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西部水泥

WEST CHINA CEMENT LIMITED
中國西部水泥有限公司

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

(Stock Code: 2233)

2017 ANNUAL RESULTS ANNOUNCEMENT

Financial highlights:

RMB' Million (unless otherwise specified)	**Year ended 31 December 2017**	Year ended 31 December 2016	% Change
Total Cement and Clinker Sales Volume (million tons)	**19.1**	17.8	7.3%
Cement Sales Volume (million tons)	**18.7**	17.6	6.3%
Revenue	**4,760.0**	3,719.3	28.0%
Gross Profit	**1,185.9**	676.7	75.2%
EBITDA	**1,875.3**	1,311.7	43.0%
Profit Attributable to Owners of the Company	**710.8**	10.3	6,801.0%
Basic Earnings Per Share	**13.1 cents**	0.2 cents	6,450.0%
Interim Dividend	**Nil**	Nil	Nil
Proposed Final Dividend	**2.6 cents**	Nil	Nil
Gross Profit Margin	**24.9%**	18.2%	6.7 ppt
EBITDA Margin	**39.4%**	35.3%	4.1 ppt

	31 December 2017	31 December 2016	% Change
Total Assets	**11,671.9**	11,181.6	4.4%
Net Debt[(1)]	**2,287.7**	2,667.4	(14.2%)
Net Gearing[(2)]	**34.5%**	45.1%	(10.6 ppt)
Net Assets Per Share	**122 Cents**	109 cents	11.9%

Notes:

(1) Net debt equal to total borrowings, senior notes, and short-term notes less bank balances and cash and restricted bank deposits.

(2) Net gearing is measured as net debt to equity.

The board ("Board") of directors ("Directors") of West China Cement Limited (the "Company") is pleased to announce its annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 together with the comparative figures for the corresponding year of 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*2*	**4,760,038**	3,719,280
Cost of sales		**(3,574,129)**	(3,042,628)
Gross profit		**1,185,909**	676,652
Other income	*3*	**226,767**	151,076
Selling and marketing expenses		**(49,401)**	(42,454)
Administrative expenses		**(266,245)**	(242,249)
Other expenses		**(9,100)**	–
Other gains and losses, net	*4*	**86,072**	(184,356)
Share of profit of an associate		**16,021**	9,532
Interest income	*5*	**33,671**	16,664
Finance costs	*6*	**(249,488)**	(265,467)
Profit before tax	*7*	**974,206**	119,398
Income tax expense	*8*	**(248,010)**	(104,460)
Profit and total comprehensive income for the year		**726,196**	14,938
Attributable to:			
— Owners of the Company		**710,843**	10,319
— Non-controlling interests		**15,353**	4,619
		726,196	14,938
Earnings per share			
— Basic (RMB)	*9*	**0.131**	0.002
— Diluted (RMB)	*9*	**0.131**	0.002

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**7,137,420**	7,564,018
Prepaid lease payments		**471,487**	486,675
Mining rights		**245,611**	272,714
Other intangible assets		**191,122**	192,973
Investment in an associate		**56,978**	40,957
Loan receivables	*10*	**406,851**	–
Deferred tax assets		**36,521**	45,931
Amount due from non-controlling shareholder of a subsidiary		**23,218**	63,225
Prepayments for construction in progress		**106,796**	–
		8,676,004	8,666,493
Current assets			
Inventories		**436,160**	508,893
Trade and other receivables and prepayments	*11*	**670,136**	660,545
Loan receivables	*10*	**437,273**	–
Restricted bank deposits		**77,013**	86,978
Bank balances and cash		**1,375,353**	1,258,668
		2,995,935	2,515,084
Total assets		**11,671,939**	11,181,577
EQUITY			
Share capital		**141,549**	141,519
Share premium and reserves		**6,437,125**	5,721,111
Equity attributable to owners of the Company		**6,578,674**	5,862,630
Non-controlling interests		**50,032**	50,727
Total equity		**6,628,706**	5,913,357

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — *Continued*
At 31 December 2017

	NOTES	**2017** **RMB'000**	2016 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*12*	**160,000**	2,000
Senior notes	*13*	**2,596,470**	2,747,221
Asset retirement obligation		**23,417**	22,066
Deferred tax liabilities		**71,296**	39,078
Deferred income		**49,742**	48,591
		2,900,925	2,858,956
Current liabilities			
Borrowings	*12*	**584,000**	464,600
Short-term notes	*14*	**399,586**	799,214
Trade and other payables	*15*	**1,056,431**	1,086,485
Income tax payable		**102,291**	58,965
		2,142,308	2,409,264
Total liabilities		**5,043,233**	5,268,220
Total equity and liabilities		**11,671,939**	11,181,577
Net current assets		**853,627**	105,820
Total assets less current liabilities		**9,529,631**	8,772,313

NOTES:

(All amounts in RMB thousands unless otherwise stated)

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

1.1 Amendments to standards that are mandatory effective for the current year

In the current year, the Group has applied for the first time the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB").

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 amendments to standards in the current year has had no material impact on the Group's financial performance and position 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, included in cash flows from financing activities.

Specifically, 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 businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Apart from the above said additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

1.2 New and revised IFRSs and interpretations in issue but not yet effective

The Group has not early applied the following new and revised IFRSs and interpretations 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]

1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — *Continued*

1.2 New and revised IFRSs and interpretations in issue but not yet effective — *Continued*

The Group has not early applied the following new and revised IFRSs and interpretations that have been issued but are not yet effective. — *Continued*

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

Except for the new IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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 measure 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 their fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods.

- In relation to the impairment of financial assets, of which 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of IFRS 9:

1. **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")** *— Continued*

1.2 New and revised IFRSs and interpretations in issue but not yet effective *— Continued*

IFRS 9 Financial Instruments — Continued

Classification and measurement

- Debt instruments classified as loan receivables and trade receivables carried at amortised cost as disclosed in Notes 10 and 11 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.

- Note receivables are held within a business model whose objective is achieved both by collecting cash flows and endorsing the note receivables to suppliers, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding and hence qualified for classification as FVTOCI under IFRS 9, which is different from the current treatment. However, the directors of the Company do not anticipate this will have a material impact on the amounts recognised in other comprehensive income as the fair value of note receivables is close to its carrying amounts given all note receivables will mature within one year.

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

Impairment

In general, the directors of the Company are of the view that the expected credit loss model will result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that are 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 was 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 receivables and loans receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and deferred tax assets at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 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.

1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — *Continued*

1.2 New and revised IFRSs and interpretations in issue but not yet effective — *Continued*

IFRS 15 Revenue from Contracts with Customers — Continued

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 IASB issued Clarification to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosure, 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 introduced 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. Distinction of operating 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 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. 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.

1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — *Continued*

1.2 New and revised IFRSs and interpretations in issue but not yet effective — *Continued*

IFRS 16 Leases — Continued

Under IAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. Other than prepaid lease payments for leasehold lands, the Group did not have other material operating lease. The directors of the Company do not anticipate that the application of IFRS 16 will have a material impact on the Group's consolidated financial statements.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements under 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.

2. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the production and sale of cement products. The Group's chief executive officer, the chief operating decision maker (the "CODM") reviews the sales volume and average selling prices of its cement products by four areas, namely eastern and southern Shaanxi, Xinjiang and Guizhou. However, no further operating results by these areas are being provided to the CODM. Instead, the CODM reviews the consolidated results of the Group as a whole, including the financial implications from loan receivables. Accordingly, no further segment information of operating and reportable segment has been disclosed in the consolidated financial statements.

All of the Group's revenue for the years ended 31 December 2017 and 2016 are derived from the sale of cements products to customers in the western part of PRC. No single customer contributed 10% or more to the Group's revenue for both 2017 and 2016. All of the Group's non-current assets are located in the PRC.

3. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Tax refund *(Note)*	**212,204**	136,274
Government grants, including released from deferred income	**14,312**	14,141
Others	**251**	661
	226,767	151,076

Note: The tax refund mainly represents incentives in the form of value added tax ("VAT") refund approved by the relevant government authorities as a result of utilising industrial waste as part of the production materials.

4. OTHER GAINS AND LOSSES, NET

	2017	2016
	RMB'000	*RMB'000*
Net foreign exchange gains (losses) *(Note)*	**157,278**	(175,358)
(Loss) gain on disposal of property, plant and equipment	**(17,617)**	738
Allowance for doubtful debts *(Note 11)*	**(7,287)**	(3,418)
Reversal of allowance for doubtful debts upon recoveries *(Note 11)*	**182**	2,735
Impairment loss on inventory	**(25,497)**	–
Impairment loss on mining rights	**(17,830)**	–
Loss on deemed disposal of a subsidiary	**–**	(5,702)
Others	**(3,157)**	(3,351)
	86,072	(184,356)

Note: The amounts mainly relate to the translation of the senior notes from United States Dollar ("US$") to RMB for each of the two years ended 31 December 2017.

5. INTEREST INCOME

Interest income represents interest received and receivable from bank deposits and loan receivables.

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loans	**31,146**	30,540
Interest on senior notes	**186,463**	183,538
Interest on medium-term notes	**–**	13,140
Interest on short-term notes	**34,405**	37,144
Total borrowing costs	**252,014**	264,362
Less: amount capitalised	**3,877**	–
	248,137	264,362
Unwinding of discount	**1,351**	1,105
	249,488	265,467

Borrowing costs capitalised during the year arose on the general borrowing pool, and are calculated by applying a capitalisation rate of 6.44% (2016: Nil) per annum to expenditure on qualifying assets.

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2017	2016
	RMB'000	*RMB'000*
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**767,563**	746,582
Amortisation of prepaid lease payments	**14,628**	14,068
Amortisation of mining rights	**11,191**	9,243
Amortisation of other intangible assets	**2,099**	2,342
Total depreciation and amortisation	**795,481**	772,235
Capitalised in inventories	**(730,627)**	(706,189)
	64,854	66,046
Auditors' remuneration	**2,865**	2,725
Staff costs (including directors' emoluments):		
Wages and salaries	**306,469**	274,833
Recognition (reversal) of share option expenses, net	**3,726**	(4,109)
Defined contribution retirement plan expenses	**29,882**	27,425
Total staff costs	**340,077**	298,149
Capitalised in inventories	**(214,717)**	(182,822)
	125,360	115,327
Cost of inventories recognised as expenses	**3,468,232**	2,956,211

8. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax expenses		
Current period	**206,382**	111,639
Deferred tax income		
Current year	**42,961**	(5,211)
Attributable to change in tax rate	**(1,333)**	(1,968)
	41,628	(7,179)
Income tax expense	**248,010**	104,460

Pursuant to the rules and regulations of Jersey and the British Virgin Islands, the Company and the subsidiary of the Company, West China Cement Co. Ltd. ("West China BVI") did not have any assessable income for tax purpose in those jurisdictions for both reporting periods.

The income tax provision of the Group in respect of operations in the PRC has been calculated at 25% on the estimated assessable profits for each of the two years ended 31 December 2017 unless the group entities entitle to other preferential tax treatment granted by the relevant PRC tax authority.

8. INCOME TAX EXPENSE — *Continued*

Income tax expense for the year can be reconciled to the profit before tax as follows:

	2017	2016
	RMB'000	*RMB'000*
Profit before tax	**974,206**	119,398
Tax at domestic income tax rate of 25% (2016: 25%)	**243,552**	29,849
Tax effects on:		
Expenses not deductible for tax purpose	**26,712**	28,779
Tax exemption for the Company's income and expense	**(22,173)**	56,733
Tax concession rates of group entities (Note (a))	**(45,147)**	(7,987)
Tax effect of share of profit of an associate	**(4,005)**	(2,383)
Change in tax rate for deferred tax assets recognised	**(1,333)**	(1,968)
Interest income on intra-group loans (Note (b))	**10,028**	7,019
Withholding tax on undistributed profits of PRC subsidiaries (Note (c))	**40,000**	–
Tax losses not recognised as deferred tax assets	**2,327**	3,422
Utilisation of tax losses previously not recognised as deferred tax assets	**(1,860)**	(2,503)
Recognition of deferred tax assets on tax losses generated in previous years	**(91)**	(6,501)
Tax expense for the year	**248,010**	104,460

Notes:

(a) Hetian Yaobai Cement Co., Ltd. ("Hetian Yaobai"), the Company's subsidiary, was established in Xinjiang Uygur Autonomous Region ("Xinjiang"). Pursuant to the relevant laws and regulations of Xinjiang, Hetian Yaobai is subject to a tax concession rate of 12.5% for each of the three years ended 31 December 2017.

Luxin Building Materials Co., Ltd. ("Luxin"), the Company's subsidiary, was established in Xinjiang. Pursuant to the relevant laws and regulations of Xinjiang, Luxin is subject to a tax concession rate of 15% for each of the three years ending 31 December 2018.

Xi'an Lantian Yaobai Cement Co., Ltd ("Lantian"), Fuping Cement Co., Ltd ("Fuping") and Shifeng Cement Co., Ltd ("Shifeng"), the Company's subsidiaries were established in Shaanxi. Pursuant to the approval of tax bureau received in 2017, Lantian, Fuping and Shifeng are subject to a tax concession rate of 15% for the year ended 31 December 2017.

(b) Interest income in respect of intra-group loans within the Group is subject to a tax rate of 10% based on the double taxation arrangement between Hong Kong and Mainland China.

(c) Withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward at a tax rate of 10% under the PRC Enterprise Income Tax Law.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**710,843**	10,319

Number of shares	**2017**	2016
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,421,931**	5,420,808
Effect of dilutive potential ordinary shares from share options issued by the Company	**6,641**	6,101
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,428,572**	5,426,909

The computation of diluted earnings per share in 2017 and 2016 does not assume the exercise of certain share options because the adjusted exercise price of those options was higher than the average market price for shares for both years.

10. LOAN RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Collateralised loans *(Note (a))*	**364,124**	–
Entrusted loans *(Note (b))*	**200,000**	–
Factoring receivables with recourse *(Note (b))*	**280,000**	–
	844,124	–
Analysed as:		
Current	**437,273**	–
Non-current	**406,851**	–
	844,124	–

10. LOAN RECEIVABLES — *Continued*

Notes:

(a) During the year ended 31 December 2017, the Group entered into certain arrangements (the "Arrangements") with third parties for periods ranging from 1 to 4 years under which:

(i) The third parties transferred the ownership titles of its certain assets to the Group and leased back those assets;

(ii) The third parties pledged those assets to the Group;

(iii) The shareholders of the third parties provided guarantees for the due performance of the obligations of the third parties under the Arrangements; and

(iv) Upon discharging all the obligations by the third parties under the Arrangements, the Group will return the ownership title of the assets to the lessees automatically.

Despite the Arrangements involve a legal form of a lease, the Group accounted for the Arrangements as collateralised loans in accordance with the actual substance of the Arrangements. All interest rates inherent in the Arrangements are fixed at the contract dates over the contract terms.

(b) The Group entered an entrusted loan and four factoring contracts in 2017 with third parties. All interest rates of these loan receivables are fixed at the contract dates over the contract terms, and the interests are receivable periodically based on contractual terms. All principals are receivable upon maturity dates.

The exposure of the Group's fixed-rate loan receivables to fair value interest risks and their contractual maturity dates are as follows:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**437,273**	–
In more than one year but not more than two years	**319,341**	–
In more than two years but not more than five years	**87,510**	–
	844,124	–

The ranges of effective rates on the Group 's loan receivables was 6.0% to 18.3% per annum.

All of the Group's loan receivables are dominated in RMB.

As at 31 December 2017, no loan receivables have been past due or impaired.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**160,431**	214,592
Less: Allowance for doubtful debts	**13,010**	9,090
	147,421	205,502
Other receivables	**30,124**	32,314
Less: Allowance for doubtful debts	**1,110**	797
	29,014	31,517
Bills receivable	**316,335**	251,254
Interest receivable	**–**	1,919
VAT recoverable	**69,578**	75,621
VAT refund receivable	**24,442**	22,478
Amount due from non-controlling shareholder of a subsidiary *(Note)*	**33,218**	63,225
Prepayments to suppliers	**58,718**	58,186
Prepaid lease payments	**14,628**	14,068
	693,354	723,770
Less: Non-current portion of amount due from non-controlling shareholder of a subsidiary *(Note)*	**23,218**	63,225
	670,136	660,545

Details of trade receivables pledged are set out in Note 16.

Note:

The amount due from non-controlling shareholder of a subsidiary represents advances for procuring the acquisition of various mining rights by the non-controlling shareholder. Pursuant to the notice from the local government authority received in September 2017, the prospective mining rights would not be granted due to rearrangement of local mining resources. The non-controlling shareholder repaid RMB30,007,000 to the Company in December 2017. The remaining balance of RMB33,218,000 will be repaid in 2018, 2019 and 2020 under a repayment schedule without interest.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — *Continued*

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	2017	2016
	RMB'000	*RMB'000*
0 to 90 days	**105,541**	93,914
91 to 180 days	**18,711**	25,512
181 to 360 days	**4,549**	29,004
361 to 720 days	**12,642**	48,962
Over 720 days	**5,978**	8,110
	147,421	205,502

Bills receivable are mainly due within twelve months based on the invoice date.

The Group allows a credit period of 60 to 90 days to its trade customers. Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year.

As at 31 December 2017, RMB70,910,000 (2016: RMB40,925,000) of the trade receivables that are neither past due nor impaired have high credit ranking attributable under the credit scoring system used by the Group. Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB76,511,000 (2016: RMB164,577,000) which are past due as at the end of the reporting period. The Group has not provided for impairment loss for these receivables because there has not been a significant change in credit quality in these receivables. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2017	2016
	RMB'000	*RMB'000*
0 to 90 days	**34,631**	52,989
91 to 180 days	**18,711**	25,512
181 to 360 days	**4,549**	29,004
361 to 720 days	**12,642**	48,962
Over 720 days	**5,978**	8,110
	76,511	164,577

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — *Continued*

Allowance for doubtful debts has been made for estimated irrecoverable amounts of trade and other receivables. The movements in the allowance for doubtful debts are as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**9,887**	9,204
Recognised in profit or loss	**7,287**	3,418
Amount recovered during the year	**(182)**	(2,735)
Amounts written off as uncollectible	**(2,872)**	–
At 31 December	**14,120**	9,887

The allowance for doubtful debts represents individually impaired trade receivables with an aggregate balance of approximately RMB14,120,000 (2016: RMB9,887,000) relating to customers which have financial difficulties.

12. BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Secured bank loans	**744,000**	463,600
Unsecured other loans	**–**	3,000
	744,000	466,600
Carrying amount repayable as follows:		
Within one year	**584,000**	464,600
More than one year but not more than two years	**160,000**	2,000
	744,000	466,600
Less: Amount due for settlement within one year and shown under current liabilities	**584,000**	464,600
Amounts shown under non-current liabilities	**160,000**	2,000

Bank loans:

The analysis of the terms of the bank loans were as follows:

	2017	2016
	RMB'000	*RMB'000*
Fixed rate borrowings		
— expiring within one year	**544,000**	463,600
Variable rate borrowings		
— expiring within one year	**40,000**	–
— expiring more than one year but not more than two years	**160,000**	–
	744,000	463,600

12. BORROWINGS — *Continued*

Bank loans: — *Continued*

The ranges of effective interest rates on the Group's bank loans are as follows:

	2017	2016
Effective interest rate per annum:		
Fixed rate borrowings	**4.35% to 4.87%**	4.35% to 6.24%
Variable rate borrowings	**5.46%**	–

Other loans:

Other loans were obtained from independent third parties, unsecured, interest free and denominated in RMB. An analysis of the terms of other loans is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**–**	1,000
More than one year but not more than two years	**–**	2,000
	–	3,000

Details of pledge of assets for the Group's secured bank borrowings are set out in Note 16.

13. SENIOR NOTES

6.50% Senior Notes Due 2019

On 4 September 2014, the Company issued 6.5%, five-year senior notes with an aggregated principal amount of US$400,000,000 due in 2019 (the "2019 Senior Notes") at 100% of the face value. The 2019 Senior Notes are listed on the HKSE and guaranteed by certain subsidiaries of the Company and secured by pledges of the shares of these subsidiaries.

According to the terms and conditions of the 2019 Senior Notes, at any time or from time to time prior to 11 September 2017, the Company may at its option redeem the notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The applicable premium is the greater of (1) 1.00% of the principal amount of such note and (2) the excess of (A) the present value at such redemption date of the redemption price of such note at 11 September 2017, plus all required remaining scheduled interest payments due on such note (but excluding accrued and unpaid interest to the redemption date) through 11 September 2017, computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of such note on such redemption date.

At any time and from time to time prior to 11 September 2017 the Company may at its option redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 106.50% of the principal amount of the notes, plus accrued and unpaid interest, if any, with the proceeds from issue of shares of the Company.

On or after 11 September 2017, the Company may on any one or more occasions redeem all or any part of the notes, at the redemption prices of 103.25% (if redeemed prior to 11 September 2018) or 101.625% (if redeemed on or after 11 September 2018), plus accrued and unpaid interest, if any, on the notes redeemed, to (but not including) the applicable date of redemption.

13. SENIOR NOTES — *Continued*

6.50% Senior Notes Due 2019 — *Continued*

The early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors of the Company considered the fair value of the Company's early redemption options at the initial recognition and at the end of the reporting period is insignificant.

The effective interest rate is approximately 6.80% per annum after adjusted for transaction costs.

	2017	2016
	RMB'000	*RMB'000*
Carrying amount at 1 January	**2,747,221**	2,563,482
Interest expenses	**186,463**	183,538
Interest paid/payable	**(179,271)**	(171,979)
Exchange (gains) losses	**(157,943)**	172,180
Carrying amount at 31 December	**2,596,470**	2,747,221

14. SHORT-TERM NOTES

On 15 March 2016, Yaobai Special Cement Group Co., Ltd. ("Shaanxi Yaobai"), a wholly-owned subsidiary of the Company, issued 5.5% per annum, unsecured one-year short-term notes with a principal amount of RMB800,000,000 (the "First Tranche of the Short-term Notes") at 100% of the face value. The First Tranche of the Short-term Notes was issued to investors in the national inter-bank market in the PRC. The short-term notes have been registered with the National Association of Financial Market Institutional Investors of the PRC with an aggregate approved facility of RMB1,200,000,000 granted to Shaanxi Yaobai. The short-term notes, including the first tranche, were used for the repayment of part of the bank loans and to supplement general working capital of the Group.

Subsequent to the issuance of the First Tranche of the Short-term Notes, Shaanxi Yaobai may at any point in time within two years effective period until March 2018, being the validity period for the registration of the short-term notes, determine whether or not to issue further notes.

The effective interest rate of the First Tranche of the Short-term Notes is approximately 5.77% per annum after adjusted for transaction costs of RMB3,200,000.

On 13 March 2017, Shaanxi Yaobai repaid the entire First Tranche of the Short-term Notes due in 2017, equal to 100% of the principal amount of RMB800 million, plus accrued and unpaid interest of RMB44,000,000.

On 3 March 2017, Shaanxi Yaobai issued 6.98% per annum, unsecured one-year short-term notes of RMB400 million (the "Second Tranche of the Short-term Notes") at 100% of the face value.

The effective interest rate of the Second Tranche of the Short-term Notes is approximately 7.17% per annum after adjusted for transaction costs of RMB1,600,000.

15. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**602,584**	544,456
Bill payables	**–**	100,000
	602,584	644,456
Amount due to non-controlling shareholder of a subsidiary	**4,932**	1,691
Payables for constructions and equipment purchase	**11,696**	40,735
Advance from customers	**158,559**	108,536
Other tax liabilities	**68,375**	68,677
Payroll and welfare payable	**45,736**	24,705
Interest payable	**74,162**	88,870
Other payables	**80,168**	99,270
Deferred income — current portion	**10,219**	9,545
	1,056,431	1,086,485

The following is an aged analysis of trade payables presented based on the date of delivering of goods at the end of the reporting period.

	2017	2016
	RMB'000	*RMB'000*
0 to 90 days	**494,910**	517,340
91 to 180 days	**72,482**	52,385
181 to 360 days	**16,038**	31,347
361 to 720 days	**11,303**	32,003
Over 720 days	**7,851**	11,381
	602,584	644,456

Bills payables are mainly due within six months based on the issuance date.

16. ASSETS PLEDGED FOR SECURITY

The carrying amounts of the assets at the end of each reporting period pledged to secure trade facilities and bank loans are analysed as follow:

	2017	2016
	RMB'000	*RMB'000*
Restricted bank deposit	**–**	30,003
Trade receivables	**7,265**	–
Prepaid lease payments	**108,691**	152,007
Property, plant and equipment	**2,263,523**	1,547,879
	2,379,479	1,729,889

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group has faced an improving operating environment in the year ended 31 December 2017. Sales volume in Shaanxi Province remained stable with certain growth while the continuous low demand in the Xi'an Metropolitan Area and Central Shaanxi region led to occasional voluntary production halts by all producers during low season periods. Sales volumes in Xinjiang and Guizhou Provinces remained low, with a slight sales growth recorded during the year. The sales volume of cement and clinker of the Group for the year ended 31 December 2017 was 19.1 million tons, representing 7.3% increase from the 17.8 million tons recorded in 2016.

The Group has maintained a strong market position in the Southern Shaanxi core markets, where high levels of market share coupled with good infrastructure demand have resulted in continued ASP premiums and more stable margins. However, ASPs have remained low in Central Shaanxi as compared with Southern Shaanxi, with a continuation of competitive pricing among all producers in the region. During the year, improved market discipline with lower supply among all producers had actually led to the rising ASPs in Shaanxi, Xinjiang and Guizhou Provinces. The Group has moreover been able to maintain the trend of falling costs established since 2015. Input prices were stable in 2017 and the Group has continued to implement efficiency gains and cost cutting measures. Taken together, these have significantly improved the Group's margins in 2017.

The Group has maintained healthy cash flows, with EBITDA of RMB1,875.3 million for the year ended 31 December 2017, which is much higher than the RMB1,311.7 million recorded in 2016. Moreover, the Group's annual results at the net profit level was also significantly affected by the appreciation in the exchange rate of the RMB against the USD in the 2017.

The Group has recorded a significant foreign exchange gain arising from the foreign exchange rate from USD to RMB of the 2019 Senior Notes issued by the Company in September 2014, details of which are described below.

The Group's capacity as at 31 December 2017 has reached 29.2 million tons of cement. The Group has no other plants under construction.

Operating Environment

A key feature of the Group's operational performance in 2017 has been the significant narrowing of the difference between the Group's cement ASPs in Southern Shaanxi (where the Group's cement capacity amounts to 9.7 million tons) which have remained reasonable and strong, as compared with those in Central Shaanxi (where the Group's cement capacity amounts to 13.6 million tons) which have been significantly improved to a similar price level. Such significant improvement in ASPs in Central Shaanxi even under the continuing low demand scenario was achieved through the continuation of occasional voluntary production halts during low season periods and improved market discipline with lower supply among all producers.

Shaanxi Province as a whole has seen an increasing Fixed Asset Investment ("FAI") growth rates in 2017. FAI growth rate in 2017 was approximately 14.6%, as compared with the 12.3% recorded in 2016. The improved FAI growth rate has led to a stable growth in demand for cement products from all producers in the Shaanxi Province. Accordingly, intense competition from the supply side is still a strong factor affecting the ASPs in Central Shaanxi. Southern Shaanxi has continued to enjoy higher infrastructure-led construction growth. FAI growth rates in Southern Shaanxi have been above the provincial average and have supported a more stable cement market with continued ASPs premiums as compared to Central Shaanxi.

Another important factor contributing to the improvement of the Group's margins was the maintenance of a stable cost in 2017. This resulted from the Group's implementation of efficiency gains and cost-cutting measures since 2015. However, the rise in coal prices in 2017 have partially offset the efficiency gains in the use of inputs, which resulted in the rise in the cost of goods sold ("COGS")

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi remained stable and strong during 2017. The supply side remained rational, as a result of little new capacity and effective closure of obsolete and small-scale clinker kiln and cement grinding capacity over recent years, as well as long transportation distances from other regions. The Group has effectively maintained strong market leadership in this area, promoting a disciplined supply side.

Demand in this region remained reasonable during 2017, supported by continued growth in railway and road infrastructure project construction. The Pingli to Zhenping Expressway has been, amongst others, a particularly important demand driver; and the construction of the Taoba Expressway, the Taibai to Fengxian Expressway, the Xixiang to Zhenba Expressway and the Xunyang Hydropower Station have also contributed to support the demand. Rural and urban developments in Southern Shaanxi have continued to be supported by the Hanjiang to Weihe River Water Transport Project and the Southern Shaanxi Resettlement Project which have continued to be important for both cement demand and development in this region.

Whilst sales volumes of cement in Southern Shaanxi have increased by approximately 4.3% to approximately 8.01 million tons in 2017 (2016: 7.68 million tons), the above supply and demand scenario has led to relatively strong pricing for the Group's products in this area. There has been some pressure on ASPs, especially in Hanzhong District, due to the low pricing in surrounding areas, but the good infrastructure project demand and insulation from outside competition supported pricing in Ankang District in particular. During 2017, the Group recorded an increase of approximately 11.2% in cement ASPs in Southern Shaanxi to approximately RMB248 per ton (2016: RMB223 per ton) (excluding VAT), which is same as the Group's total ASP of RMB248 per ton (2016:RMB207 per ton), with capacity utilization at approximately 83% (2016: 79%).

Central Shaanxi

The demand in Central Shaanxi market has remained low, especially in the Xi'an Metropolitan market. This low demand scenario has been exacerbated by the imbalance between supply and demand already existing in the area. Central Shaanxi is an area with a significant build-out of new capacity since 2010 and, although all new capacity has been completed since early 2014 with no further additions planned for the foreseeable future, the effect of such new capacity is still being reflected through intense competition. Fortunately, through the continuation of occasional voluntary production halts during low season periods and improved market discipline with lower supply among all producers since the fourth quarter of 2016, ASPs in Central Shaanxi have significantly improved even under the abovementioned continuing low demand scenario in 2017.

During 2017, the Group has continued to maintain its market share in Eastern Xi'an, Yaowangshan, Fuping County and the rest of Weinan District where urbanisation remains a key demand driver. The Group has also supplied cement to a number of infrastructure projects, including the constructions of Line 5 and Line 6 of the Xi'an Metro, the Yinchuan to Xi'an High Speed Railway, the Nangoumen Reservoir, the expansion of Xi'an Train Station and the Heyang to Tongchuan Expressway. The largest of these, the Inner Mongolia to Jiangxi Coal Transportation Railway (Shaanxi Section) has commenced construction in March 2016 and consumed over 1.5 million tons of cement in 2017.

Sales volumes in Central Shaanxi have increased by approximately 7.6% to approximately 7.65 million tons in 2017 (2016: 7.11 million tons) and have been accompanied by improved ASPs. During the year, the Group has recorded an increase of approximately 33.0% in cement ASP in Central Shaanxi to approximately RMB242 per ton (2016: RMB182 per ton) (excluding VAT), which is slightly lower than the Group's overall ASP of RMB248 per ton (2016: RMB207 per ton), with capacity utilization rate at approximately 56% (2016: 52%)

Xinjiang & Guizhou Provinces

Operations at the Group's plants in Xinjiang Province remained slow in 2017. Sales volume in Xinjiang have increased by close to 7.6% to approximately 1.69 million tons (2016: 1.57 million tons). During the year, ASPs in Xinjiang have improved through the voluntary production halts by all producers during the low season periods and the improved market discipline as well as the elimination of the use of low grade (32.5) cement since May 2017, the Group has recorded cement ASPs at approximately RMB298 per ton (excluding VAT) (2016: RMB261 per ton), which is higher than the Group's overall ASP of RMB248 per ton (2016: RMB207 per ton), with capacity utilization rate at approximately 41% (2016: 38%)

In Guizhou Province, the Group's plant contributed approximately 1.4 million tons of cement as compared to the sales volume of 1.3 million tons in 2016. Whilst production volumes at the Huaxi Plant have been good, due to its location being in close proximity to Guiyang City and the Guiyang — Anshun ("Gui-An") New Area, ASPs have also improved after entering market with improving market discipline since 2016. During 2017, the Group has recorded cement ASP in Guizhou of approximately RMB214 per ton (2016: RMB183 per ton) (excluding VAT), with capacity utilization rate at approximately 78% (2016: 72%)

Energy Conservation, Emissions & Environmental

The Group continues to work towards the best of industry standards in regards to energy conservation, emission controls and the further development of environmental protection solutions. All of the Group's production facilities employ New Suspension Preheater ("NSP") technology. The plants are situated in close proximity to their respective limestone quarries and, at many of the plants, limestone conveyor belt systems are used in order to minimize emissions from transportation. The Group has also been the first cement producer in Shaanxi Province to use desulfurized gypsum and construction waste as raw material inputs into some of its cement products, and regularly recycles fly ash from power plants as well as slag from iron & steel plants as inputs into some of its cement products.

The Group has residual heat recovery systems installed at most of its production facilities. As at 31 December 2017, these systems are operational at 13 out of 20 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce Carbon dioxide ("CO2") emissions by approximately 20,000 tons per million tons of cement production.

The Group has already completed the installation of De-nitration ("De-NOx") equipment at its Xinjiang Luxin and Xinjiang Yutian Plants, thus completing the installation of this equipment at all of the Group's plants in Shaanxi, Xinjiang and Guizhou Provinces. This equipment reduces nitrous oxide ("NOx") emissions by approximately 60% per ton of clinker produced, bringing NOx emissions to within the new standards stipulated by the Cement Industrial Air Pollution Emissions Standards effective from July 2015. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed, resulting in all of the Group's plants having been upgraded to meet new PM emission standards as well. The Cement Industrial Air Pollution Emissions Licenses of all plants have already been renewed during the year to meet all the new emissions standards implemented. Dust collection equipment has also been upgraded at the Group's plants in Shaanxi Province during the year, further increasing the efficiency of the dust emissions control of the plants. Moreover, the designs of two green limestone mines to meet the new environmental protection policy of the government are completed during the year and will commence construction in 2018. The Group will continue to implement the green mine project to all our limestone mines to upgrade related environmental facilities in order to reduce pollutants emissions in the future.

Yaobai Environmental — Waste Treatment

In November 2015, the Company announced that its wholly-owned subsidiary, Yaobai Special Cement Group Co., Ltd. ("Yaobai Special Cement"), entered into an investment agreement ("Investment Agreement") with Wuhu Conch Investment Ltd. ("Wuhu Conch", a wholly-owned subsidiary of China Conch Venture Holdings Limited ("Conch Venture") which is listed on the main board of the Stock Exchange (stock code: 586)) and Red Day Limited ("Red Day", a company incorporated in the British Virgin Islands which is 100% owned by Mr. Ma Zhaoyang ("Mr. Ma"), a non-executive Director) pursuant to which Wuhu Conch and Red Day agreed to inject RMB90 million and RMB30 million, respectively, into Xi'an Yaobai Environmental Technology Engineering Co., Ltd. ("Yaobai Environmental"), the Group's waste treatment subsidiary at the relevant time.

Yaobai Environmental is now owned as to 60% by Wuhu Conch, 20% by Shaanxi Quanchuangke Industrial and Trading Co. Ltd., a PRC company wholly-owned by Mr. Ma, which is nominated by Red Day to take up all its rights and obligations under the Investment Agreement pursuant to the terms of the Investment Agreement, and 20% by Yaobai Special Cement. The parties have agreed to develop Yaobai Environmental into the only platform for the treatment of dangerous and hazardous waste for the parties within the PRC.

The Group's plants that are cooperating with Yaobai Environmental's operations currently include: Phase I & Phase II of the Waste Sludge Treatment Facility at the Group's Lantian Plant ("Lantian Waste Sludge Treatment Facility"), which have been in full operations since 2015; the Municipal Waste Treatment Facility at the Group's Fuping Plant ("Fuping Waste Treatment Facility"), which has been operating since March 2016; and the Solid Waste Treatment Facility at the Group's Mianxian Plant ("Mianxian Waste Treatment Facility") which has been in full operations since October 2017.

In 2018, Yaobai Environmental will continue to actively look for new opportunities in setting up cement kilns co-processing solid waste disposal projects in response to the development need of China's recycling economy and relevant specific policies for the industry, as well as taking into account specific conditions in the solid waste market of Shaanxi.

Financial leasing business

In June 2017, Guangxin International Financial Leasing Co., Ltd ("Guangxin International"), a wholly-owned subsidiary of the Group, was approved by the Ministry of Commerce of the People's Republic of China (the "PRC") as a licensed lessor. During the second half of 2017, Guangxin International commenced a new financial leasing business under the support of the national policies of the PRC government, in order to ride on the rapid development opportunities present in the financial leasing industry.

In 2017, Guangxin International entered into certain financial leasing arrangements under which Guangxin International received ownership titles of certain assets from third parties and then leased those assets back to such third parties. The ownership title of those assets would be returned to the third parties upon discharge of all their obligations under the financial leasing arrangements. Guangxin International also entered into certain entrusted loan and factoring contracts with third parties with fixed interest rates over the term of the contract. The aforementioned financial leasing arrangements were accounted as loan receivables.

In 2017, the Group recorded loan receivables of approximately RMB844.1 million (2016: Nil) arising from the abovementioned financial leasing business and interest income derived from loan receivables amounted to approximately RMB21.1 million for the year ended 31 December 2017 (2016: Nil). The Group intends to continue the financial leasing business in order to maximize the returns of the surplus funds for the Group's steady growth.

Safety and Social Responsibility

The Group's safety and environmental protection department continuously monitors and reviews safety procedures in accordance with evolving environmental and safety regulations in the PRC. In 2017, the Group focused its EHS (Environmental, Health & Safety) efforts on completing the publication of several handbooks and guidelines regarding work safety measures as well as the initiation of a number of other safety related training courses. In addition, the Group will continue to implement a "Sustainable Safety Development Project", which involved continuous training for both management and on-site employees, on-site inspections and audits, stringent safety reports and on-going suggestions for safety improvements at all of the Group's plants.

In order to further improve its environmental impact and safety procedures, the Group joined the Cement Sustainability Initiative (CSI), a voluntary global organization of 25 major cement producers operating under the World Business Council for Sustainable Development (WBCSD). Each CSI member is required to demonstrate commitments and achievements, including regular audits, to the following broad areas: C02 & Climate Protection, Responsible use of fuels and raw materials, Employee Health & Safety, Emission Reduction, Local Environmental Impact, Water and Reporting Practices.

During the year, charitable donations made by the Group amounted to approximately RMB5.5 million, including donations of cement to impoverished schools and villages.

Expansion and Acquisitions

The Group had no significant material acquisitions or disposals during the year.

Short-term Notes

On 3 March 2017, the Group's wholly-owned subsidiary established in the PRC, Shaanxi Yaobai, issued unsecured short-term notes of RMB400 million with an interest rate of 6.98% per annum at 100% of the face value for the purpose of repayment of part of the bank loans and supplementing general working capital of the Group.

PROSPECTS

The improving operating environment in 2017 reflected that improved market discipline with lower supply among all producers is the solution to the problem of lacklustre demand in Shaanxi Province and in the PRC as a whole. However, the resolution of the fragmented nature of the supply side is still of primary importance in promoting a more stable market and improvement to production capacity for the region, which in turn will benefit the Group.

Whilst demand in Shaanxi Province remained stable in 2017, with only a slight growth in cement sales volume as compared with that of 2016, the Company is cautiously optimistic about the outlook of the demand from the infrastructure construction and urbanization for the region into 2018 and beyond.

The Group and Conch Cement will continue to explore future opportunities for business collaboration in different structures or manners

Conch International Holdings (HK) Limited, a wholly-owned subsidiary of Anhui Conch Cement Co., Ltd ("Conch Cement"), had 1,147,565,970 shares in the Company, representing approximately 21.16% of the Company's issued share capital as at 31 December 2017. Conch Cement is a leading PRC cement company, with its H-shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 914) and its A-shares listed on the Shanghai Stock Exchange (stock code: 600585).

Ms. Liu Yan and Mr. Qin Hongji are the representatives of Conch Cement on the board of directors of our Company who can promote a strong working relationship between the Group and Conch Cement. This will enable the Group and Conch Cement to achieve synergies in the manufacturing and sale of cement in Shaanxi Province, and can unify the operation and management of cement production capacity in the region thereby improving business efficiency and enhancing the effect of development strategies for both parties in the region.

The Group believes that further collaboration between the two groups will lead to a significantly more stable supply side and market outlook for the region, significantly improving the trading prospects for the Group into 2018 and beyond.

Operations — Shaanxi

Under the current macro economic conditions in the PRC and Shaanxi Province, the Group does not expect to see a significant pick up in demand in 2018. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2018, but significant growth is not expected. Both urban property demand and rural demand is expected to remain stable with continued urbanization trends supporting rural growth rates.

In regards to the supply side, the Group expects an increasing discipline amongst producers with stable prices in 2018, both as a result of the low pricing environment in the past periods and in light of the business collaboration between the Group and Conch Cement, which is expected to improve sales coordination across the province and stronger bargaining power on selling prices.

In Central Shaanxi, voluntary production halts by all producers with improved market discipline are expected to remain an important feature, especially during low season periods, and this can support ASPs. There are a number of infrastructure projects that have recently started or are expected to start construction in 2018, including the constructions of the Xi'an to Yan'an High Speed Railway, several Central Shaanxi Intercity Railways, the Xi'an Xianyang International Airport (Phase 3) and the Yan'an airport, which will consume up to 2.9 million tons of cement. In addition, the constructions of Line 9 of Xi'an Metro, the Xi'an to Xianyang South Ring Expressway, the Pucheng to Huanglong expressway, the Dongzhuang Reservoir and the reconstruction and extension of Pucheng-Laoyukou Expressway of the Beijing-Kunming line as well as the other urban regeneration projects are expected to boost demand in this area

In Southern Shaanxi, the Group expects to maintain its relatively strong performance due to reasonable infrastructure construction activity, an already disciplined supply side and the potential for increasingly stable pricing in the surrounding areas of Central Shaanxi and Northern Sichuan. Construction of the large railway and road projects in Southern Shaanxi are expected to proceed in accordance with the respective plans in 2018. The Pingli to Zhenping Expressway, the Taoba Expressway, the Taibai to Fengxian Expressway and the Xixiang to Zhenba Expressway have commenced construction and are expected to generate increasing demand in 2018. In addition, the Group expects to see substantial demand from a number of new railways, expressways and airport projects in 2018 and 2019, including the constructions of High Speed Railways from Xi'an to Wuhan, from Xi'an to Chongqing, the Ankang Airport and the Shiquan to Ningshan Expressway as well as other projects related to the Hanjiang to Weihe River Water Transfer project.

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in 2018. However, with the elimination of the use of low grade (32.5) cement since May 2017 in Xinjiang, which led to the closure of inefficient facilities with small production capacity, the Group expects to see a more stable market of the cement industry with better market discipline and increased ASP in 2018 and beyond. In Southern Xinjiang, where the Group has two plants and a total of 2.6 million tons of capacity, there are a number of on-going small infrastructure projects, which are expected to contribute to support the demand in 2018. These include the constructions of the Yutian Airport and the Yutian Characteristic Towns Project. In Northern Xinjiang, the 1.5 million-ton Yili Plant commenced full operations in 2015 with production volumes remained low but improved pricing in the 2017. The Group expects to see higher volume sold from the Yili Plant and an improvement in pricing after entering market with better market discipline in 2018 and beyond. In Guizhou, the 1.8 million-ton Huaxi Plant, which is located close to Guiyang City Centre, also commenced operations in 2015. The Group expects this plant to benefit from its location advantage in 2018, with a continuation of strong volumes coupled with ASPs improvements after entering market with better market discipline in 2018 and beyond.

Costs

The Group will continue to implement a number of cost-cutting measures, which are expected to benefit cost of sales and selling, general and administrative expenses in 2018. These measures include administrative and head office cost cuts, headcount reductions and staff incentives to promote efficient use of raw materials and resources. The Group has already seen a positive effect from these cost-cutting measures since 2015 and expects to see increased benefits in 2018.

Environment, Health & Safety

Plant upgrades to meet new NOx and PM emission standards as stipulated by the Cement Industrial Air Pollution Emissions Standards law have now been completed at all of the Group's plants and the Group will continue to further reduce emissions through incremental upgrades. The Group plans to further implement measures to strengthen environmental management and monitoring during 2018 and will continue to implement the "Sustainable Safety Development Project". The Group also expects to benefit from its membership of the Cement Sustainability Initiative (CSI) in gaining expertise and know how in all aspects of environmental control and health and safety. Moreover, the Group will continue to implement the green mine project to all our limestone mines to upgrade related environmental facilities in order to reduce pollutants emissions in the future.

The Group is looking forward to continuing its work in the building of waste treatment facilities at its plants together with Conch Venture and Mr. Ma through the joint investment in Yaobai Environmental. As part of the joint investment, the Group will provide its cement kilns, logistics and management for a management fee to run the waste treatment facilities at its Lantian and Fuping Plants as well as its other plants in the future. Phase I and Phase II of the Lantian Waste Treatment Facility were in full operation since 2015 while Fuping Waste Treatment Facility commenced full operation since March 2016. Moreover, Mianxian Waste Treatment Facility has been in full operations since October 2017.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 28.0% from RMB3,719.3 million for the year ended 31 December 2016 to RMB4,760.0 million for the year ended 31 December 2017. Cement sales volume rose by 6.3%, from approximately 17.6 million tons to approximately 18.7 million tons during the year. Including clinker sales, total sales volume for the year ended 31 December 2017 amounted to approximately 19.1 million tons, compared to the 17.8 million tons sold in 2016.

Overall cement prices were higher than those in 2016, and this has resulted in higher revenues. Cement ASPs for the year ended 31 December 2017 were RMB248 per ton as compared with RMB207 per ton in 2016. The reasons for these fluctuations in ASPs are discussed in the "Operating Environment" section above.

Cost of Sales

Cost of sales increased by 17.5% from RMB3,042.6 million for the year ended 31 December 2016 to RMB3,574.1 million for the year ended 31 December 2017. The increase is primarily due to the increase in sales volume and the increase in cost of coal mentioned below.

Cost of coal increased as a result of the general rise in coal prices in the PRC over the previous 12 months. The average cost per ton of coal increased by approximately 50.6% to approximately RMB491 per ton from approximately RMB326 per ton in 2016. This has resulted in a cost increase of approximately RMB18.9 per ton of total cement and clinker produced, with total coal costs increasing by approximately 67.9% as compared with that of 2016.

There have been no significant changes in the costs of material, electricity, depreciation and staff during the year.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB509.2 million, or 75.2%, from RMB676.7 million for the year ended 31 December 2016 to RMB1,185.9 million for the year ended 31 December 2017. The increase in gross profit was mainly due to the increase in ASPs as described above. Gross profit margins therefore increased from 18.2% for the year ended 31 December 2016 to 24.9% for the year ended 31 December 2017.

Administrative and Selling & Marketing Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. These expenses increased by 9.9% from RMB242.2 million for the year ended 31 December 2016 to RMB266.2 million for the year ended 31 December 2017. The increase in the administration expenses is mainly due to the increase in the recognition of share option expenses and the increase in the sales bonus and staff salaries as a result of the improved operating results during the year. Selling & Marketing expenses increased by 16.2% from RMB42.5 million to RMB49.4 million as compared with 2016.

Other Expenses

The amount represents a payment of RMB9.1 million (2016: Nil) made by the Company to the tax authority settling for a former shareholder ("Former Shareholder") of a wholly owned subsidiary of the Group, YaoWangShan Cement Co., Ltd. ("Yaowangshan"), in relation to the Former Shareholder's individual income tax accrued from his disposal of 100% equity interest in Yaowangshan to the immediate previous shareholder of Yaowangshan, before the 100% equity interest of Yaowangshan was disposed by the immediate previous shareholder to the Group in 2015. Both the Former Shareholder and immediate previous shareholder of Yaowangshan are independent third parties to the Group and the Group has no past obligating events for settling the payment. The Board has resolved to take legal action to claim the Former Shareholder for the said amount paid to the PRC tax authority.

Other Income

Other income comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as a production input, and other government subsidies. Other income increased by approximately 50.1% from RMB151.1 million for the year ended 31 December 2016 to RMB226.8 million for the year ended 31 December 2017, mainly due to the increase in VAT rebates. The ratio of VAT rebates over revenue was 4.5% for the year (2016: 3.7%). The rise in the VAT rebates was mainly due to the rises in ASPs, with higher ASPs resulting in higher output VAT which in turn results in higher net VAT and rebates as well as the increase in the ratio of cement produced by using recycled industrial waste. VAT rebates increased by approximately 55.7% to RMB212.2 million as compared with that of 2016.

Other Gains and Losses, net

Other gains increased by RMB270.5 million from losses of RMB184.4 million for the year ended 31 December 2016 to gains of RMB86.1 million for the year ended 31 December 2017.

The increase was mainly due to the net effect of three main factors below. Firstly, there was an increase of an unrealized foreign exchange gain by RMB332.7 million to RMB157.3 million relating to the Group's Senior Notes, as a result of the appreciation of the RMB against the USD in 2017, as compared with a loss of RMB175.4 million for the year ended 31 December 2016. Secondly, the loss on disposal of property, plant and equipment ("PPE") of RMB17.6 million (2016: Gain of RMB0.8 million) and the impairment loss on inventory of RMB25.5 million (2016: Nil) was recorded during the year as more PPE and spare parts in inventory became obsolete and were disposed after production technical upgrades decided and made to meet the environmental policy requirement of the PRC government in 2017. Finally, impairment loss on mining rights of RMB 17.8 million (2016: Nil) was recorded during the year as one of the Group's subsidiary was informed by the local government that its mining permits of certain ore mines expired in 2017 would not be renewed due to the rearrangement of local development plan.

Interest Income

Interest income increased by RMB17.0 million from RMB16.7 million for the year ended 31 December 2016 to RMB33.7 million for the year ended 31 December 2017. The increase was mainly due to the increase in the interest income arising from the new finance leasing business established during 2017.

Finance Costs

Finance costs decreased by RMB16.0 million, or 6.0%, from RMB265.5 million for the year ended 31 December 2016 to RMB249.5 million for the year ended 31 December 2017. The decrease was mainly due to the repayment of part of the short-term notes during the year.

Income Tax Expense

Income tax expenses increased by RMB143.5 million, or 137.3%, from RMB104.5 million for the year ended 31 December 2016 to RMB248.0 million for the year ended 31 December 2017. Current income tax expense increased by RMB94.8 million to RMB206.4 million, whereas deferred tax credits decreased by RMB48.8 million to deferred tax charges of RMB41.6 million for the year ended 31 December 2017. The increase is primarily due to the increase in the current income tax as a result of the significant increase in the Group's profit margins arising from the increase in ASPs during the year and the increase in deferred tax charges as a result of the increase in withholding tax on dividend declared from PRC subsidiaries.

The detailed income tax expenses for the Group are outlined in note 8 to the consolidated financial statements above.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company improved from RMB10.3 million for the year ended 31 December 2016 to RMB710.8 million for the year ended 31 December 2017. This significant increase is primarily due to the increase in unrealized foreign exchange gain relating to the Group's Senior Notes and the increase in VAT rebates as well as the increase in gross profit due to the increase in ASPs mentioned above.

Basic earnings per share for the year ended 31 December 2017 improved from earnings per share of RMB0.2 cents for the year ended 31 December 2016 to earnings per share of RMB13.1 cents for the year ended 31 December 2017.

FINANCIAL AND LIQUIDITY POSITION

As at 31 December 2017, the Group's total assets increased by 4.4% to RMB11,671.9 million (2016: RMB11,181.6 million) while total equity increased by 12.1% to RMB6,628.7 million (2016: RMB5,913.4 million).

As at 31 December 2017, the Group had cash and cash equivalents, as well as restricted bank deposits, amounting to RMB1,452.4 million (2016: RMB1,345.6 million). After deducting total borrowings, Senior Notes and short term notes ("STN") of RMB3,740.1 million (2016: RMB4,013.0 million), the Group had net debt of RMB2,287.7 million (2016: RMB2,667.4 million). 73.1% (2016: 100%) of borrowings are at a fixed interest rate. Moreover, the Group also held loan receivables of RMB844.1 million (2016: Nil) at fixed interest rates. Please refer to notes 10, 12, 13, 14 and 16 of the consolidated financial statements above for the details of the loan receivables, borrowings, Senior Notes, STN and the respective pledge of assets.

As at 31 December 2017, the Group's net gearing ratio, measured as net debt to equity, was 34.5% (2016: 45.1%).

Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern. As at 31 December 2017, the Group had net current assets of RMB853.6 million (2016: RMB105.8 million), which is a considerable improvement of RMB747.8 million in the Group's liquidity position.

During the year, there was no material change in the Group's funding and treasury policy.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the additions of property, plant and equipment, prepaid lease payments and mining rights, for year ended 31 December 2017 amounted to RMB383.5 million (2016: RMB98.0 million). Capital commitments as at 31 December 2017 amounted to RMB202.0 million (2016: RMB2.6 million). Both capital expenditure and capital commitments were mainly related to the construction of new production facilities and waste treatment facilities and upgrading of existing production facilities. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2017, the Group employed a total of 4,398 (2016: 4,331) full-time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2017, employees benefit expenses were RMB340.1 million (2016: RMB298.2 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

MATERIAL ACQUISITION AND DISPOSALS

The Group had no significant material acquisitions or disposals during the year ended 31 December 2017.

FOREIGN EXCHANGE RISK MANAGEMENT

During the year ended 31 December 2017, the Group's sales, purchases, loans receivables and bank borrowings were all denominated in Renminbi. However, the proceeds raised through the Senior Notes issued by the Company in September 2014 were denominated in foreign currency. Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes on a domestic and/or international level, and the demand and supply of the Renminbi. The appreciation or devaluation of the Renminbi against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

CREDIT RISK MANAGEMENT

The Group's credit risk is primarily attributable to its trade receivables and loan receivables. It is the risk of loss arising from a customer's, a lessee's or counterparty's inability to meet its obligations.

The Group has made various efforts to control credit risks. In accordance with the policy of the Group, it will only enter into transactions with recognized and creditworthy customers, lessees and counterparties. In respect of its financial leasing business, it would examine and verify the credit risk of all lessees and counterparties that the Group has financial leasing, factoring and entrusted loan arrangements with. In respect of its main cement business, it would carry out credit assessment before entering into contracts with its customers and build credit records of its customers, in order to mitigate credit risk and reduce the overdue receivables.

In addition, the Group will also carry out regular reviews on the trade receivables and loan receivables balances and will write off bad debts, if any. The maximum exposure to credit risk arising from its financial leasing business equals to the carrying amount of the loan receivables.

DIVIDENDS

At the Board meeting held on 19 March 2018 (Monday), the Directors proposed to recommend the payment of a final dividend of RMB0.026 per ordinary share for the year ended 31 December 2017.

The final dividend of RMB0.026 per ordinary share is subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 18 May 2018 (Friday), and will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on 28 May 2018.

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 18 May 2018 (Friday). A notice convening the annual general meeting will be despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to be eligible for attending and voting at the forthcoming annual general meeting of the Company to be held at 18 May 2018 (Friday), all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 14 May 2018 (Monday). The register of members of the Company will be closed from 15 May 2018 (Tuesday) to 18 May 2018 (Friday), both days inclusive, during which period no transfer of shares will be registered.

In addition, for the purpose of determining shareholders who qualify for the final dividend, the register of members will be closed from 25 May 2018 (Friday) to 28 May 2018 (Monday), both dates inclusive. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 24 May 2018 (Thursday).Subject to shareholder's approval of the proposed final dividend at the annual general meeting to be held on 18 May 2018 (Friday), the final dividend will be paid on or around 31 July 2018 (Tuesday) to shareholders whose names appear on the register of members of the Company at the close of business on 28 May 2018 (Monday).

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders of the Company. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency of the Company. The Board will continue to review and improve the corporate governance practices from time to time to ensure the Group is led by an effective Board in order to optimize returns for the shareholders of the Company.

Code provision A.6.7 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code") provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Qin Hongji, Ms. Liu Yan and Mr. Ma Zhaoyang, non-executive Directors, were unable to attend the Company's annual general meeting held on 12 May 2017 due to other business engagements.

Save as disclosed above, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") as set forth in Appendix 14 of the Listing Rules during the year ended 31 December 2017.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors. Specific enquiries have been made with all the Directors and each of them has confirmed and declared that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2017.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Wong Kun Kau and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2017.

SCOPE OF WORKS OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Company (www.westchinacement.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and will be made available on the abovementioned websites in due course.

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

Hong Kong, 19 March 2018

As at the date of this announcement, the executive Directors are Mr. Zhang Jimin and Dr. Ma Weiping, the non-executive Directors are Mr. Ma Zhaoyang, Ms. Liu Yan and Mr. Qin Hongji and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Wong Kun Kau and Mr. Tam King Ching, Kenny.

* *For identification purposes only*