest in it.

25. DERIVATIVE FINANCIAL ASSETS (Cont'd)

Under the Amended Non-competition Deed, the Group has the option to acquire the New Business or any interest in it in accordance with (a) commercial terms which (i) will not be less favorable than those applicable to the acquisition of the same New Business Opportunity by Tianrui Group in the first instance, provided that the Company shall reimburse Tianrui Group for the acquisition costs (including tax expenses, financing costs, professional fees and travelling expenses) incurred by them in respect of their acquisition of such New Business Opportunity; and (ii) have been opined by an independent financial adviser of the Company as being normal commercial terms arrived at in the ordinary course of business of the Company, fair and reasonable and in the interest of the Company and the Shareholders (as defined in the Amended Non-competition Deed) as a whole; and (b) any requirement under the Listing Rules in relation to the acquisition of the New Business and any interest in it.

As at 31 December 2016, Tianrui Group has acquired certain shares of four companies including 15.03% equity interests in Henan Tongli Cement Corporation (河南同力水泥股份有限公司, "Henan Tongli"), a company listed on the Shenzhen Stock Exchange, 28.16% equity interests in China ShanShui Cement Group Limited ("Shanshui Cement"), a company listed on the Stock Exchange, 55% equity interests in Xindeng Cement and 100% equity interests in Yongan Cement. These companies mainly engage in cement related businesses and hence fulfilled the definition of New Business pursuant to the Amended Non-competition Deed. Accordingly, the Group has the option to acquire these companies at any time during the Restricted Period. The option falls within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* as derivative financial instruments. For valuation purpose, the options are fair valued for each of the four investee companies separately as the Group is able to exercise the option independently. Except for Yongan Cement and Xindeng Cement as disclosed below, the Group has not exercised the option to acquire the interests of the other companies up to 31 December 2017.

The total fair values of the options to acquire Henan Tongli and Xindeng Cement at initial recognition was estimated to be RMB229,240,000 which was considered as a deemed contribution from Tianrui Group and credited to other reserves on the consolidated statement of changes in equity during the year ended 31 December 2015. The subsequent changes in fair value of the options totaling RMB451,279,000 was recognised in profit or loss in the year ended 31 December 2017 (2016: RMB82,256,000). The details for the fair value measurement of the options are detailed in Note 47.3.

On 25 November 2016, the Group and Tianrui Group entered into an acquisition agreement, pursuant to which Tianrui Group conditionally agreed to sell and the Company conditionally agreed to purchase 100% equity interests in Yongan Cement and 55% equity interests in Xindeng Cement held by Tianrui Group at a purchase consideration of RMB919,000,000, which is less than the original acquisition consideration incurred by Tianrui Group and settled by allotment and issue of 537,381,647 new ordinary shares of the Company. On 27 January 2017, the Group received approval from the shareholders of the Company and relevant regulators. The acquisition was completed on 7 June 2017 upon the issue of 537,381,647 new ordinary shares at market price of HK$2.28 each of the Company to Tianrui Group to settle the above purchase consideration. Details of the acquisitions are set out in Note 48.

On 9 February 2017, the Board of Directors of the Company consented that Tianrui Group could dispose of total 15.03% equity interests of Henan Tongli, subject to the condition that if the equity interests were disposed of, the related gains from the disposal of the equity interests will be treated as a compensation to the Group. Tianrui Group disposed of 15.03% equity interests in Henan Tongli during the year and the related compensation to the Group amounted to RMB1,212,344,000 as at 31 December 2017 which was subsequently settled.

25. DERIVATIVE FINANCIAL ASSETS (Cont'd)

In the opinion of the directors of the Company, the option to acquire Shanshui Cement cannot be reliably measured as the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed. The trading of the shares of Shanshui Cement has been suspended since April 2015 due to the public float fallen below 25% as required under the Listing Rules. Pursuant to a letter from the Stock Exchange dated 19 December 2017, which concluded that Shanshui Cement fails to demonstrate a reasonable prospect that it will, within a reasonable period of time to restore the minimum profit and public float by 30 June 2018. In view of the above, the Stock Exchange has decided to make a recommendation to the Listing Committee for the cancellation of Shanshui Cement's listing. Furthermore, the management has limited access to the financial information of Shanshui Cement other than those are made available to the public.

26. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables	**279,292**	188,830
Less: allowances for bad and doubtful debts	**(30,480)**	(25,948)
	248,812	162,882
Other receivables	**297,530**	211,789
Less: allowances for bad and doubtful debts	**(26,910)**	(25,819)
Net amount of other receivables	**270,620**	185,970
Bills receivables *(Note)*	**725,360**	684,820
Bills endorsed to suppliers *(Note)*	**1,770,466**	1,382,498
Advance to suppliers	**446,032**	126,751
Value-added tax refund receivables	**16,226**	29,853
Prepayment for various taxes	**72,266**	69,012
Prepaid lease payments *(Note 19)*	**22,511**	20,873
Interest receivable	**70,619**	79,624
	3,642,912	2,742,283

Note:

Bills receivables amounted to RMB685,697,000 as at 31 December 2017 (2016: RMB667,458,000) were discounted to banks to obtain borrowings of which RMB633,000,000 (2016: RMB570,000,000) relates to bills receivable issued among subsidiaries of the Group for intra-group transactions. (See Notes 27 and 32)

In addition to the above, the Group has also endorsed bills receivables arising from intra-group transactions to suppliers amounting to RMB1,668,300,000 (2016: RMB1,767,000,000) as at the end of the reporting period. The bills receivables and related payables issued between group entities were fully eliminated in the consolidated financial statements.

26. TRADE AND OTHER RECEIVABLES (Cont'd)

The aged analysis of the Group's trade receivables (net of allowances for bad and doubtful debts) prepared based on the goods delivery date at the end of each reporting period is as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Within 90 days	**160,313**	64,204
91-180 days	**17,225**	21,178
181-360 days	**31,581**	3,730
1-2 years	**38,846**	40,785
Over 2 years	**847**	32,985
Total	**248,812**	162,882

The aged analysis of the Group's bills receivables (excluding bills endorsed to suppliers) from the goods delivery date at the end of each reporting period is as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Within 90 days	**60,938**	122,738
91-180 days	**569,174**	320,396
181-360 days	**95,248**	241,686
Total	**725,360**	684,820

Before accepting any new credit customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit period attributed to customers are reviewed on a customer by customer basis. Over 90% of trade receivables and bills receivable that are neither past due nor impaired are regarded as customers with good credit quality under the internal assessment process used by the Group.

26. TRADE AND OTHER RECEIVABLES (Cont'd)

The aged analysis of the Group's trade receivables which are past due but not impaired prepared based on goods delivery date at the end of each reporting period is as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
181-360 days	**31,581**	3,730
1-2 years	**38,846**	40,785
Over 2 years	**847**	32,985
Total	**71,274**	77,500

The Group does not hold any collateral over the above balances. No allowance has been provided for those balances as the Group considers that there is no significant change in the credit quality of those customers from the date credit was initially granted up to the end of the reporting period.

Movements in the allowance for bad and doubtful debts

	2017	2016
	RMB'000	RMB'000
Balance at beginning of the year	**51,767**	53,726
Provided for during the year	**23,710**	16,069
Reversal during the year	**(18,087)**	(18,028)
Balance at the end of the year	**57,390**	51,767

Included in the allowance for bad and doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB57,390,000 (2016: RMB51,767,000), including bad and doubtful debts of other receivables amounting to RMB26,910,000 (2016: RMB25,819,000), which were considered as uncollectable. The Group does not hold any collateral over these balances.

Details of bills receivables pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 41.

27. TRANSFER OF FINANCIAL ASSETS

As at 31 December 2017, bills receivables with an aggregate carrying amount of RMB52,697,000 (31 December 2016: RMB97,458,000) were transferred to banks by discounting those receivables on a full recourse basis and the carrying amount of the associated liability was RMB50,201,000 (31 December 2016: RMB95,571,000). As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 32). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2017, bills receivables with an aggregate carrying amount of RMB1,770,466,000 (31 December 2016: RMB1,382,498,000) were endorsed to suppliers on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables.

In addition, bills receivables issued among subsidiaries of the Group for intra-group transactions amounting to RMB633,000,000 (31 December 2016: RMB570,000,000) were transferred to banks by discounting those receivables on a full recourse basis to secure bank borrowings amounting to RMB601,776,000 (31 December 2016: RMB552,687,000) (see note 32) and these bills receivable and the related intra-group payables have been eliminated in the consolidated financial statements.

Bills receivables issued among subsidiaries of the Group for intra-group transactions amounting to RMB1,668,300,000 (2016: RMB1,767,000,000) were endorsed to suppliers on a full recourse basis and these bills receivable and the related intra-group payables have been eliminated in the consolidated financial statements.

28. AMOUNT DUE FROM AN ASSOCIATE

	At 31 December	
	2017 **RMB'000**	2016 RMB'000
Advance payments to Pingdingshan for the purchase of goods	**625,992**	323,774

29. PLEDGED BANK BALANCES

As at 31 December 2017, pledged bank balances represent deposits pledged to banks for (i) securing bank borrowings granted to the Group amounting to RMB584,204,000 (details disclosed in Note 41), and (ii) issuing trade facilities such as bills payables and bankers' guarantee amounting to RMB2,748,602,000, and (iii) deposits pledged to bank for restoration of limestone mines amounting to RMB67,627,000.

As at 31 December 2016, pledged bank balances represent deposits pledged to banks for (i) securing bank borrowings granted to the Group amounting to RMB571,450,000 (details disclosed in Note 41), and (ii) issuing trade facilities such as bills payables and bankers' guarantee amounting to RMB2,511,072,000, and (iii) deposits pledged to bank for restoration of limestone mines amounting to RMB24,680,000.

The pledged bank balances carry market interest rate ranging from 0.3% to 2.1% per annum as at 31 December 2017 (31 December 2016: 0.35% to 3.25% per annum).

30. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 31 December 2017, bank balances carry interest at market rates ranging from 0.3% and 1.5% per annum (31 December 2016: 0.01% and 4.25% per annum).

31. TRADE AND OTHER PAYABLES

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Trade payables	**964,952**	1,250,175
Bills payables	**1,261,300**	1,205,000
Construction cost and retention payables	**357,097**	377,073
Advances from customers	**320,718**	184,768
Other tax payables	**53,267**	59,848
Payables for mining rights	**—**	8,300
Interest payables	**235,838**	252,440
Other payables and accrued expenses	**55,544**	246,675
	3,248,716	3,584,279

31. TRADE AND OTHER PAYABLES (Cont'd)

The aged analysis of the Group's trade payables presented from the goods receipt date as at the end of each reporting period is as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Within 90 days	**579,062**	899,216
91-180 days	**118,834**	108,607
181-365 days	**82,221**	100,174
Over 1 year	**184,835**	142,178
Total	**964,952**	1,250,175

The aged analysis of the Group's bills payables from the goods receipt date as at the end of each reporting period is as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Within 90 days	**557,800**	755,000
91-180 days	**181,000**	250,000
181-365 days	**522,500**	200,000
Total	**1,261,300**	1,205,000

32. BORROWINGS

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Bank borrowings:		
— fixed-rate *(Note i)*	**3,500,083**	3,828,796
— variable-rate *(Note ii)*	**1,155,652**	1,182,337
Other borrowings from a non-banking financial institution:		
— fixed-rate *(Note i)*	**1,149,373**	790,326
	5,805,108	5,801,459
Bank borrowings relating to bills discounted with recourse *(Notes iii and 27)*	**651,977**	648,258
	6,457,085	6,449,717
Secured	**4,693,883**	3,569,127
Unsecured	**1,763,202**	2,880,590
	6,457,085	6,449,717

Notes:

i. As at 31 December 2017, the interest rate of US Dollar fixed-rate loans, amounting to RMB275,652,000 (2016: RMB738,636,000) ranged from 2.6% to 3.3% per annum (2016: 2.6% to 3.3% per annum), and the interest rate of HK$ fixed-rate loans, amounting to RMB83,590,000 (2016: nil) is 10% per annum (2016: nil). The remaining fixed-rate borrowings carry interests ranging from 4.35% to 14.40% per annum (2016 from 4.35% to 14.40% per annum).

ii. As at 31 December 2017, the variable-rate borrowings carry interests ranging from 4.35% to 5.66% per annum (2016: from 2.39% to 6.89% per annum).

iii. As at 31 December 2017, the amounts represented the cash received on bills receivables discounted to various banks with full recourse of which RMB601,776,000 (2016: RMB552,687,000) relates to discounted bills issued among subsidiaries of the Group for intra-group transactions. The discounted bills carried fixed interests ranging from 2.60% to 5.68% per annum (2016: 1.78% to 7.73% per annum).

32. BORROWINGS (Cont'd)

The borrowings are repayable as follows (note):

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Within one year	**5,382,423**	5,921,033
More than one year, but not exceeding two years	**552,580**	460,114
More than two years, but not exceeding five years	**91,260**	68,570
More than five years	**430,822**	—
	6,457,085	6,449,717
Less: Amount due within one year shown under current liabilities	**(5,382,423)**	(5,921,033)
Amount due after one year	**1,074,662**	528,684

Note: The amounts due are based on scheduled repayment dates set out in the loan agreement.

During the year, the Group discounted bills receivables with recourse in an aggregate amount of RMB208,093,000 (2016: RMB418,191,000) to banks for short term financing. As at 31 December 2017, the associated borrowings amounting to RMB50,201,000 (2016: RMB95,571,000). The relevant cash flows of these borrowings are presented as operating cash flows in the consolidated statement of cash flows as the management considers that the cash flows are, in substance, the receipts from trade customers.

Details of assets pledged to secure bank borrowings are set out in Note 41.

The directors of the Company consider that the carrying amounts of borrowings and related interests amounting to RMB49,398,000 (2016: RMB19,821,000) as at 31 December 2017 recognised in the consolidated financial statements approximate to their fair value.

33. OBLIGATIONS UNDER FINANCE LEASES

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Current liabilities	—	28,861

The Group has entered into sale and leaseback transactions which give rise to finance leases. The lease assets, including plant and equipment, were continued to be recognised as property, plant and equipment of the Group. The average lease term is 5 years. Interest rate underlying obligations under finance leases is fixed at 4.99% per annum. The above finance leases were matured in January 2017.

	Minimum lease payments		**Present value of minimum lease payments**	
	At 31 December		**At 31 December**	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases				
Within one year	—	29,541	—	28,861
Less: future finance charges	—	(680)	—	N/A
Present value of lease obligations and amount due for settlement within one year shown under current liabilities	—	28,861	—	28,861

34. FINANCIAL GUARANTEE CONTRACTS

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Financial guarantee contracts	**23,260**	26,875

As at 31 December 2017, outstanding financial guarantees in respect of bank facilities provided by the Group to Tianrui Group, and three subsidiaries of Tianrui Group, including Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司) ("Tianrui Coking"), Tianrui Group Travel Company Limited (天瑞旅遊集團股份有限公司) ("Tianrui Travel") and Tianrui Foundry Company Limited (天瑞集團鑄造有限公司) ("Tianrui Foundry"), amounting to RMB108,000,000 (2016: RMB110,000,000), RMB522,000,000 (2016: RMB522,000,000), RMB810,000,000 (2016: RMB660,000,000) and RMB270,000,000 (2016: RMB250,000,000), respectively, of which utilised and drawn down facilities amounted to RMB90,000,000 (2016: RMB20,000,000), RMB82,000,000 (2016: RMB217,000,000), RMB780,000,000 (2016: RMB660,000,000) and RMB230,000,000 (2016: RMB210,000,000), respectively. These financial guarantees are provided for a period of 2 years, 8 years, 3 years and 10 years, respectively.

The total fair value of financial guarantee contracts at initial recognition of RMB5,967,000 (2016: RMB22,541,000) were calculated using the guarantee fee rate estimated by reference to the probability of default of the recipients and considered as deemed distribution to Tianrui Group and debited to other reserves on the consolidated statement of changes in equity.

35. MID-TERM DEBENTURES

	RMB'000
At 1 January 2016	3,684,171
Additions	2,675,183
Repayments	(3,584,171)
At 31 December 2016	2,775,183
Additions	14,645
Repayments	(420,000)
At 31 December 2017	2,369,828

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Mid-term debentures	**2,369,828**	2,775,183
Less: amounts due within one year	**(2,369,828)**	(2,275,183)
Amounts due after one year	**—**	500,000

The amounts as at 31 December 2017 included:

(i) enterprise private debentures with an aggregate principal amount of RMB500,000,000 issued on 9 January 2015 with maturity of three years and carrying fixed interest rate at 8.50% per annum;

(ii) enterprise private debentures with an aggregate principal amount of RMB500,000,000, RMB900,000,000 and RMB600,000,000 issued on 25 August 2016, 20 September 2016 and 21 October 2016, respectively, with maturity of two years, and all carrying fixed interest rate of 7.00% per annum. According to the terms and conditions of these debentures, the Group has an option to adjust the interest rate of each of the enterprise private debentures for the second year of respective debenture at the end of the first year by giving a notice to the respective debenture holders. Each of the debenture holders may accordingly at their option to require the Group to redeem the debentures at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to such redemption date. The remaining unredeemed debentures will be subject to the interest rate offered by the Group at the end of the first year until the maturity date.

The directors of the Company consider that the carrying amounts of the mid-term debentures and related interest amounting to RMB51,371,000 (2016: RMB84,830,000) as at 31 December 2017 recognised in the consolidated financial statements approximate to their fair value.

36. LONG-TERM CORPORATE BONDS

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Long-term corporate bonds	**3,070,820**	3,075,350
Less: Amounts due within one year	**(2,998,515)**	—
Amounts due after one year	**72,305**	3,075,350

The amounts as at 31 December 2017 represented:

(i) long-term corporate bonds in an aggregate principal amount of RMB2,000,000,000 issued on 6 February 2013 with a term of eight years and an interest rate of 7.21% per annum. According to the terms and conditions of these bonds, the Group has an option to adjust the bonds rate for the sixth to eighth year at the end of the fifth year by giving a notice to the bond holders. The bond holders may accordingly at their option to require the Group to redeem the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining unredeemed bonds will be subject to the interest rate offered by the Group at the end of the fifth year until the maturity date. These bonds were issued through a lead underwriter, HUAXI Securities Co., Ltd (華西證券有限責任公司) to non-specific buyers. These bonds are jointly and severally guaranteed by Tianrui Foundry and Tianrui Travel, two subsidiaries of Tianrui Group. The guarantees have been provided at no cost to the Group.

(ii) long-term corporate bonds in an aggregate principal amount of RMB1,000,000,000 issued on 29 September 2015 through a lead underwriter, Ping An Securities Company Limited (平安證券有限責任公司), with a term of five years and an interest rate of 5.95% per annum. According to the terms and conditions of these bonds, the Group has an option to adjust the bonds rate for the fourth year and fifth year at the end of the third year by giving a notice to the bond holders. The bond holders may accordingly at their option to require the Group to redeem the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining unredeemed bonds will be subject to the interest rate offered by the Group at the end of the third year until the maturity date.

(iii) long-term corporate bonds in an aggregate principal amount of HK$86,500,000 (approximately RMB72,305,000) which including the issuance of first tranche of HK$45,540,000 issued on 2 December 2014, the second tranche of HK$33,460,000 issued on 15 July 2015 and the third tranche of HK$7,500,000 issued on 9 January 2016, with a term of eight years each and an interest rate of 6.50% per annum each. These bonds were issued through a lead underwriter, Convoy Investment Service Limited (康宏證券投資服務有限公司), to non-specific buyers.

The long-term corporate bonds issued on 6 February 2013 and 29 September 2015 are subject to the redemption at the option of the bondholders on 6 February 2018 and 29 September 2018, respectively, and they have been classified as current liabilities as at 31 December 2017.

Subsequent to the end of the reporting period, in February 2018, the Group exercised its rights to adjust the interest rate of the long-term corporate bonds issued on 6 February 2013 in an aggregate principal amount of RMB2,000,000,000 to 8.2% per annum, no redemption was exercised by the bondholders and the maturity date of those corporate bonds is 6 February 2021.

The directors of the Company consider that the carrying amounts of the long-term corporate bonds and related interest amounting to RMB135,069,000 (2016: RMB147,789,000) as at 31 December 2017 recognised in the consolidated financial statements approximate to their fair value.

37. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised by the Group, and the movements thereon, during the year:

	Allowance on trade and other receivables RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Tax losses RMB'000	Withholding tax RMB'000	Others RMB'000 *(note)*	Total RMB'000
At 1 January 2016	14,110	(59,185)	90,546	—	14,399	59,870
(Charged)/credited to profit or loss during the year	(14)	2,766	30,211	—	(3,877)	29,086
Acquisition of a subsidiary *(note 49)*	—	(1,481)	—	—	—	(1,481)
At 31 December 2016	14,096	(57,900)	120,757	—	10,522	87,475
(Charged)/credited to profit or loss during the year	(1,007)	11,981	23,730	(121,234)	4,316	(82,214)
Acquisition of subsidiaries *(note 48)*	—	(11,322)	—	—	—	(11,322)
At 31 December 2017	13,089	(57,241)	144,487	(121,234)	14,838	(6,061)

Note:

Others mainly represented deferred tax assets arising from unrealised profits on intra-group transactions, provision for environmental restoration and deferred income in respect of asset-related government grants.

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

	At 31 December	
	2017 RMB'000	2016 RMB'000
Deferred tax assets	**189,285**	154,002
Deferred tax liabilities	**(195,346)**	(66,527)
	(6,061)	87,475

At 31 December 2017, the Group had unused tax losses of approximately RMB1,260,324,000 (2016: RMB1,092,856,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB577,948,000 (2016: RMB483,028,000) of such losses.

37. DEFERRED TAXATION (Cont'd)

No deferred tax asset has been recognised in respect of the remaining RMB682,376,000 (31 December 2016: RMB609,828,000) tax losses due to the unpredictability of future profit streams in respective subsidiaries. The unrecognised tax losses will be expired as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
2017	**—**	70,749
2018	**185,158**	173,183
2019	**109,078**	56,692
2020	**136,485**	155,567
2021	**139,342**	153,637
2022	**112,313**	—
	682,376	609,828

In addition, the Group had deductible temporary differences of RMB71,648,000 (2016: RMB3,748,000) as at 31 December 2017. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB6,360,049,000 as at 31 December 2017 (2016: RMB5,291,239,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

38. DEFERRED INCOME

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Assets-related government grants	**166,132**	174,717

The assets-related government grants represent the subsidies received by the Group for the purpose of acquiring land use rights to build new production lines in the PRC and acquiring qualified energy conservation equipment. An amount of approximately RMB8,585,000 was released to "other income" during the year ended 31 December 2017 (2016: RMB9,553,000).

39. PROVISION FOR ENVIRONMENTAL RESTORATION

	RMB'000
At 1 January 2016	20,174
Provision for the year	1,666
At 31 December 2016	21,840
Provision for the year	1,690
Utilisation of provision	(4,537)
At 31 December 2017	18,993

According to the regulation issued in 2009 by the Ministry of Land and Resources (國土資源部), the user of a mine should undertake the obligation of environmental restoration. After taking into account the quantity of limestone mined and the timing of mine restoration in future, a provision has been recognised for the costs expected to be incurred for the restoration of the Group's limestone mines. Additional provision is recognised as cost of sales of the related limestone mined and sold.

40. SHARE CAPITAL

The Company

	Number of shares	Share capital	
		HK$'000	RMB'000
Authorised shares			
Ordinary share of HK$0.01 each:			
As at 1 January 2016, 31 December 2016 and 2017	10,000,000,000	100,000	81,070
Issued shares			
As at 1 January 2016 and 31 December 2016	2,400,900,000	24,009	19,505
Issue of new ordinary shares *(note)*	537,381,647	5,374	4,678
As at 31 December 2017	2,938,281,647	29,383	24,183

Note:

On 7 June 2017, the Company issued 537,381,467 shares of HK$0.01 par value each at the price of HK$2.28 each to acquire 100% and 55% equity interests in Yongan Cement and Xindeng Cement respectively, resulting in credit to ordinary share capital of the Company of RMB4,678,000 and share premium of RMB1,062,008,000. The new shares rank pari passu with the existing shares. Refer to Notes 25 and 48 for details.

41. PLEDGE OF ASSETS

As at the end of the reporting period, the carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group is analysed as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Property, plant and equipment	**3,058,556**	1,562,461
Prepaid lease payments	**498,830**	498,747
Mining rights	**2,096**	—
Pledged bank balances	**584,204**	571,450
	4,143,686	2,632,658

Apart from the assets pledged set out above, Tianrui Cement has pledged all of its equity interests in Dalian Tianrui Group Cement Company Limited (大連天瑞水泥有限公司), Liaoyang Tianrui Group Cement Company Limited (遼陽天瑞水泥有限公司), Liaoyang Tianrui Group Liaota Cement Company Limited (遼陽天瑞遼塔水泥有限公司), Weihui Tianrui Group Cement Company Limited (衛輝市天瑞水泥有限公司), and Tianrui Group Yuzhou Cement Company Limited (天瑞集團禹州水泥有限公司) and pledged half of its equity interests in Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司), subsidiaries of Tianrui Cement, to secure the short-term variable-rate loans amounting to RMB390,000,000 (2016: RMB550,000,000), and pledged all of its equity interests in Haicheng The First Cement Company limited (海城市第一水泥有限公司), a subsidiary of Tianrui Cement, to secure the long-term variable-rate loans amounting to RMB30,000,000 as at 31 December 2017 (31 December 2016: RMB45,000,000).

In addition, bills receivables (including those issued among subsidiaries of the Group for intra-group transactions) amounting to RMB685,697,000 as at 31 December 2017 (31 December 2016: RMB667,458,000) were discounted to banks to obtain borrowings. Bills receivables (including those issued among subsidiaries of the Group for intra-group transactions) with carrying amounts of RMB3,438,766,000 as at 31 December 2017 (31 December 2016: RMB3,149,498,000) were endorsed to suppliers on a full recourse basis. Details are set out in Notes 26, 27 and 32.

42. CAPITAL COMMITMENTS

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Capital expenditure of the Group in respect of acquisition of property, plant and equipment — contracted for but not provided in the consolidated financial statements	**470,690**	478,145

43. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Operating lease payments in respect of lands and office premises amounting to approximately RMB14,945,000 (2016: RMB17,570,000) were paid during the year ended 31 December 2017.

Leases are negotiated for terms of between 1 to 17 years and rentals are fixed throughout the lease term.

As at 31 December 2017, the Group had commitments for future minimum lease payments in respect of rented lands and office properties which fall due as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Within one year	**1,883**	17,133
In the second to fifth year inclusive	**2,748**	2,958
After the fifth year	**5,031**	5,748
	9,662	25,839

43. OPERATING LEASE ARRANGEMENTS (Cont'd)

The Group as lessor

The rental income earned for the year ended 31 December 2017 amounting to approximately RMB2,615,000 (2016: RMB3,583,000) was generated from rentals of certain of its plant and machinery.

As at 31 December 2017, the Group had contracted with tenants for the following future minimum lease receivables:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Within one year	**2,099**	561
In the second to fifth year inclusive	**8,134**	—
After the fifth year	**833**	—
	11,066	561

44. RETIREMENT BENEFIT SCHEMES

The PRC employees of the Group are members of state-managed retirement benefit schemes operated by the local governments. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The retirement benefit costs charged to profit or loss for the year ended 31 December 2017 amounting to RMB38,106,000 (2016: RMB29,484,000).

45. RELATED PARTY DISCLOSURES

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Purchase of goods from an associate	**298,744**	163,568
Purchase of goods from a subsidiary of Tianrui Group	**3,665**	—
Office rental expenses to Tianrui Group	**1,800**	1,800
Sales of goods to an associate	**4,901**	—
Sales of goods to a subsidiary of Tianrui Group	**230**	—

The above sale and purchase transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

45. RELATED PARTY DISCLOSURES (Cont'd)

In addition, the Group provided financial guarantee to banks in respect of bank facilities of Tianrui Foundry, Tianrui Coking, Tianrui Travel and Tianrui Group for a period of 10 years, 8 years, 3 years and 2 years, respectively. As at 31 December 2017, the bank facilities utilised by Tianrui Foundry, Tianrui Coking, Tianrui Travel and Tianrui Group amounted to RMB230,000,000 (2016: RMB210,000,000), RMB82,000,000 (2016: RMB217,000,000), RMB780,000,000 (2016: RMB660,000,000) and RMB90,000,000 (2016: RMB20,000,000) respectively (see Note 34). Tianrui Foundry, Tianrui Coking and Tianrui Travel are subsidiaries of Tianrui Group.

Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, including the directors of the Company and top management. The key management personnel compensations are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries and other allowances	**3,940**	4,565
Retirement benefits scheme contributions	**46**	63
	3,986	4,628

Guarantees provided by related parties

As at 31 December 2017, bank borrowings amounting to RMB321,724,000 (2016: RMB1,930,094,000) and other borrowings amounting to RMB74,960,000 (2016: RMB305,590,000) were guaranteed by Tianrui Group, Mr. Li Liufa and his spouse. Other borrowings amounting to RMB250,000,000 (2016: RMB300,000,000) were guaranteed by Tianrui Group, Tianrui Foundry, Mr. Li Liufa and his spouse. Bank borrowings amounting to RMB1,596,500,000 (2016: nil) were guaranteed by Mr. Li Liufa and his spouse. Bank borrowings amounting to RMB30,000,000 (2016: RMB100,000,000) and other borrowings amounting to RMB514,413,000 (2016: nil) were guaranteed by Mr. Li Liufa. Bank borrowings amounting to RMB284,000,000 (2016: nil) were guaranteed by Tianrui Group. Other borrowings amounting to RMB250,000,000 (2016: nil) were guaranteed by Tianrui Group, Tianrui Travel, Mr. Li Liufa and his spouse.

46. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes borrowings, mid-term debentures, long-term corporate bonds, and equity attributable to owners of the Company, comprising share capital and reserves and retained earnings.

The management reviews the capital structure on a yearly basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debts.

47. FINANCIAL INSTRUMENTS

47.1 Categories of financial instruments

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Financial assets:		
Loans and receivables (including pledged bank balances and cash and bank balances)	**8,529,398**	6,329,174
Derivative financial assets	**—**	761,065
Financial liabilities:		
Amortised cost	**14,772,464**	15,668,774
Financial guarantee contracts	**23,260**	26,875

47.2 Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and bills receivables, deposits and other receivables, pledged bank balances, cash and bank balances, amount due from the ultimate holding company, derivative financial assets, trade and bills payables, accruals and other payables, mid-term debentures, borrowings, obligations under finance leases and long-term corporate bonds. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

47. FINANCIAL INSTRUMENTS (Cont'd)

47.2 Financial risk management objectives and policies (Cont'd)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings, obligations under finance leases, mid-term debentures and long-term corporate bonds. Besides, the Group is also exposed to cash flow interest rate risk in relation to pledged bank balances, bank balances and variable-rate borrowings.

The Group closely monitors the interest rate trend and aims to lower the effective interest rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Interest Rate announced by the People's Bank of China and London Interbank Offered Rate ("LIBOR").

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. No sensitivity analysis has been presented for bank balances as the directors of the Company consider that the fluctuation in interest rates on bank balances is minimal. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points increase or decrease in LIBOR and the Benchmark Interest Rate, as appropriate, represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would be decreased/increased by approximately RMB2,161,000 (2016: RMB2,104,000) and the amount of borrowing costs capitalised in respect of the Group's qualifying assets would be increased/decreased by approximately RMB8,000 for the year ended 31 December 2017 (2016: RMB151,000).

47. FINANCIAL INSTRUMENTS (Cont'd)

47.2 Financial risk management objectives and policies (Cont'd)

Currency risk

The Group has certain pledged bank balances and other receivables denominated in Hong Kong Dollar ("HK Dollar") and borrowings denominated in HK Dollar and United States Dollar ("US Dollar"), hence exposures to exchange rate fluctuation arises. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, management monitors the HK Dollar and US Dollar exposure closely and will consider hedging significant currency exposure should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the end of the year are as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Assets:		
HK Dollar denominated bank balances and other receivables	**90,885**	11,276
US Dollar denominated bank balances	**64**	825
	90,949	12,101
Liabilities:		
HK Dollar denominated borrowings and debentures	**657,435**	82,384
US Dollar denominated borrowings	**275,652**	738,636
	933,087	821,020

47. FINANCIAL INSTRUMENTS (Cont'd)

47.2 Financial risk management objectives and policies (Cont'd)

Currency risk (Cont'd)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB against HK Dollar and US Dollar.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase or decrease in RMB against HK Dollar and US Dollar. The percentage represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjust their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rate. A positive number below indicates an increase in post-tax profit where RMB strengthens 5% (2016: 5%) against HK Dollar and US Dollar. For a 5% (2016: 5%) weakening of RMB against HK Dollar and US Dollar, there would be an equal and opposite impact on the profit and the balances below would be negative.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Post-tax profit for the year	**42,107**	35,512

Credit risk

As at 31 December 2017, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group disclosed in Note 52.

In order to minimise the credit risk arising from the respective recognised financial assets as stated in the consolidated statement of financial position, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and amount due from the ultimate holding company at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In order to minimise the credit risk arising from the contingent liabilities in relation to financial guarantee issued by the Group, a special committee has been established by the Group to review and approve the guarantee to be issued. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

47. FINANCIAL INSTRUMENTS (Cont'd)

47.2 Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

The credit risk on pledged bank balances and bank balances are limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies.

Other than the amount due from the ultimate holding company, the Group does not have any significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings. When there is non-compliance with loan covenants, the management would liaise with lenders and follow up actions will be taken promptly as appropriate to ensure sufficient liquidity is available if the lenders demand immediate repayment.

The Group had net current liabilities as at 31 December 2017, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the directors of the Company regularly monitors the operating cash flows of the Group to meet its liquidity requirement in the short and long term. See Note 2 for details.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

47. FINANCIAL INSTRUMENTS (Cont'd)

47.2 Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

The tables include both interest and principal cash flows. To the extent that interest flows are variable-rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average interest rate	On demand or 0-30 days	31 to 180 days	181 to 365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2017									
Trade and other payables		667,732	1,177,003	1,029,996	—	—	—	2,874,731	2,874,731
Borrowings									
— fixed-rate	6.00	973,255	1,861,444	1,652,064	627,755	25,829	495,396	5,635,743	5,301,433
— variable-rate	4.65	293,354	279,774	476,762	31,395	102,325	—	1,183,610	1,155,652
Mid-term debentures	7.31	500,932	—	2,234,641	—	—	—	2,735,573	2,369,828
Long-term corporate bonds	6.71	—	2,439,616	1,028,650	—	8,150	—	3,476,416	3,070,820
		2,435,273	5,757,837	6,422,113	659,150	136,304	495,396	15,906,073	14,772,464
Financial guarantee liabilities		1,710,000	—	—	—	—	—	1,710,000	23,260
As at 31 December 2016									
Trade and other payables		662,441	1,377,042	1,300,180	—	—	—	3,339,663	3,339,663
Borrowings									
— fixed-rate	5.57	1,071,960	2,188,074	1,686,934	460,425	55,084	—	5,462,477	5,267,380
— variable-rate	4.45	313,233	115,426	750,925	667	15,334	—	1,195,585	1,182,337
Mid-term debentures	7.42	815	—	2,444,744	542,500	—	—	2,988,059	2,775,183
Long-term corporate bonds	6.71	—	12,838	43,525	3,054,338	—	116,162	3,226,863	3,075,350
Obligations under finance leases	4.99	29,541	—	—	—	—	—	29,541	28,861
		2,077,990	3,693,380	6,226,308	4,057,930	70,418	116,162	16,242,188	15,668,774
Financial guarantee liabilities		1,542,000	—	—	—	—	—	1,542,000	26,875

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

47. FINANCIAL INSTRUMENTS (Cont'd)

47.3 Fair value measurements

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's derivatives are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of derivatives are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at (RMB'000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2017	31 December 2016				
The option granted by the shareholder to acquire Henan Tongli classified as derivative financial assets *(see Note 25)*	N/A	Assets 705,602	Level 3	The binomial option pricing model. The key inputs are stock price volatility rate, spot price, exercise price, risk free rate, dividend yield, exit rate, exercise multiples, time to maturity and vesting date.	Stock price volatility rate	note i
The option of granted by the shareholder to acquire Xindeng Cement classified as derivative financial assets *(see Note 25)*	N/A	Assets 55,463	Level 3	The binomial option pricing model. The key inputs are stock price volatility rate, spot price, exercise price, risk free rate, dividend yield, exit rate, exercise multiples, time to maturity and vesting date.	Stock price and stock price volatility rate	note ii

Notes:

i. A slight increase in the stock price volatility rate used in isolation would result in an increase in the fair value. A 5% increase in the stock price volatility rate, holding all other variables constant, would increase the carrying amount of the option by RMB3,018,000 for the year ended 31 December 2016. A 5% decrease in the stock price volatility rate, holding all other variables constant, would decrease the carrying amount of the option by RMB2,668,000 for the year ended 31 December 2016.

ii. A slight increase in the stock price and stock price volatility rate used in isolation would result in an increase in the fair value. A 5% increase in the stock price and stock price volatility rate, holding all other variables constant, would increase the carrying amount of the option by RMB16,571,000 and RMB1,011,000 respectively, for the year ended 31 December 2016. A 5% decrease in the stock price and stock price volatility rate, holding all other variables constant, would decrease the carrying amount of the option by RMB15,320,000 and RMB872,000, respectively, for the year ended 31 December 2016.

There is no transfer between level 2 and level 3 during the current and prior years.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of assets are disclosed above.

47. FINANCIAL INSTRUMENTS (Cont'd)

47.3 Fair value measurements (Cont'd)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Cont'd)

Reconciliation of Level 3 fair value measurements

As detailed in Note 25, the options granted by Tianrui Group are classified as derivative financial assets. The options were measured at fair value on Level 3 fair value measurement.

The following are reconciliation of the options:

	RMB'000
FAIR VALUE:	
At 1 January 2016	678,809
Net increase in fair value recognised in profit and loss	82,256
At 31 December 2016	761,065
Net increase in fair value recognised in profit and loss	451,279
Reclassified to amount due from the ultimate holding company *(Note 25)*	(1,212,344)
At 31 December 2017	—

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except as disclosed in Notes 32, 35 and 36, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

48. ACQUISITION OF SUBSIDIARIES IN THE CURRENT YEAR

On 7 June 2017, the Group acquired 100% of the equity interest of Yongan Cement and 55% of the equity interests of Xindeng Cement from Tianrui Group for a total consideration by issuing ordinary shares of 537,381,647 shares amounting to RMB1,066,686,000 (Note 40). The two acquisitions have been accounted for using the acquisition method.

	Yongan Cement	Xindeng Cement	Total
	RMB'000	RMB'000	RMB'000
Consideration transferred:			
Total consideration paid	709,374	357,312	1,066,686
Assets acquired and liabilities recognised at the date of acquisition are as follows:			
Property, plant and equipment	513,326	361,773	875,099
Prepaid lease payments	27,799	63,432	91,231
Mining rights	35,210	10,070	45,280
Inventories	38,270	31,993	70,263
Trade and other receivables	38,985	154,451	193,436
Cash and bank balances	34,106	37,917	72,023
Trade and other payables	(99,183)	(105,406)	(204,589)
Tax payable	(2,528)	(6,719)	(9,247)
Deferred tax liabilities	(2,904)	(8,418)	(11,322)
	583,081	539,093	1,122,174
Goodwill arising on acquisition:			
Consideration transferred *(Note 40)*	709,374	357,312	1,066,686
Non-controlling interests (45% in Xindeng Cement)	—	242,592	242,592
Less: net assets acquired	(583,081)	(539,093)	(1,122,174)
Goodwill	126,293	60,811	187,104
Net cash inflow on acquisition:			
Cash and cash equivalents acquired	34,106	37,917	72,023

The aggregate fair value of trade and other receivables at the date of acquisition amounted to RMB193,436,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB193,436,000 at the date of acquisition.

48. ACQUISITION OF SUBSIDIARIES IN THE CURRENT YEAR (Cont'd)

The non-controlling interests of Xindeng Cement in the acquisition date was measured at the proportionate share of net assets acquired. Goodwill arose in these acquisitions because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of these companies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Included in the profit for the year is a profit of RMB101.13 million attributable to the additional business generated by the acquired entities.

Revenue for the year includes RMB517.29 million generated from the acquired entities. Had the acquisition been completed on 1 January 2017, the Group's total revenue for the year would have been RMB8,788 million, and profit for the year would have been RMB1,165 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had the entities been acquired at the beginning of the year 2017, the directors of the Company have calculated depreciation of property, plant and equipment acquired and amortisation of prepaid lease payments on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

49. ACQUISITION OF A SUBSIDIARY IN YEAR 2016

On 6 January 2016, the Group acquired 100% of the equity interest of Panjin Jinrun Cement Company Limited (盤錦金潤水泥有限公司) ("Panjin Cement") from an independent third party for a consideration of RMB38,792,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB3,178,000. Panjin Cement is engaged in the manufacture and sale of cement.

	RMB'000
Consideration transferred:	
Total consideration satisfied by deposits paid in prior year	38,792
	38,792
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Net assets acquired:	
Property, plant and equipment	24,308
Prepaid lease payments	8,556
Inventories	7,742
Trade and other receivables	7,134
Cash and bank balances	5,332
Trade and other payables	(15,977)
Deferred tax liabilities	(1,481)
	35,614
Goodwill arising on acquisition:	
Consideration transferred	38,792
Less: net assets acquired	(35,614)
Goodwill	3,178
Net cash inflow on acquisition:	
Cash and cash equivalents acquired	5,332

The fair value of trade and other receivables at the date of acquisition amounted to RMB7,134,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB7,134,000 at the date of acquisition.

Included in the profit for the prior year is a profit of RMB0.53 million attributable to the additional business generated by the acquired entity.

49. ACQUISITION OF A SUBSIDIARY IN YEAR 2016 (Cont'd)

Revenue for the prior year includes RMB57 million generated from the acquired entity. Had the acquisition been completed on 1 January 2016, the Group's total revenue for the prior year would have been RMB6,009 million, and profit for the prior year would have been RMB273 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had the entity been acquired at the beginning of the year 2016, the directors of the Company have calculated depreciation of property, plant and equipment acquired and amortisation of prepaid lease payments on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

50. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Mid-term debentures	Long-term corporate bonds	Obligations under finance leases	Interest payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	6,449,717	2,775,183	3,075,350	28,861	252,440	12,581,551
Financing cash flows	106,092	(420,000)	—	(28,861)	(1,007,003)	(1,349,772)
Foreign exchange gains	(53,354)	—	(5,070)	—	—	(58,424)
Interest expenses	—	14,645	540	—	990,401	1,005,586
Decrease in discounted bills with recourse	(45,370)	—	—	—	—	(45,370)
At 31 December 2017	6,457,085	2,369,828	3,070,820	—	235,838	12,133,571

51. MAJOR NON-CASH TRANSACTIONS

On 7 June 2017, the Group acquired 100% and 55% of the equity interests of Yongan Cement and Xindeng Cement, respectively, from Tianrui Group by the issue of 537,381,647 new ordinary shares to Tianrui Group. See Notes 40 and 48 for details.

During the year, short term borrowings drawn on discounted bills with recourse of RMB208,093,000 (2016: RMB418,191,000) have been settled through bills receivables discounted to the relevant financial institutions.

During the year, trade payables with carrying amount of RMB1,954,972,000 (2016: RMB1,202,135,000) have been settled by bills receivable endorsed to suppliers on a full recourse basis.

52. CONTINGENT LIABILITIES

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Guarantees given to banks in respect of banking facilities granted to related parties *(Note 34)*	**1,710,000**	1,542,000

The management considers the risk of the contingent liabilities and recognised financial guarantee liabilities of RMB23,260,000 (2016: RMB26,875,000) in the consolidated financial statements.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of company	Place of incorporation/ establishment and operations	Issued and fully paid share capital/registered capital	Proportion of ownership interest and voting power 2017 %	2016 %	Principal activities
Subsidiaries					
China Tianrui (Hong Kong) Company Limited 中國天瑞(香港)有限公司	Hong Kong	US$1	**100**	100	Investment holding
Tianrui Cement Group Company Limited 天瑞水泥集團有限公司	The PRC	US$594,052,471	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Ruzhou Cement Company Limited 天瑞集團汝州水泥有限公司*	The PRC	RMB180,000,000	**100**	100	Manufacture and sale of cement and clinker
Weihui Shi Tianrui Cement Company Limited 衛輝市天瑞水泥有限公司*	The PRC	RMB240,000,000	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Zhoukou Cement Company Limited 天瑞集團周口水泥有限公司*	The PRC	RMB81,000,000	**100**	100	Manufacture and sale of cement
Tianrui Group Yuzhou Cement Company Limited 天瑞集團禹州水泥有限公司*	The PRC	RMB250,000,000	**100**	100	Manufacture and sale of cement and clinker
Dalian Tianrui Cement Company Limited 大連天瑞水泥有限公司*	The PRC	RMB350,000,000	**100**	100	Manufacture and sale of cement and clinker
Yingkou Tianrui Cement Company Limited 營口天瑞水泥有限公司*	The PRC	RMB111,300,000	**100**	100	Manufacture and sale of cement
Tianrui Group Nanzhao Cement Company Limited 天瑞集團南召水泥有限公司*	The PRC	RMB200,000,000	**100**	100	Manufacture and sale of cement and clinker

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

General information of subsidiaries (Cont'd)

Name of company	Place of incorporation/ establishment and operations	Issued and fully paid share capital/registered capital	Proportion of ownership interest and voting power 2017 %	2016 %	Principal activities
Liaoyang Tianrui Cement Company Limited 遼陽天瑞水泥有限公司*	The PRC	RMB213,680,000	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Xuchang Cement Company Limited 天瑞集團許昌水泥有限公司*	The PRC	RMB80,000,000	**100**	100	Manufacture and sale of cement
Tianrui Group Guangshan Cement Company Limited 天瑞集團光山水泥有限公司*	The PRC	RMB280,000,000	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Zhengzhou Cement Company Limited 天瑞集團鄭州水泥有限公司*	The PRC	RMB520,000,000	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Xiaoxian Cement Company Limited 天瑞集團蕭縣水泥有限公司*	The PRC	RMB241,958,000	**100**	100	Manufacture and sale of cement and clinker
Tianjin Tianrui Cement Company Limited ("Tianjin Tianrui Cement") 天津天瑞水泥有限公司*	The PRC	RMB100,000,000	**60**	60	Manufacture and sale of cement
Liaoyang Tianrui Weiqi Cement Company Limited 遼陽天瑞威企水泥有限公司*	The PRC	RMB39,000,000	**100**	100	Manufacture and sale of cement
Liaoyang Tianrui Chengxing Cement Company Limited 遼陽天瑞誠興水泥有限公司*	The PRC	RMB20,000,000	**70**	70	Manufacture and sale of cement
Liaoyang Tianrui Liaota Cement Company Limited 遼陽天瑞遼塔水泥有限公司*	The PRC	RMB205,000,000	**100**	100	Manufacture and sale of cement and clinker
Dalian Tianrui Jinhaian Cement Company Limited 大連天瑞金海岸水泥有限公司*	The PRC	RMB45,000,000	**100**	100	Manufacture and sale of cement
Haicheng The First Cement Company Limited 海城市第一水泥有限公司*	The PRC	RMB100,000,000	**100**	100	Manufacture and sale of cement and clinker
Yongan Cement 河南永安水泥有限公司*	The PRC	RMB572,600,000	**100**	—	Manufacture and sale of cement
Xindeng Cement 天瑞新登鄭州水泥有限公司*	The PRC	RMB294,667,600	**55**	—	Manufacture and sale of cement

* The entities are subsidiaries of Tianrui Cement and indirectly held by the Company.

Yongan Cement and Xindeng Cement are newly acquired subsidiaries during the year. See Note 48 for details.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and operations	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/2017	31/12/2016	2017 RMB'000	2016 RMB'000	31/12/2017 RMB'000	31/12/2016 RMB'000
Tianjin Tianrui Cement	The PRC	**40%**	40%	**(27,630)**	(42,647)	**(174,842)**	(147,212)
Xindeng Cement	The PRC	**45%**	N/A	**22,247**	N/A	**264,839**	N/A
Individually immaterial subsidiaries with non-controlling interests						**24,919**	28,530
						114,916	(118,682)

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Tianjin Tianrui Cement

	At 31 December 2017 RMB'000	2016 RMB'000
Current assets	**46,261**	38,792
Non-current assets	**318,013**	474,002
Current liabilities	**(797,896)**	(877,812)
Non-current liabilities	**(3,483)**	(3,012)
Net liabilities	**(437,105)**	(368,030)
Equity attributable to owners of the Company	**(262,263)**	(220,818)
Non-controlling interests of Tianjin Tianrui Cement	**(174,842)**	(147,212)
	(437,105)	(368,030)

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Cont'd)

Tianjin Tianrui Cement (Cont'd)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**135,735**	113,238
Expenses	**(204,810)**	(219,855)
Loss and total comprehensive expense for the year	**(69,075)**	(106,617)
Loss and total comprehensive expense attributable to:		
Owners of the Company	**(41,445)**	(63,970)
Non-controlling interests of Tianjin Tianrui Cement	**(27,630)**	(42,647)
	(69,075)	(106,617)
Net cash from/(used in) from operating activities	**11,573**	(28,523)
Net cash from investing activities	**4,340**	16,394
Net cash (used in)/from financing activities	**(16,215)**	11,212
Net cash outflow	**(302)**	(917)

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Cont'd)

Xindeng Cement

	At 31 December 2017 RMB'000
Current assets	274,893
Non-current assets	419,169
Current liabilities	(97,646)
Non-current liabilities	(7,886)
Net assets	588,530
Equity attributable to owners of the Company	323,691
Non-controlling interests of Xindeng Cement	264,839
	588,530

	From date of acquisition to 31 December 2017 RMB'000
Revenue	274,880
Expenses	(225,443)
Profit and total comprehensive income for the period	49,437
Profit and total comprehensive income attributable to:	
Owners of the Company	27,190
Non-controlling interests of Xindeng Cement	22,247
	49,437
Net cash from operating activities	184,375
Net cash used in investing activities	(21,687)
Net cash used in financing activities	(155,756)
Net cash inflow	6,932

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At 31 December	
	2017	2016
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**1,925,778**	1,925,778
Equipment	**39**	315
Deposits and advances	**—**	342,889
Derivative financial assets	**—**	761,065
	1,925,817	3,030,047
CURRENT ASSETS		
Other receivables	**1,064**	1,139
Amount due from a subsidiary	**708,186**	—
Amount due from the ultimate holding company	**1,212,344**	—
Cash and bank balances	**7,230**	916
	1,928,824	2,055
CURRENT LIABILITIES		
Borrowings due within one year	**359,242**	306,795
Amount due to a subsidiary	**—**	1,239,107
Other payables	**420**	—
	359,662	1,545,902
NET CURRENT ASSETS/(LIABILITIES)	**1,569,162**	(1,543,847)
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,494,979**	1,486,200
CAPITAL AND RESERVES		
Share capital *(Note 40)*	**24,183**	19,505
Reserves	**2,846,434**	1,389,320
TOTAL EQUITY	**2,870,617**	1,408,825
NON-CURRENT LIABILITIES		
Borrowings due after one year	**430,823**	—
Long-term corporate bonds	**72,305**	77,375
Deferred tax liabilities	**121,234**	—
	624,362	77,375
Total	**3,494,979**	1,486,200

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Movements in reserves of the Company

	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2016	4,640	229,240	1,112,098	1,345,978
Profit and total comprehensive income for the year	—	—	43,342	43,342
At 31 December 2016	4,640	229,240	1,155,440	1,389,320
Profit and total comprehensive income for the year	—	—	395,106	395,106
Issue of new shares *(Note 40)*	1,062,008	—	—	1,062,008
At 31 December 2017	1,066,648	229,240	1,550,546	2,846,434

Financial Summary

FINANCIAL SUMMARY — IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**8,420,551**	6,008,605	6,195,093	8,950,286	8,661,166
Profit before tax	**1,354,025**	351,635	312,526	752,753	729,323
Income tax expense	**(361,255)**	(102,065)	(29,021)	(212,635)	(246,278)
Profit for the year	**992,770**	249,570	283,505	540,118	483,045
Attributable to:					
Owners of the Company	**1,001,764**	295,812	313,079	564,938	558,955
Non-controlling interests	**(8,994)**	(46,242)	(29,574)	(24,820)	(75,910)
	992,770	249,570	283,505	540,118	483,045

CONSOLIDATED FINANCIAL POSITION

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**25,904,081**	24,116,401	27,090,642	24,663,875	21,818,248
Total liabilities	**(15,968,310)**	(16,476,711)	(19,672,581)	(17,250,563)	(14,947,747)
Total equity	**9,935,771**	7,639,690	7,418,061	7,413,312	6,870,501
Attributable to:					
Owners of the Company	**9,820,855**	7,758,372	7,470,283	7,435,960	6,873,809
Non-controlling interests	**114,916**	(118,682)	(52,222)	(22,648)	(3,308)
	9,935,771	7,639,690	7,418,061	7,413,312	6,870,501