



2016 INTERIM REPORT

Anhui Conch Cement Company Limited

(A Share: 600585 H Share: 00914)

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

All Directors of the Company attended the second meeting of the seventh session of the Board.

Mr. Gao Dengbang (Chairman), Mr. Zhou Bo (Chief accountant) and Ms. Liu Yan (Officer-in-charge of the Finance Department) warrant that the financial report contained herein is true, accurate and complete.

During the Reporting Period, there was no appropriation of the Company's funds for non-operating purpose by the controlling shareholders of the Company and its related parties.

During the Reporting Period, there was no external guarantee in violation of the established decision-making procedures.

Unless otherwise stated, all financial data in this report are prepared in accordance with the PRC Accounting Standards, and all monetary amounts herein are denominated in RMB.

Definitions

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

The Company/Conch Cement	:	Anhui Conch Cement Co., Ltd.
The Group	:	the Company and its subsidiaries
Board	:	the board of Directors
Director(s)	:	the director(s) of the Company
Supervisory Committee	:	the supervisory committee of the Company
Supervisor(s)	:	the supervisor(s) of the Company
Conch Holdings	:	Anhui Conch Holdings Co., Ltd.
Conch Venture	:	Anhui Conch Venture Investment Co., Ltd.
CCVH	:	China Conch Venture Holdings Limited
Conch Venture Property	:	Wuhu Conch Venture Property Co., Ltd.
Conch Design Institute	:	Anhui Conch Building Materials Design and Research Institute
Conch Kawasaki Engineering	:	Anhui Conch Kawasaki Engineering Co., Ltd.
Guiyang Conch	:	Guiyang Conch Panjiang Cement Co., Ltd.
Ganzhou Conch	:	Ganzhou Conch Cement Co., Ltd.
Chaohu Conch	:	Chaohu Conch Cement Co., Ltd.
Myanmar Conch	:	Myanmar Conch Cement Company Limited
Indonesia Conch	:	PT Conch Cement Indonesia
Kalimantan Conch	:	PT Conch South Kalimantan Cement
Xinli Finance	:	Anhui Xinli Finance Co., Ltd., a company listed on the SSE (formerly known as “Anhui Chaodong Cement Co., Ltd.”, which is shortly referred to as “Chaodong Cement”) (stock code: 600318)
Jidong Cement	:	Tangshan Jidong Cement Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 000401)

Definitions

Qingsong Building Materials and Chemicals	:	Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd., a company listed on the SSE (stock code: 600425)
WCC	:	West China Cement Limited, a company listed on Hong Kong Stock Exchange (stock code: 2233)
Reporting Period	:	the period from 1 January 2016 to 30 June 2016
PRC Accounting Standards	:	China Accounting Standards for Business Enterprises
A Shares	:	ordinary shares in the capital of the Company listed on the SSE, with a nominal value of RMB1.00 per share, which are subscribed for and traded in RMB
H Shares	:	foreign shares in the capital of the Company listed on the Stock Exchange, with a nominal value of RMB1.00 per share, which are subscribed for and traded in Hong Kong dollars
Stock Exchange	:	The Stock Exchange of Hong Kong Limited
HKSE Listing Rules	:	The Rules Governing the Listing of Securities on the Stock Exchange
SFO	:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	:	Shanghai Stock Exchange
SSE Listing Rules	:	The Rules Governing the Listing of Stocks on the SSE
Clinker	:	semi-finished products made in the manufacturing process of cement
Hong Kong	:	Hong Kong Special Administrative Region of the PRC
Indonesia	:	Indonesia
RMB	:	Renminbi, the lawful currency of the PRC
PRC	:	The People's Republic of China
Articles	:	Articles of Association of the Company

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1. Corporate Profile

- (1) Official Chinese name of the Company** : 安徽海螺水泥股份有限公司
Official English name of the Company : ANHUI CONCH CEMENT COMPANY LIMITED
Abbreviation in English : ACC
- (2) Legal Representative of the Company** : Gao Dengbang
- (3) Secretary to the Board (Company Secretary)** : Yang Kaifa
Phone number : 0086 553 8396628
Fax number : 0086 553 8398931
Company secretary (Hong Kong) : Leo P. Y. Chiu
Phone number : 00852 2111 3220
Fax number : 00852 2111 3299
Securities Affairs Representative : Liao Dan
Phone number : 0086 553 8398911
Fax number : 0086 553 8398931
E-mail : dms@conch.cn
- (4) Registered address of the Company** : 39 Wenhua Road, Wuhu City, Anhui Province, the PRC
Office address of the Company : 1011 Jiuhua South Road, Wuhu City, Anhui Province, the PRC
Postal code : 241000
Email address of the Company : cement@conch.cn
Website of the Company : <http://www.conch.cn>
Contact address in Hong Kong : 40/F Jardine House, 1 Connaught Place, Central, Hong Kong
- (5) Company's designated newspaper for information disclosure** : Shanghai Securities Journal, Securities Times
Website address for publication of this report : <http://www.sse.com.cn>
Location where this interim report is available for inspection : Secretariat to the Board of the Company

1. Corporate Profile

- (6) **Exchange on which the Company's shares are listed** :
- H Shares** : Stock Exchange
Stock code : 00914
A Shares : SSE
Stock code : 600585
Stock name : Conch Cement
- (7) **International auditors** : KPMG
8th Floor, Prince's Building, 10 Chater Road,
Central, Hong Kong
- PRC auditors** : KPMG Huazhen LLP
8th Floor, Tower E2, Oriental Plaza,
1 East Chang An Avenue, Beijing, the PRC
- (8) **H Shares share registrar and transfer office** : Hong Kong Registrars Limited
17/F, Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong
- (9) **Date of first registration of the Company** : 1 September 1997
- Place of first registration of the Company** : Industrial and Commercial Administration Bureau,
Anhui Province, the PRC
- Date of registration of changes in the particulars of the Company** : 16 June 2016
- Place of registration of changes in the particulars of the Company** : Industrial and Commercial Administration
Bureau, Wuhu City, Anhui Province, the PRC
- Unified social credit code for corporate legal person** : 9134020014949036XY
- Tax registration number** : 9134020014949036XY

2. Summary of Accounting Data and Financial Indicators

1. ACCOUNTING DATA PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS

Table 1:

Items	As at 30 June 2016 (RMB'000)	As at 31 December 2015 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	103,123,001	105,781,392	-2.51
Net assets attributable to equity shareholders of the Company	71,515,728	70,491,888	1.45

Table 2:

Items	Six months ended 30 June 2016 (RMB'000)	Six months ended 30 June 2015 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Net cash flow generated from operating activities	4,667,287	4,186,543	11.48
Revenue	23,973,109	24,223,323	-1.03
Net profit attributable to equity shareholders of the Company	3,354,918	4,705,345	-28.70
Net profit attributable to equity shareholders of the Company after extraordinary items	2,992,606	2,815,116	6.30
Basic earnings per share (RMB/share)	0.63	0.89	-28.70
Diluted earnings per share (RMB/share)	0.63	0.89	-28.70
Basic earnings per share after extraordinary items (RMB/share)	0.56	0.53	6.30
Weighted average return on net assets (%)	4.67	6.90	Decreased by 2.23 percentage points
Weighted average return on net assets after extraordinary items (%)	4.17	4.13	Increased by 0.04 percentage point

2. Summary of Accounting Data and Financial Indicators

Table 3:

Extraordinary items for the Reporting Period	Amount (RMB'000)
(1) Gain/(Loss) on disposal of non-current assets	107,368
(2) Government subsidy	359,623
(3) Gain/(Loss) on changes in the fair value of financial assets held for trading and gain on disposal of financial assets held for trading and available-for-sale financial assets	4,616
(4) Entrusted fee income obtained from entrusted operation	-
(5) Gains arising from the excess of the Group's share of the acquisition-date fair values of the investees' identifiable net assets over the investment costs for acquisition of the subsidiaries, associates and joint ventures	12,883
(6) Charges on share of funds received from non-financial enterprises included in the current income statement	2,719
(7) Other non-operating income and expenses other than the above items	-1,763
(8) Effect of extraordinary items on income tax	-113,522
(9) Effect of extraordinary items on minority interests	-9,612
Total	362,312

2. FINANCIAL SUMMARY PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Items	Six months ended 30 June 2016 (RMB'000)	Six months ended 30 June 2015 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Revenue	23,973,109	24,223,323	-1.03
Net profit attributable to equity shareholders of the Company	3,358,547	4,714,488	-28.76

Items	As at 30 June 2016 (RMB'000)	As at 31 December 2015 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	103,123,001	105,781,392	-2.51
Total liabilities	28,388,984	32,236,883	-11.94

2. Summary of Accounting Data and Financial Indicators

3. EXPLANATIONS FOR DIFFERENCES BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS AND THE IFRS

	Net profit attributable to equity shareholders of the Company		Equity attributable to equity shareholders of the Company	
	Six months ended 30 June 2016 (RMB'000)	Six months ended 30 June 2015 (RMB'000)	As at 30 June 2016 (RMB'000)	As at 31 December 2015 (RMB'000)
As reported in the statutory financial statements in accordance with the PRC Accounting Standards	3,354,918	4,705,345	71,515,728	70,491,888
- Deferral of subsidy income not subject to "China Accounting Standards for Business Enterprises No.16 – Government Subsidy" in accordance with the IFRS	3,629	9,143	-340,690	-344,318
As reported in accordance with the IFRS	3,358,547	4,714,488	71,175,038	70,147,570

3. Management Discussion and Analysis

MACRO-ENVIRONMENT

During the first half of 2016, the PRC's economy showed steady development. The year-on-year GDP growth rate was 6.7%, down by 0.3 percentage point as compared to the corresponding period of last year. Fixed asset investments across the country saw a 9.0% year-on-year growth rate, which was 2.4 percentage points lower than that of the same period of last year. Property investment sustained a year-on-year increase of 6.1%, up by 1.5 percentage points from that of the same period of last year. (Source: *National Bureau of Statistics of China*)

During the first half of 2016, the PRC's cement production volume amounted to 1,109 million tonnes, representing a 3.2% year-on-year increase, which showed a variation of 8.5 percentage points from that for the same period of last year. Market demand showed signs of noticeable recovery with growing regional divergence. However, affected by the year-on-year decrease in the growth of fixed asset investment, coupled with intensified market competition and substantial decrease in profit due to significant structural oversupply in cement capacity, the industry was in a low-profit position. (Source: *Digital Cement*)

Operations Overview

During the first half of 2016, the Group strove to overcome a number of adverse factors including economic downturn and intensified market competition. By strengthening study and analysis of market dynamics according to the industry's seasonal characteristics and competition within each regional market, the Group paid high regard to market development and product mix adjustment. The Group endeavored to keep a balance among quantity, price and efficiency, by maintaining a stable increase in sales volume and continuous growth in market share while striving to ensure its efficiency. The Group also paid attention to movements in market supply and leveraged its competitive edge in centralized procurement to lower procurement costs. Moreover, the Group strengthened its management and control over production and operation, so as to improve operation quality.

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue generated from its principal activities amounted to RMB23,400 million, representing a decrease of 0.79% from that for the same period of last year; its net profit attributable to equity shareholders of the Company amounted to RMB3,355 million, representing a decrease of 28.70% from that for the same period of last year; and earnings per share were RMB0.63. In accordance with the IFRS, the revenue amounted to RMB23,973 million, representing a decrease of 1.03% from that for the same period of last year; its net profit attributable to equity shareholders of the Company amounted to RMB3,359 million, representing a decrease of 28.76% from that for the same period of last year; and earnings per share were RMB0.63.

3. Management Discussion and Analysis

During the Reporting Period, three clinker production lines of Kalimantan Conch, Myanmar Conch and Yingjiang Yunhan Cement Co., Ltd. (盈江縣允罕水泥有限責任公司), as well as seven cement grinding units of Ganzhou Conch and Guangxi Sihegongmao Co., Ltd. had successively been put into operation, with the clinker and cement production capacity increased by 4.6 million tonnes and 8.1 million tonnes respectively. In addition, the Group continued to facilitate the mergers and acquisitions of domestic projects and had completed the transfer of cement assets of former Chaodong Cement, increasing its clinker and cement production capacity by 5.4 million tonnes and 3.5 million tonnes respectively. As at the end of the Reporting Period, the clinker, cement and aggregate production capacity of the Group reached 240 million tonnes, 300 million tonnes and 24.9 million tonnes respectively.

With regard to international development, the phase-two project of PT Conch South Kalimantan Cement and the Myanmar Conch project had successfully completed construction and been put into operation. The Merak grinding mill project and the project in Papua Barat in Indonesia are proceeding with their construction on schedule. They are expected to commence trial operation in the second half of 2016. For the projects in Luang Prabang of Laos and Battambang of Cambodia, the relevant preliminary works had made smooth progress. Meanwhile, the Group also carried out on-site inspection and research of several countries such as Russia and Turkey, and entered into a cooperation framework agreement in respect of the projects in Russia.

In addition, the Group continued to push ahead with the development of energy conservation and environmental protection in cement projects. The four residual heat electricity generation units located at Yunnan Zhuangxiang Cement Co., Ltd., Kunming Hongxi Cement Co., Ltd., Shaoyang Yeafing New Energy Co., Ltd. and Myanmar Conch had been put into operation, with an additional installed capacity of 25.5MW, as a result of which the total installed capacity of electricity generation amounted to 1,229MW. The Group continued to implement technology modification for clinker and cement production lines, thereby achieving significant improvement in energy conservation and consumption reduction.

During the Reporting Period, there were no significant changes in the core competitiveness of the Group.

Sales Market Overview

During the Reporting Period, the Group realised an aggregate net sales volume of cement and clinker of 128 million tonnes, representing a year-on-year growth of 11%. However, the sales revenue was basically the same as that of the same period of last year due to a decrease in product composite selling price.

3. Management Discussion and Analysis

Market and sales by region

Region	Sales amount by region					
	Six months ended 30 June 2016		Six months ended 30 June 2015		Change in sales amount (%)	Change in sales proportion (Percentage points)
	Sales amount (RMB'000)	Percentage (%)	Sales amount (RMB'000)	Percentage (%)		
East China ^{Note 1}	6,300,176	26.92	6,894,863	29.23	-8.63	-2.31
Central China ^{Note 2}	6,800,205	29.06	6,317,752	26.79	7.64	2.27
South China ^{Note 3}	4,158,615	17.77	4,507,613	19.11	-7.74	-1.34
West China ^{Note 4}	4,992,602	21.34	5,012,726	21.25	-0.40	0.09
Export and overseas	1,148,857	4.91	853,426	3.62	34.62	1.29
Total	23,400,455	100.00	23,586,380	100.00	-0.79	-

Notes:

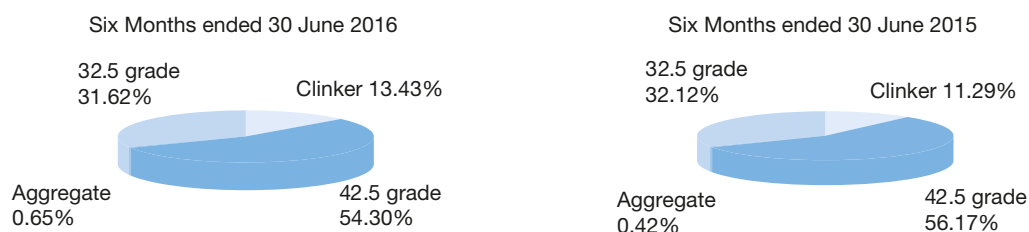
1. East China includes Jiangsu province, Zhejiang province, Shanghai, Fujian province, Shandong province and other regions;
2. Central China includes Anhui province, Jiangxi province, Hunan province, Hubei province and other regions;
3. South China includes Guangdong province, Guangxi province and other regions;
4. West China includes Sichuan province, Chongqing, Guizhou province, Yunnan province, Gansu province, Shaanxi province, Xinjiang and other regions.

During the Reporting Period, the Group recorded increase in sales volume across all regions, while product selling prices decreased by varying degrees. The East China market remained stable with steady sales volume, while sales revenue decreased by 8.63% on a year-on-year basis due to decline in selling prices. With the release of production capacity of the projects acquired by the Company, the Group recorded increase in market shares in Central China, achieving a year-on-year increase of 15.64% in sales volume of cement and clinker and a year-on-year increase of 7.64% in sales revenue. Sales volume in South China and West China increased by 12.66% and 9.27% respectively on a year-on-year basis, which were mainly attributable to the capacity contribution by the projects put into operation in the second half of last year, while sales revenue recorded a year-on-year decrease of 7.74% and 0.40% respectively due to decline in selling prices. Meanwhile, as the Company stepped up efforts in exploring the international cement market, the export and overseas sales volume and sales revenue increased by 66.22% and 34.62% respectively on a year-on-year basis.

3. Management Discussion and Analysis

During the Reporting Period, the Group increased export sales. Sales contribution of clinker increased by 2.14 percentage points year-on-year to 13.43%, while the sales contribution of 42.5-grade cement decreased by 1.87 percentage points year-on-year to 54.30%.

Percentage of sales amount by type of products



(Note: The 42.5-grade cement includes cement of grade 42.5 and above)

PROFIT ANALYSIS

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

Item	Amount		Change from that of the corresponding period of last year (%)
	Six months ended 30 June 2016 (RMB'000)	Six months ended 30 June 2015 (RMB'000)	
Revenue from principal activities	23,400,455	23,586,380	-0.79
Profit from operations	3,967,759	5,457,310	-27.29
Profit before taxation	4,502,989	6,241,954	-27.86
Net profit attributable to equity shareholders of the Company	3,354,918	4,705,345	-28.70
Net profit after extraordinary items attributable to equity shareholders of the Company	2,992,606	2,815,116	6.30

During the Reporting Period, revenue from principal activities of the Group was basically the same as that for the same period of last year. Due to the substantial year-on-year decrease in investment income during the Reporting Period, the Group's profit from operations, profit before taxation and net profit attributable to equity shareholders of the Company recorded a year-on-year decrease of 27.29%, 27.86% and 28.70% respectively. However, benefiting from the increase in sales volume, the Group achieved a year-on-year increase of 6.30% in net profit after extraordinary items attributable to equity shareholders of the Company.

3. Management Discussion and Analysis

Gross profit by type of products for the six months ended 30 June 2016 and year-on-year comparison

Product	Revenue from principal activities (RMB'000)	Costs of principal activities (RMB'000)	Gross profit margin for the Reporting Period (%)	Gross profit margin for the same period of last year (%)	Year-on-year change in gross profit margin (Percentage points)
42.5 grade cement	12,706,568	8,939,585	29.65	28.09	1.56
32.5 grade cement	7,398,292	4,828,482	34.74	31.25	3.49
Clinker	3,142,795	2,358,255	24.96	23.50	1.46
Aggregate	152,800	88,209	42.27	47.23	-4.96
Total	23,400,455	16,214,531	30.71	28.66	2.05

(Note: The 42.5-grade cement includes cement of grade 42.5 and above)

During the Reporting Period, the consolidated gross profit margin of the Group's products recorded a year-on-year increase of 2.05 percentage points to 30.71%, mainly because the decrease in product cost per tonne exceeded the decline in product prices. Among which, the gross profit margin of 32.5-grade cement, 42.5-grade cement and clinker increased by 3.49 percentage points, 1.56 percentage points and 1.46 percentage points on a year-on-year basis respectively, while the gross profit margin of aggregate recorded a year-on-year decrease of 4.96 percentage points due to the decline in selling prices.

3. Management Discussion and Analysis

ANALYSIS OF COSTS AND EXPENSES

Comparison of consolidated costs

Item	Six months ended 30 June 2016		Six months ended 30 June 2015		Change in unit cost (%)	Change in costs proportion (Percentage points)
	Unit cost	Percentage to total cost	Unit cost	Percentage to total cost		
	(RMB/ton)	(%)	(RMB/ton)	(%)		
Raw materials	22.8	18.05	27.88	19.05	-18.22	-1.00
Fuel and power	71.7	56.77	85.35	58.33	-15.99	-1.56
Depreciation expense	13.48	10.67	13.11	8.96	2.82	1.71
Labor cost and others	18.32	14.51	19.99	13.66	-8.35	0.85
Total	126.30	100.00	146.33	100.00	-13.69	-

During the Reporting Period, the Company recorded consolidated costs of RMB126.30/tonne, representing a year-on-year decrease of RMB20.03/tonne or 13.69%, which was mainly attributable to the decrease in the prices of raw materials and fuels such as coal and further improvement in the key guidance such as consumption of coal and electricity.

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

Expenses for the period	Amount for the Reporting Period (RMB'000)	Amount for the same period of last year (RMB'000)	As a percentage to revenue from principal activities for the Reporting Period (%)	As a percentage to revenue from principal activities for the same period of last year (%)	Change in percentage of revenue from principal activities (Percentage points)
Selling expenses	1,505,220	1,370,136	6.43	5.81	0.62
Administrative expenses	1,440,941	1,314,465	6.16	5.57	0.59
Financial expenses (net)	182,100	324,965	0.78	1.38	-0.60
Total	3,128,261	3,009,566	13.37	12.76	0.61

3. Management Discussion and Analysis

During the Reporting Period, the Group's selling, administrative and financial expenses in aggregate increased by 0.61 percentage point year-on-year to RMB3,128 million, accounting for 13.37% of the revenue from principal activities. The increase was mainly attributable to the increase in product sales volume. The total of these three expense items of products per tonne amounted to RMB24.50/tonne, representing a decrease of 6.68% as compared to that for the same period of last year.

FINANCIAL POSITION

Asset and liability overview

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

Item	30 June 2016 (RMB'000)	31 December 2015 (RMB'000)	Change as at the end of the Reporting Period as compared to those at the beginning of the year (%)
Fixed assets	62,144,271	61,695,521	0.73
Current and other assets	40,978,730	44,085,871	-7.05
Total assets	103,123,001	105,781,392	-2.51
Current liabilities	13,379,209	20,402,162	-34.42
Non-current liabilities	14,645,361	11,467,659	27.71
Total liabilities	28,024,570	31,869,821	-12.07
Minority interests	3,582,703	3,419,683	4.77
Equity attributable to shareholders of the Company	71,515,728	70,491,888	1.45
Total liabilities and equity	103,123,001	105,781,392	-2.51

As at 30 June 2016, the Group's total assets and liabilities prepared in accordance with the PRC Accounting Standards amounted to RMB103,123 million and RMB28,025 million respectively, representing decreases of 2.51% and 12.07% respectively as compared to those at the beginning of the year. Such decreases were mainly attributable to the decrease in current liabilities due within 1 year. As at 30 June 2016, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 27.18%, representing a decrease of 2.95 percentage points as compared to that at the beginning of the year.

3. Management Discussion and Analysis

Please refer to Note 26 to the Financial Accounting Report (Unaudited) in this report for information on the contingent liabilities of the Group.

As at 30 June 2016, equity attributable to shareholders of the Company amounted to RMB71,516 million, representing an increase of 1.45% as compared to that at the beginning of the year; net assets per share attributable to shareholders of the Company amounted to RMB13.50.

As at 30 June 2016, the Group's net fixed assets prepared in accordance with the PRC Accounting Standards amounted to RMB62,144 million, representing an increase of 0.73% as compared to that at the beginning of the year; current liabilities amounted to RMB13,379 million, representing a decrease of 34.42% as compared to that at the beginning of the year, which was mainly due to the repayment of current liabilities due within 1 year during the Reporting Period.

As at 30 June 2016, the Group's total current assets and total current liabilities prepared in accordance with the PRC Accounting Standards amounted to RMB22,568 million and RMB13,379 million respectively, with a current ratio of 1.69 (as at the end of last year: 1.28). The Group's total current assets and total current liabilities prepared in accordance with the IFRS amounted to RMB22,887 million and RMB13,379 million respectively, with a net gearing ratio of 0.11 (as at the end of last year: 0.11). Net gearing ratio was calculated as follows: interest-bearing liabilities minus cash and cash equivalents and divided by shareholders' equity.

Liquidity and Source of Funds

Maturity analysis of bank loans and other borrowings of the Group as at 30 June 2016 is as follows:

	As at 30 June 2016 (RMB'000)	As at 31 December 2015 (RMB'000)
Due within 1 year	2,185,520	1,447,818
Due after 1 year but within 2 years	1,827,209	328,001
Due after 2 years but within 5 years	3,207,133	1,336,986
Due after 5 years	404,250	581,414
Total	7,624,112	3,694,219

3. Management Discussion and Analysis

As at 30 June 2016, the Group's aggregate borrowings were RMB7,624 million, representing an increase of RMB3,930 million as compared to that at the beginning of the year. The increase was mainly attributable to the increase in borrowings of the Group's subsidiaries during the Reporting Period.

Save for the aforesaid borrowings, the Group had outstanding corporate bonds in a principal amount of RMB8.5 billion, of which RMB5 billion would be due after 1 year but within 2 years and RMB3.5 billion would be due after 5 years.

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

Analysis of Cash Flow

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

	Six months ended 30 June 2016 (RMB'000)	Six months ended 30 June 2015 (RMB'000)
Net cash flows generated from operating activities	4,667,287	4,186,543
Net cash flows generated from investment activities	5,662,847	-7,412,600
Net cash flows generated from financing activities	-6,549,294	-3,776,931
Effect of exchange rate movement on cash and cash equivalents	5,907	-15,100
Net increase/(decrease) in cash and cash equivalents	3,786,747	-7,018,088
Balance of cash and cash equivalents at the beginning of the Reporting Period	4,285,034	12,512,121
Balance of cash and cash equivalents at the end of the Reporting Period	8,071,781	5,494,033

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB4,667 million, representing a year-on-year increase of RMB481 million. Such increase was mainly due to the continuous stability of revenue and the substantial decrease in costs.

During the Reporting Period, the Group's net cash flows generated from investment activities increased by RMB13,075 million as compared to that for the corresponding period of last year, mainly due to the year-on-year increase in matured term deposits with a maturity of over three months received by the Group.

3. Management Discussion and Analysis

During the Reporting Period, the Group's net cash outflows generated from financing activities increased by RMB2,772 million as compared to that for the corresponding period of last year, mainly due to the year-on-year increase in repayment of matured bonds by the Group during the Reporting Period.

Capital Expenditure

During the Reporting Period, capital expenditure of the Group amounted to RMB3,150 million, which was mainly used in the investment in construction and technology modification of cement and clinker production lines and residual heat electricity generation projects, as well as the expenditure for merger and acquisition of projects.

As at 30 June 2016, capital commitments in respect of the purchase of machinery and equipment for production that were committed but had not been provided for in the accounts are set out as follows:

	As at 30 June 2016 (RMB'000)	As at 31 December 2015 (RMB'000)
Authorized and contracted for	2,296,400	2,071,104
Authorized but not contracted for	2,472,099	3,787,573
Total	4,768,499	5,858,677

EXCHANGE RATE RISK AND RELATED HEDGING BY FINANCIAL INSTRUMENTS

During the Reporting Period, in order to effectively reduce foreign exchange risk, the Group made appropriate foreign exchange receipt and payment arrangements based on the import and export plan and adjusted its operation strategy for foreign exchange risk on a timely basis. Under the backdrop of periodic depreciation of Renminbi against the US dollars, the Group exerted control over dollar-denominated liabilities and moderately reduced the proportion of US dollars forward exchange settlement or temporarily suspended US dollars forward exchange settlement, so as to effectively minimize US dollar exchange rate risk. Meanwhile, the Company had gradually fine-tuned its management model of foreign currency fund pool for centralized management and allocation of foreign currency funds in the domestic and overseas markets, allowing it to achieve optimal allocation of foreign exchange receipts and payments, improve the utilization efficiency of foreign currency funds and lower the costs of foreign exchange settlement and sales, thereby effectively reducing finance costs.

3. Management Discussion and Analysis

PROSPECTS FOR THE SECOND HALF OF THE YEAR

To ensure that the Chinese economy will continue to make steady progress while maintaining stability, the PRC government will moderately expand the total demand and continue to implement proactive fiscal policies and prudent monetary policies in the second half of 2016. For the cement industry, an overall stable development is expected to continue in the second half of the year. On the demand side, further implementation of various regional strategies including the State policy of “One Belt and One Road” and “Yangtze River Economic Belt” will lead to growth recovery in infrastructure investments such as roads, railways and urban rail transportation system, with commencement of construction of certain new key projects. Meanwhile, the central government has recently called for increase and acceleration in investment and construction of flood prevention and hydraulic engineering projects as well as municipal integrated underground pipe network around the country. Furthermore, the post-disaster reconstruction will be started in an all-round way due to the flood and waterlogging damage caused by the rainstorm in East China, South China and many other regions in early days. The above factors coupled with the growth recovery of real estate investments will effectively drive cement demand growth. On the supply side, the Guiding Opinions on Promoting Steady Growth, Structural Adjustments and Efficiency Enhancement of the Building Material Industry (Guobanfa [2016] No.34) (《關於促進建材工業穩增長調結構增效益的指導意見》(國辦發[2016] 34號文)) promulgated by the General Office of the State Council on 18 May 2016 aims to facilitate the implementation of supply-side structural reform. It is expected that the relevant implementation rules and measures will be launched by the relevant government authorities in the second half of the year. Measures such as strict enforcement of environmental protection law and product mix upgrade will be adopted to facilitate elimination of backward production capacity and industrial transformation and upgrade, thereby further narrowing the gap between supply and demand in the cement industry. Furthermore, leading players in the Industry will proactively promote merger, acquisition and restructuring, so as to achieve higher industry concentration and promote healthy market competition, which will facilitate increase in the cement price.

In the second half of the year, the Group will continue to steadily promote the implementation of its development strategy of internationalization. Efforts will be made to coordinate production and sales in relation to Myanmar Conch and the phase-two project of PT Conch South Kalimantan Cement, as well as to push ahead with the trial operation of the project in Papua Barat and the Merak grinding mill project in Indonesia. The Group will also step up efforts in market expansion and accelerate the preliminary preparation works for the projects in Battambang of Cambodia and North Sulawesi of Indonesia and Luang Prabang of Laos. Meanwhile, seizing the favorable opportunities arising from the structural adjustment of the PRC cement industry, strengthening the strategic cooperation with major enterprises of the cement industry and adhering to its established criteria, the Group will steadily carry out merger and acquisition and restructuring, so as to further fine-tune its strategic market planning. Meanwhile, efforts will be made to accelerate its aggregate business development, to improve the Company’s profitability.

3. Management Discussion and Analysis

In respect of operation management, the Group will closely monitor changes in the domestic and overseas economic environment to grasp proper understanding of the supply-and-demand relationship, pursuant to which the Group will implement precise marketing strategy. Based on the different characteristics of regional markets, the Group will implement marketing strategy of “one policy for one region and one policy for one plant”. In light of the stable and recovering coal price, the Group will lower the purchase costs of raw coal by optimizing and adjusting direct-supply channel structure and using different types of coal. Efforts will be made to push ahead with the pilot smart plants by accelerating technology modification for energy conservation and consumption reduction, as well as proactively implementing the strategy of “Integration of Informatization and Industrialization”. The Group will strengthen employees’ job-related skills and comprehensive ability training, so as to enhance labour productivity. Moreover, the Group will also optimize performance appraisal and incentive mechanism to further motivate its staff to reduce costs, explore markets and increase efficiency, with an aim to create greater value for the shareholders of the Company.

4. Report of the Directors

(1) PRINCIPAL INVESTMENTS DURING THE REPORTING PERIOD

1. Capital increase in subsidiaries and joint ventures during the Reporting Period

- (1) In January 2016, the Company and GAO SHENG GROUP PTE. LTD made cash injection to Sino-Myanmar International Trading Co., Ltd.* (中緬(蕪湖)國際貿易有限公司) (“Sino-Myanmar International”) in proportion to their respective shareholding in Sino-Myanmar International. The total amount of capital contribution amounted to US\$25 million, of which US\$11.25 million was contributed by the Company. After completion of the capital increase, the registered capital of Sino-Myanmar International increased from US\$65 million to US\$90 million, and the Company will retain its 45% equity interest in Sino-Myanmar International.
- (2) In April 2016, the Company made cash injection to Nantong Conch Cement Co., Ltd. (“Nantong Conch”), with the total amount of capital contribution amounting to RMB35 million. After completion of the capital increase, the registered capital of Nantong Conch increased from RMB15 million to RMB50 million, and the Company will retain its 100% equity interest in Nantong Conch.
- (3) In June 2016, the Company and Guizhou Panjiang Investment Holding (Group) Co., Ltd. made cash injection to Guiyang Conch Panjiang Cement Co., Ltd. (“Guiyang Conch”) in proportion to their respective shareholding in Guiyang Conch. The total amount of capital contribution amounted to RMB126 million, of which RMB63 million was contributed by the Company. After completion of the capital increase, the registered capital of Guiyang Conch increased from RMB580 million to RMB706 million, and the Company will retain its 50% equity interest in Guiyang Conch.

4. Report of the Directors

2. Shareholdings in other listed companies

As at the end of the Reporting Period, the Group's shareholdings in other listed companies are set out as follows:

Stock code	Short name	Initial investment costs (RMB)	Percentage of shareholding		Carrying amount as at the end of the Reporting Period (RMB)	Profit/loss recognized during the Reporting Period (RMB)	Change in equity interest during the Reporting Period (RMB)
			at the beginning of the Reporting Period (%)	at the end of the Reporting Period (%)			
600318	Xinli Finance	98,019,695	16.28	16.28	1,057,112,188	-	-146,514,804
000401	Jidong Cement	2,161,423,434	13.93	13.93	2,045,973,360	-	-
600425	Qingsong Building Materials and Chemicals	813,754,120	10.59	10.59	714,815,051	-59,739,826	-59,830,414
2233	WCC	1,449,828,915	21.17	21.17	1,354,897,014	-34,681,658	-34,681,658
Total		4,523,026,164	-	-	5,172,797,613	-94,421,484	-241,026,876

The shares held by the Group in Xinli Finance and Jidong Cement were recognized as “available-for-sale financial assets”, while the shares in Qingsong Building Materials and Chemicals and WCC were recognized as “long-term equity investments”.

3. Major investments not applying the Proceeds during the Reporting Period

During the Reporting Period, the Group did not have major investment project with a total investment amount exceeding 10% of the audited net assets of the Company of the previous year. For details of the investment projects of the Group during the Reporting Period, please refer to the Operations Overview under the Chapter 3 “Management Discussion and Analysis” in this report.

4. Report of the Directors

4. Principal majority-owned subsidiaries and invested companies

As at 30 June 2016, the Company had 125 majority-owned subsidiaries, 4 jointly-controlled entities and 3 associated entities. During the Reporting Period, there was no subsidiary or invested company in which the Company's share of its net profit or investment income accounted for more than 10% of the net profit of the Company.

5. Financial entrustment

During the Reporting Period, there were no financial entrustment activities, nor there subsisted any financial entrustments which were extended from the previous periods.

(2) IMPLEMENTATION OF THE 2015 PROFIT DISTRIBUTION PROPOSAL OF THE COMPANY

On 2 June 2016, the profit distribution proposal for the year 2015 was approved at the 2015 annual general meeting of the Company. On the basis of 5,299,302,579 shares which was the total number of shares in issue of the Company at the end of 2015, under such proposal, the Company paid to all the shareholders of the Company a cash dividend of RMB0.43 (tax inclusive) per share, totaling RMB2,278,700,108.97 (tax inclusive). As at the end of the Reporting Period, the above dividend was paid to all the shareholders whose names appeared in the register of members of the Company on the relevant record date.

(3) THE BOARD DID NOT RECOMMEND THE PAYMENT OF INTERIM DIVIDEND OR THE TRANSFER OF SURPLUS RESERVE TO SHARE CAPITAL FOR THE SIX MONTHS ENDED 30 JUNE 2016

5. Significant Events

(1) CORPORATE GOVERNANCE

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

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

The Board is the decision-making body for business operation of the Company, which is accountable to the shareholders in general meeting. It operates in accordance with the Articles and the Rules of Procedures of Board Meeting. The Directors organize and implement various resolutions of the general meeting in a diligent, prudent and responsible manner through decisions in scientific approach to facilitate the healthy and sound development of the Company.

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

(2) MATERIAL LITIGATION, ARBITRATION AND NEGATIVE MEDIA INQUIRY

During the Reporting Period, the Group was not involved in any material litigation, arbitration or negative media inquiry which might have a material impact on the Group's business operation and management, nor were any of the current Directors, Supervisors and members of senior management of the Company involved in any material litigation or arbitration.

(3) EVENTS REGARDING INSOLVENCY AND RESTRUCTURING

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

5. Significant Events

(4) PROGRESS ON ACQUISITIONS AND DISPOSALS OF MATERIAL ASSETS

- (1) On 27 November 2015, the Company, WCC and Grand Winner Holdings Limited (“Grand Winner”, a wholly-owned subsidiary of WCC) entered into an equity sale agreement, pursuant to which, the Company intended to sell to Grand Winner its 100% equity interests in each of the four wholly-owned subsidiaries in Shanxi including Baoji Zhongxi Fenghuangshan Cement Co., Ltd., and the consideration of the transaction will be satisfied by the issue of shares by WCC to the Company (or its wholly-owned subsidiary, Conch International Holdings (HK) Limited, or other wholly-owned subsidiaries designated by the Company). In accordance with the relevant provisions of the agreement, in the event that the relevant conditions precedent had not been satisfied or waived at or before 5:00 p.m. on 30 June 2016 (or such other time as may otherwise be agreed among parties thereto), the equity sale agreement shall be ceased and terminated. Given that the conditions precedent to the equity transaction have not been satisfied including but not limited to obtaining the approval for the transactions from the competent commerce authorities in the PRC prior to the aforesaid stipulated time, all the parties, through amicable negotiation, determined to terminate the equity sale agreement and the transaction in accordance with the relevant provisions of the agreement. Conch Cement and WCC will continue to explore various forms and ways for future cooperation and to create business synergies. For further details, please refer to the joint announcements published on the website of the Stock Exchange by the Company, Conch International Holdings (HK) Limited and WCC on 27 November 2015, 24 December 2015, 29 December 2015, 29 February 2016, 20 May 2016 and 30 June 2016 respectively, as well as the announcements published on the website of the SSE by the Company on 28 November 2015 and 1 July 2016 respectively.
- (2) On 23 October 2015, Chaohu Conch Cement Co., Ltd. (“Chaohu Conch”), a wholly-owned subsidiary of the Company, entered into an assets transfer agreement with Chaodong Cement, pursuant to which Chaohu Conch acquired assets and liabilities related to the cement business of Chaodong Cement in cash. On 5 February 2016, the Company received a Notification of Examination Results (Shang Fan Long Shen Cha Han [2016] No. 8) (《審查決定通知》(商反壟審查函[2016]第8號)) issued by the Anti-Monopoly Bureau of the Ministry of Commerce of the PRC, which had granted its approval for the concentration of operators in respect of the acquisition of cement assets of Chaodong Cement by the Company. So far, all the conditions to closing of the subject assets under the aforesaid assets transfer agreement have been fulfilled. As at the end of the Reporting Period, except that the transfer procedures regarding the trademarks, lands, certain certificates of ownership and others are underway, the transfer of other tangible assets related to the operation has been completed. For further details, please refer to the announcements published on the websites of the SSE and the Company by the Company on 27 October 2015 and 16 February 2016 respectively.

5. Significant Events

(5) STOCK OPTION INCENTIVE SCHEME

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

(6) CONNECTED (OR RELATED PARTY) TRANSACTIONS

During the Reporting Period, the Group entered into the following significant connected (or related party) transactions under the SSE Listing Rules and the HKSE Listing Rules:

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

Use of trademarks

On 23 September 1997, the Company and Conch Holdings, being its controlling shareholder, entered into a trademark licensing agreement (“Trademark Licensing Agreement”), pursuant to which the Company has been granted a license to use certain permitted trademarks (including trademarks of “海螺” and “CONCH”) on permitted products in permitted regions for the period as set out in the terms of the Trademark Licensing Agreement. The validity period of the Trademark Licensing Agreement is provided to be same as the validity period of the permitted trademarks, and where the validity period of the permitted trademarks is extended, the Trademark Licensing Agreement in respect of the trademarks is agreed to be extended automatically. Under the Trademark Licensing Agreement, the Company is required to pay RMB1.513 million per annum for the use of the trademark to Conch Holdings.

During the Reporting Period, the fees payable by the Company to Conch Holdings in respect of the use of the trademark amounted to RMB756,500. Pursuant to the HKSE Listing Rules and the SSE Listing Rules, no announcements were required to be made in respect of such connected transaction, nor was such connected transaction subject to the independent shareholders’ approval requirement.

2. Engineering design and technical services for cement and clinker projects

On 11 March 2016, as approved by the Board, the Company and Conch Design Institute entered into a design and technical services contract, pursuant to which Conch Design Institute would provide certain subsidiaries of the Company with engineering design and technical innovation services for clinker production lines, cement grinding mills and residual heat electricity generation projects, with a contract sum of RMB90.74 million.

5. Significant Events

As stipulated in the design and technical services contract, the design fee was determined by the parties after arm's length negotiation with reference to the scale charge for project design promulgated by the National Development and Reform Commission of the PRC and Ministry of Construction of the PRC in 2002 and based on the project scale, investment amount, scope of design, standard of technology and the prevailing market fees for the provision of relevant services. The design fee would be settled according to the progress of the project.

For the performance of the above-mentioned design and technical services contract (and only such contract), the transaction amounts incurred during the Reporting Period amounted to RMB5.2748 million. If taking into account the amount incurred in connection with the performance of other similar contracts entered into in previous years, the accumulated transaction amounts with Conch Design Institute during the Reporting Period amounted to RMB9.4676 million.

For details about the aforesaid transaction, please refer to the Company's announcement dated 11 March 2016 and published on the website of the Stock Exchange and the website of the Company.

3. Equipment supply and design services for residual heat electricity generation projects and coal-fired power plant projects

During the Reporting Period, due to the performance of the contract of equipment supply and design for residual heat electricity generation projects and coal-fired power plant projects entered into in previous years, the transaction amounts by the Company with Conch Kawasaki Engineering amounted to RMB186.6341 million. During the Reporting Period, there was no new transaction entered into between the Company and Conch Kawasaki Engineering in relation to the equipment supply and design services for residual heat electricity generation projects and coal-fired power plant projects.

The prices as stipulated in the contract of equipment supply and design for those residual heat electricity generation projects and coal-fired power plant projects were mainly determined through negotiations between the parties based on the scale of such projects, various technical specifications, the prevailing market prices of such services and the prices charged by Conch Kawasaki Engineering against other customers, provided that such prices shall not be higher than that offered by Conch Kawasaki Engineering to its independent customers.

For further details, please refer to the Company's announcements published in 2015 and in previous years on the websites of the Stock Exchange and the Company respectively as well as on the SSE website, Shanghai Securities Journal and Securities Times. Such connected transactions are not subject to the independent shareholders' approval requirements.

5. Significant Events

(7) MATERIAL CONTRACTS

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

2. Guarantees

During the Reporting Period, all the external guarantees of the Company were in compliance with the approval procedures of the Board and/or the general meeting, and the guarantees provided by the Company to its controlling subsidiaries and invested companies in aggregate amounted to RMB2,131.08 million, all being guarantees for collateral liabilities, the details of which are as follows:

No.	Guaranteed company	Shareholding proportion of the Company	Amount guaranteed by the Company (RMB'000)	Guaranteed period	Date of guarantee contract	Use of loans	Name of creditor
1	Guiyang Conch	50%	20,000	two years	2016.1.8	working capital	China Construction Bank, Qingzhen Sub-branch
2	Guizhou Liukuangruian Cement Co., Ltd.	51%	100,000	one year	2016.1.28	working capital	China Minsheng Bank, Shanghai Branch
3	Ganzhou Conch	55%	500,000	two years	2016.3.31	working capital	HSBC Bank, Hefei Branch
4	Ganzhou Conch	55%	200,000	three years	2016.6.29	working capital	Industrial and Commercial Bank of China, Xinfeng Railway Station Sub-branch
5	Liquan Conch Cement Co., Ltd.	100%	90,000	three years	2016.5.13	working capital	China Construction Bank, Liquan Sub-branch
6	Qianyang Conch Cement Co., Ltd.	100%	150,000	one year	2016.5.16	working capital	Agricultural Bank of China, Qianyang Sub-branch
7	Yingjiangyunhan Cement Co., Ltd.	90%	100,000	one year	2016.5.17	working capital	JPMorgan Chase Bank, Suzhou Branch

5. Significant Events

No.	Guaranteed company	Shareholding proportion of the Company	Amount guaranteed by the Company (RMB'000)	Guaranteed period	Date of guarantee contract	Use of loans	Name of creditor
8	Anhui Xuancheng Conch Cement Co., Ltd.	100%	50,000	three years	2016.5.25	working capital	Agricultural Bank of China, Xuancheng Shuidong Sub-branch
9	Goldsun (Hunan) Cement Co., Ltd.	80%	500,000	two years	2016.6.29	working capital	HSBC Bank, Hefei Branch
10	Indonesia Conch	75%	US\$10 million (66,310)	two years	2016.3.10	working capital	Sumitomo Mitsui Banking Corporation, Jakarta Branch
11	Indonesia Conch	75%	US\$25 million (165,780)	five years	2016.4.26	working capital	Bank of China (Hong Kong) Limited
12	Indonesia Conch	75%	US\$8.5 million (56,370)	one year and five months	2016.5.17	working capital	Sumitomo Mitsui Banking Corporation, Jakarta Branch
13	Kalimantan Conch	71.25%	US\$20 million (132,620)	one year	2016.6.14	working capital	Sumitomo Mitsui Banking Corporation, Jakarta Branch
Total			2,131,080	-	-	-	-

Notes:

- (1) The Company provided a guarantee for loans granted to Guiyang Conch on a pro rata basis in accordance with its shareholding proportion;
- (2) The Company provided full guarantee for the loans granted to the six majority-owned subsidiaries including Liukuangruian, Liuzhi Gongkuang (Group) Co., Ltd. (a shareholder holding 49% equity interests in Liukuangruian) provided equity pledge and other shareholders of Ganzhou Conch, Yingjiangyunhan, Goldsun Cement, Indonesia Conch and Kalimantan Conch provided counter-guarantee on a pro rata basis in proportion to their respective shareholding interests;
- (3) The RMB-denominated amounts of the guarantees provided by the Company for the USD-denominated loans of Kalimantan Conch and Indonesia Conch as set out in the table above, were translated at the exchange rate of the US Dollar against Renminbi on 30 June 2016.

5. Significant Events

During the Reporting Period, the Company did not provide any guarantee for its controlling shareholder, de facto controllers, other related parties and any other entities which are not legal persons or individuals. As at the end of the Reporting Period, the balance of the external guarantees provided by the Company (excluding those provided for its subsidiaries) amounted to RMB1,193.58 million.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries in aggregate amounted to RMB2,131.08 million, which included the guarantees for the bank loans as set out in the table above and the guarantees for the trade finance facilities granted to Shanghai Conch Construction Material International Trading Co., Ltd. in an amount of RMB360 million. As at the end of the Reporting Period, the balance of the guarantees provided by the Company for its subsidiaries in aggregate amounted to RMB5,832.08 million.

As at the end of the Reporting Period, the balance of external guarantees provided by the Company (including those provided for its subsidiaries) in aggregate amounted to RMB7,025.66 million, including RMB-denominated guarantee of RMB5,310.5 million and USD-denominated guarantee of US\$258.65 million (the USD-denominated guarantee balance was translated at the exchange rate of the US Dollar against Renminbi on 30 June 2016), representing 10.09% of the net assets of the Company as at the end of the Reporting Period, which did not exceed the limit of 50%.

During the Reporting Period, the guarantees provided by the Company for its subsidiaries with a gearing ratio of over 70% amounted to RMB1,221.08 million.

During the Reporting Period, Chaohu Conch, a wholly-owned subsidiary of the Company, acquired the assets and liabilities related to the cement business of Chaodong Cement, assuming its borrowings from financial institutions, which were pledged by certain lands as well as machinery and equipment of Chaodong Cement. As at the end of the Reporting Period, the balance of the aforesaid pledged borrowings amounted to RMB294 million.

As at 30 June 2016, save for the guarantees and pledges of assets as disclosed above, the Group did not provide any other guarantees or pledges, nor did the Group have any other significant contingent liabilities.

5. Significant Events

(8) COMMITMENTS

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

(9) AUDIT COMMITTEE

An audit committee (the "Audit Committee") has been established by the Company. The terms of reference adopted by the Audit Committee complied with all the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the HKSE Listing Rules. The Audit Committee is responsible for the review and supervision of financial reporting procedures and the internal control system of the Group as well as the giving of advice and recommendations to the Board. This interim report of 2016 of the Company has been reviewed by the Audit Committee.

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

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

(11) AS AT THE END OF THE REPORTING PERIOD AND UP TO THE DATE OF THIS INTERIM REPORT, THERE WAS NO OCCURRENCE OF ANY EVENT THAT MIGHT IMPOSE MATERIAL IMPACTS ON THE GROUP.

6. Changes in Share Capital and Shareholdings of Substantial Shareholders

(1) THERE WAS NO CHANGE IN THE TOTAL NUMBER OF SHARES AND THE SHAREHOLDING STRUCTURE OF THE COMPANY DURING THE REPORTING PERIOD, DETAILED BELOW:

(Unit: Share)

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

(2) TOTAL NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS OF THE TOP 10 REGISTERED SHAREHOLDERS AS AT THE END OF THE REPORTING PERIOD:

As of 30 June 2016, the Company had a total of 96,643 shareholders, 137 of which were holders of H Shares.

Name of shareholder	Nature of shareholder	Number of shares held at the end of the Reporting Period (share)	Percentage of shareholding (%)	Class of shares
1. Conch Holdings ^(Note 2)	State-owned legal person	1,948,869,927	36.78	A Share
2. HKSCC Nominees Limited ^(Note 3)	Foreign legal person	1,297,888,885	24.49	H Share
3. Conch Venture ^(Note 2)	Domestic non-state-owned legal person	286,713,246	5.41	A Share
4. China Securities Finance Corporation Limited	State-owned legal person	166,943,132	3.15	A Share
5. Hong Kong Securities Clearing Company Limited	Foreign legal person	130,189,532	2.46	A Share

6. Changes in Share Capital and Shareholdings of Substantial Shareholders

Name of shareholder	Nature of shareholder	Number of shares held at the end of the Reporting Period (share)	Percentage of shareholding (%)	Class of shares
6. Central Huijin Asset Management Ltd.	State-owned legal person	70,249,600	1.33	A Share
7. Genesis Asset Managers, LLP – Customer Funds	Others	51,341,642	0.97	A Share
8. National Social Security Fund 102 Package	Others	30,033,880	0.57	A Share
9. Bank Negara Malaysia	Others	28,279,588	0.53	A Share
10. National Social Security Fund 108 Package	Others	23,983,620	0.45	A Share

Notes:

- (1) All the above shares are floating shares not subject to trading restrictions.
- (2) During the Reporting Period, there was no change in the number of the shares of the Company held by Conch Holdings and Conch Venture, and such shares were not subject to any pledge, freezing order or trust.
- (3) HKSCC Nominees Limited held 1,297,888,885 H Shares, representing 24.49% of the total share capital of the Company, and 99.87% of the issued H Share capital of the Company. These shares were held on behalf of various clients.
- (4) So far as the Board is aware, among the above-mentioned shareholders, Conch Holdings and Conch Venture have connected relationship under the SSE Listing Rules. Save for the aforesaid, the Board is not aware of any connected relationship or acting in concert relationship among the above-mentioned shareholders.

6. Changes in Share Capital and Shareholdings of Substantial Shareholders

(3) AS AT 30 JUNE 2016, THE FOLLOWING PERSONS (OTHER THAN THE DIRECTORS OR CHIEF EXECUTIVE OF THE COMPANY) HELD INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT BY THE COMPANY UNDER SECTION 336 OF THE SFO (REFERENCES TO DIRECTORS OR CHIEF EXECUTIVE IN THIS PARAGRAPH INCLUDE SUPERVISORS):

Name of shareholder	Number of ordinary shares held	Capacity	Percentage of shareholding of the relevant class of shares
Conch Holdings	1,948,869,927 A Shares (long position) (Note 1)	Interest of a controlled corporation/ Beneficial owner	48.73% (Note 2)
Anhui Provincial Investment Group Holdings Co., Ltd.	1,948,869,927 A Shares (long position) (Note 1)	Interest of a controlled corporation	48.73% (Note 2)
CCVH	1,948,869,927 A Shares (long position) (Note 1)	Interest of a controlled corporation	48.73% (Note 2)
Conch Venture	298,447,816 A Shares (long position) (Note 1)	Interest of a controlled corporation/ Beneficial owner	7.46% (Note 2)
JPMorgan Chase & Co.	139,371,817 H Shares (long position) (Note 4)	Beneficial owner/ Investment manager/ Trustee/Custodian	10.72% (Note 3)
JPMorgan Chase & Co.	5,099,252 H Shares (short position) (Note 4)	Beneficial owner	0.39% (Note 3)
Genesis Asset Managers, LLP	117,241,816 H Shares (long position)	Investment manager	9.02% (Note 3)
Taiwan Cement Corporation	116,568,000 H Shares (long position) (Note 5)	Interest of a controlled corporation	8.97% (Note 3)
BlackRock, Inc.	95,533,269 H Shares (long position) (Note 6)	Interest of a controlled corporation	7.35% (Note 3)

6. Changes in Share Capital and Shareholdings of Substantial Shareholders

Notes:

- (1) Anhui Provincial Investment Group Holdings Co., Ltd. (“Anhui Provincial Investment Group”) and Conch Venture Property held 51% and 49% of the equity interests in Conch Holdings, respectively. Conch Venture Property is wholly owned by Anhui Conch Venture New Energy-saving Building Material Co., Ltd. (“CV Green”), which is in turn wholly owned by China Conch Venture Holdings (HK) Limited (“CV HK”). CV HK is wholly owned by China Conch Venture Holdings International Limited (“CV International”). CV International is a wholly-owned subsidiary of CCVH, a company listed on the Main Board of HKSE (stock code: 586). Pursuant to the SFO, Anhui Provincial Investment Group, Conch Venture Property, CV Green, CV HK, CV International and CCVH were deemed to have interests in the entire number of shares of the Company held by Conch Holdings.

Among the 298,447,816 A Shares held by Conch Venture, 286,713,246 Shares were held by Conch Venture directly and 11,734,570 Shares were held in the name of Wuhu Conch Property Management Co., Ltd. (a wholly-owned subsidiary of Conch Venture).

- (2) The total number of domestic shares in issue was 3,999,702,579 shares, all of which were A Shares.
- (3) The total number of H Shares in issue was 1,299,600,000 shares.
- (4) Based on the disclosure of interests form submitted by JPMorgan Chase & Co. on 16 June 2016 in respect of the relevant event that occurred on 14 June 2016, these shares were held through certain subsidiaries of JPMorgan Chase & Co.. Of the 139,371,817 H Shares (long position), 59,224,044 H Shares were held in the capacity of beneficial owner, 5,376,565 H Shares in the capacity of investment manager; 18,240 H Shares in the capacity of trustee, and 74,752,968 H Shares (securities in lending pool) in the capacity of custodian.
- (5) Based on the disclosure of interests form submitted by Taiwan Cement Corporation on 12 December 2008 in respect of the relevant event that occurred on 11 December 2008, 38,856,000 H Shares were held by Taiwan Cement Corporation through certain of its subsidiaries. Assuming that the company has not disposed of any shares, upon implementation of the proposal of capitalization of capital reserve fund by the Company in 2010 and 2011, Taiwan Cement Corporation held 116,568,000 H Shares accordingly.
- (6) Based on the disclosure of interests form submitted by BlackRock, Inc. on 1 July 2016 in respect of the relevant event that occurred on 30 June 2016, these shares were held through certain subsidiaries of BlackRock, Inc..

Save for the aforesaid shareholders, as at 30 June 2016, the Company was not aware of any interests and short positions as recorded in the register required to be kept pursuant to section 336 of the SFO.

(4) PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

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

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

7. Directors, Supervisors, Senior Management and Staff

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

As approved at the 2015 annual general meeting of the Company held on 2 June 2016, Mr. Gao Dengbang, Mr. Wang Jianchao, Mr. Wu Bin, Mr. Ding Feng and Mr. Zhou Bo were appointed as executive Directors of the seventh session of the Board; and Mr. Yang Mianzhi, Mr. Tai Kwok Leung and Mr. Leung Tat Kwong Simon were appointed as independent non-executive Directors of the seventh session of the Board. Mr. Qi Shengli and Mr. Wang Pengfei were appointed as the Supervisors of the seventh session of the Supervisory Committee, and Mr. Wang Chunjian was appointed as the staff representative supervisor of the seventh session of the Supervisory Committee. The above appointments have become effective from the date of the passing of the resolutions at the 2015 annual general meeting and the term shall be 3 years.

During the Reporting Period, Mr. Tai Kwok Leung was appointed as an independent non-executive director of Jiayuan International Group Limited (a company listed on the Main Board of Stock Exchange (stock code: 2768)) on 12 February 2016. Save for the aforesaid, there was no change in the biographies of other Directors, Supervisors and senior management members of the Company during the Reporting Period.

The first meeting of the seventh session of the Board was held on the same day and unanimously elected Mr. Gao Dengbang as the chairman of the seventh Board and Mr. Wang Jianchao as the deputy chairman. The first meeting of the seventh session of the Supervisory Committee unanimously elected Mr. Qi Shengli as the chairman of the seventh session of the Supervisory Committee.

Mr. Wong Kun Kau, Mr. Zhao Jianguang, Mr. Guo Jinbin and Ms. Zhang Mingjing ceased to be the directors of the Company and cease to occupy positions in the special committees under the Board upon the expiry of their terms of office. The Board would like to extend its heartfelt gratitude to the aforesaid retired directors for their positive and significant contribution to the development of the Company during their tenure of office.

7. Directors, Supervisors, Senior Management and Staff

(2) CHANGES IN THE NUMBER OF SHARES OF THE COMPANY HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD

Name	Position	Number of shares held as of 31 December 2015 (shares)	Reduction of shareholding during the Reporting Period (shares)	Number of shares held as of 30 June 2016 (shares)
Li Xiaobo	Deputy general manager	193,000	–	193,000
Ke Qiubi	Assistant to general manager	504,445	–	504,445
Chen Yongbo	Assistant to general manager	12,000	–	12,000
Xia Xiaoping	Deputy chief accountant	115,000	–	115,000

Save as disclosed above, the other Directors, Supervisors and senior management members of the Company did not hold or purchase or sell any shares of the Company during the Reporting Period.

(3) INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

During the Reporting Period, none of the Directors, chief executive and Supervisors of the Company nor any of their respective associates held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), nor had they been granted or exercised the above rights, which were recorded in the register of the Company required to be kept and maintained in accordance with section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the HKSE Listing Rules.

During the Reporting Period, none of the Directors and Supervisors of the Company had material interest in any contract entered into by the Company or its subsidiaries.

(4) CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company has complied with the relevant requirements of the Code Provisions.

7. Directors, Supervisors, Senior Management and Staff

(5) MODEL CODE

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

(6) STAFF AND REMUNERATION

As of 30 June 2016, the Group employed 45,874 staff members with a total remuneration of approximately RMB1,802.94 million, which was the total remuneration of staff during the Reporting Period.

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

The Group provided multi-level training programmes, with an aim to enhancing the management capability of the leaders and strengthening the professional skills and safety awareness of the staff. During the Reporting Period, the Group further improved its training management systems at its head office, regional entities and subsidiaries, enhanced the duty-performing capabilities of its professional departments and regional professional teams, and constantly strengthen the governing capacity of the cadres, thus effectively improving all the cadres' ability in operation and management. Meanwhile, efforts were exerted to strengthen the training of professional skills and safety management knowledge for the general staff, so as to ensure its stable production and effective management control.

8. Information on Corporate Bonds

(1) GENERAL INFORMATION ON CORPORATE BONDS

Name of Bonds	Abbreviation	Code	Issuance Date	Maturity Date	Balance of Bonds (RMB billion)	Interest Rate (%)	Principal and Interest Payment	Stock Exchange
2011 Corporate Bonds of Anhui Conch Cement Company Limited ("2011 Corporate Bonds")	11Conch01 (11海螺01)	122068	2011.5.23	2016.5.22	0	5.08	The interest is payable annually, and the final interest shall be paid together with the principal amount	SSE
	11Conch02 (11海螺02)	122069		2018.5.22	2.5	5.20		
2012 Corporate Bonds of Anhui Conch Cement Company Limited ("2012 Corporate Bonds")	12Conch01 (12海螺01)	122202	2012.11.7	2017.11.06	2.5	4.89	The interest is payable annually, and the final interest shall be paid together with the principal amount	SSE
	12Conch02 (12海螺02)	122203		2022.11.06	3.5	5.10		

Notes:

- The 2012 Corporate Bonds "12 Conch 02" confer the issuer the option to raise the coupon rate at the end of the seventh year from the date of issue and confer the investors the option to sell back the bonds to the issuer, i.e. the issuer has the right to raise the coupon rate for the last three years at the end of the seventh year from the date of issue (the issuer may choose not to exercise such option and the original coupon rate remains unchanged), and the investors have the right to sell all or part of the bonds held by them back to the Company at par value on the interest payment date of the seventh interest-bearing year.
- The 2011 Corporate Bonds "11 Conch 01" was due on 22 May 2016, the principal and interest of which were fully paid. Please refer to the announcement of the Company dated 12 May 2016 for the details.

8. Information on Corporate Bonds

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

Trustee of 2011 Corporate Bonds	Name	Ping An Securities Company, Ltd.
	Business address	16-20th Floor, Rongchao Tower, 4036 Jintian Road, Futian District, Shenzhen
	Contact person	Zhang Caihong (張彩虹)
	Telephone	010-66299527
Trustee of 2012 Corporate Bonds	Name	Zhong De Securities Co., Ltd. (中德證券有限責任公司)
	Business address	22nd Floor, Tower 1, China Central Place, 81 Jianguo Road, Chaoyang District, Beijing
	Contact person	Yang Rurui (楊汝睿)
	Telephone	010-59026600
Credit Rating Agency of 2011 Corporate Bonds and 2012 Corporate Bonds	Name	China Chengxin Securities Rating Company Limited (中誠信證券評估有限公司)
	Business address	14th Floor, Block C, Merchants International Finance Center, 156 Fuxingmennei Avenue, Xicheng District, Beijing

(3) USE OF PROCEEDS FORM ISSUANCE OF CORPORATE BONDS

The net proceeds raised from the issuance of the corporate bonds with a principal amount of RMB9.5 billion by the Company in 2011 amounted to RMB9,461,980,000. Pursuant to the purposes and application plan as stipulated in the prospectus, all the proceeds were utilized in 2012, of which RMB5,034,480,000 was used to replenish its working capital and RMB4,427,500,000 was used to repay loans.

The net proceeds raised from the issuance of the corporate bonds with a principal amount of RMB6.0 billion by the Company in 2012 amounted to RMB5,995,240,000. Pursuant to the purposes and application plan as stipulated in the prospectus, all the proceeds were utilized in 2013, of which RMB3,000,000,000 was used to replenish its working capital and RMB2,995,240,000 was used to repay loans.

8. Information on Corporate Bonds

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

According to the two credit rating notices (Xinpingweihanzi [2016] tracking No.021 and Xinpingweihanzi [2016] tracking No.022) and tracking rating reports issued by China Chengxin Securities Rating Company Limited (“China Chengxin”) in April 2016, and based on the tracking analysis on the Company, its 2011 Corporate Bonds and 2012 Corporate Bonds conducted by China Chengxin, the credit rating committee of China Chengxin considered and determined to maintain the Company’s main credit rating of AAA with stable rating outlook, and also maintain the credit rating of its 2011 Corporate Bonds of AAA and the credit rating of its 2012 Corporate Bonds of AAA. The two above-mentioned tracking rating reports were published on the websites of the SSE, the Hong Kong Stock Exchange and the Company on 15 April 2016.

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

Conch Holdings, the controlling shareholder of the Company, provided unconditional and irrevocable guarantee by way of joint liability assurance for the 2011 Corporate Bonds and 2012 Corporate Bonds issued by the Company. As of 30 June 2016, the accumulative outstanding balance of external guarantees provided by Conch Holdings amounted to RMB9.566 billion (including the guarantee provided for the two tranches of corporate bonds issued by the Company in an aggregate amount of RMB8.5 billion), representing 35.3% of the unaudited net assets (excluding minority interests) of Conch Holdings as at 30 June 2016.

The debt repayment plan for the seven-year bonds of the 2011 Corporate Bonds and 2012 Corporate Bonds issued by the Company is as follows:

The interests of the seven-year bonds of the 2011 Corporate Bonds of the Company shall be paid by the issuer through the share registrar and the relevant authorities on 23 May of each year during the period from the first year to the seventh year after the issuance date, and the principal amount shall be paid by the issuer through the share registrar and the relevant authorities on 23 May 2018.

The interests of the five-year bonds of the 2012 Corporate Bonds of the Company shall be paid by the issuer through the share registrar and the relevant authorities on 7 November of each year during the period from the first year to the fifth year after the issuance date, and the principal amount shall be paid by the issuer through the share registrar and the relevant authorities on 7 November 2017.

The interests of the ten-year bonds of the 2012 Corporate Bonds of the Company shall be paid by the issuer through the share registrar and the relevant authorities on 7 November of each year during the period from the first year to the tenth year after the issuance date, and the principal amount shall be paid by the issuer through the share

8. Information on Corporate Bonds

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

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

The major financial indicators (unaudited) of Conch Holdings, the guarantee for the 2011 Corporate Bonds and 2012 Corporate Bonds of the Company, for the first half of 2016 are as follows:

Items	30 June 2016
Net assets (billion)	77.529
Gearing ratio (%)	29%
Return on net assets (%)	4.55%
Current ratio (times)	2.06
Quick ratio (times)	1.73

(6) MEETINGS OF CORPORATE BOND HOLDERS

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

(7) PERFORMANCE OF THE TRUSTEE OF THE CORPORATE BONDS

During the Reporting Period, Ping An Securities Company, Ltd. disclosed the Trustee Report on the 2011 Corporate Bonds of Anhui Conch Cement Company Limited (2015) in April 2016, including the operation and financial position of the issuer for the year, utilization of the proceeds, credibility of guarantees of the corporate bonds, interest payment of the bonds for the current period and the tracking rating of the bonds.

During the Reporting Period, Zhong De Securities Co., Ltd. disclosed the Trustee Report on the 2012 Corporate Bonds of Anhui Conch Cement Company Limited (2015) in April 2016, including the operation and financial position of the issuer for the year, utilization of the proceeds, credibility of guarantees of the corporate bonds, principal and interest payment of the bonds for the current period and the tracking rating of the bonds.

8. Information on Corporate Bonds

(8) ACCOUNTING INFORMATION AND FINANCIAL INDICATORS AS OF THE END OF THE REPORTING PERIOD AND THE PREVIOUS YEAR (OR THIS REPORTING PERIOD AND THE CORRESPONDING PERIOD OF THE PREVIOUS YEAR)

Major indicators	30 June 2016	31 December 2015	Change between the end of this Reporting Period and the previous year (%)	Reason for the change
Current ratio (%)	168.68	128.45	Increased by 40.23 percentage points	Decrease in current liabilities due within one year
Quick ratio (%)	137.43	107.68	Increased by 29.75 percentage points	Decrease in current liabilities due within one year
Gearing ratio (%)	27.18	30.13	Decreased by 2.95 percentage points	Repayment of bonds due within one year
Loan repayment rate (%)	100	100	-	

Major indicators	Six months ended 30 June 2016	Six months ended 30 June 2015	Increase/(decrease) over the same period of the previous year (%)	Reason for the change
EBITDA interest coverage ratio	15.64	17.64	-11.31	Year-on-year decrease in total profit
Interest payment ratio (%)	100	100	-	

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

As at the end of the Reporting Period, save for the pledge of certain lands as well as machinery and equipment of Chaohu Conch as described in the paragraph headed "Guarantees" in chapter five, no other assets of the Company were charged, pledged, distressed, frozen or only can be realized upon satisfaction of certain conditions or cannot be realized or used to settle debts, nor did there exist any circumstance or arrangement under which other rights were restricted. There were not any other senior debts that have defensive power against a third party.

8. Information on Corporate Bonds

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

Besides issuance of the 2011 Corporate Bonds and the 2012 Corporate Bonds, the Company did not have any other bonds or debt financing instruments.

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

As at the end of the Reporting Period, the facilities granted to the Company by all the banks in aggregate amounted to RMB87.003 billion and US\$570 million, of which an amount of RMB6.583 billion and US\$144 million were drawn and an amount of RMB80.42 billion and US\$427 million remained unutilized. During the Reporting Period, the Company obtained new bank loans in an amount of RMB4.847 billion according to the operation and development needs of the Company, and repaid bank loans of RMB916 million.

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

During the Reporting Period, the Company paid the interests on the relevant bonds and the principal amounts of the bonds due on time as agreed in the prospectus of the bonds without any default.

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

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

9. Financial Accounting Report (Unaudited)

Consolidated statement of profit or loss

for the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi Yuan ("RMB"))

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Revenue	3	23,973,109	24,223,323
Cost of sales and services rendered		(16,790,431)	(17,635,061)
Gross profit		7,182,678	6,588,262
Other revenue	5	615,533	1,003,193
Other net income	5	198,686	1,827,047
Selling and marketing costs		(1,505,220)	(1,370,136)
Administrative expenses		(1,443,531)	(1,317,336)
Profit from operations		5,048,146	6,731,030
Finance costs	6(a)	(453,795)	(499,958)
Share of (losses)/profits of associates		(95,686)	41,576
Share of profits/(losses) of joint ventures		28,091	(8,148)
Profit before taxation	6	4,526,756	6,264,500
Income tax	7	(1,063,906)	(1,514,374)
Profit for the period		3,462,850	4,750,126
Attributable to:			
Equity shareholders of the Company		3,358,547	4,714,488
Non-controlling interests		104,303	35,638
Profit for the period		3,462,850	4,750,126
Earnings per share	9		
Basic		RMB0.63	RMB0.89
Diluted		RMB0.63	RMB0.89

The notes on pages 53 to 79 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 23.

9. Financial Accounting Report (Unaudited)

Consolidated statement of profit and loss and other comprehensive income

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Profit for the period		3,462,850	4,750,126
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		45,121	(5,646)
Available-for-sale equity securities: net movement in fair value reserve	8	(109,886)	311,546
Shares of other comprehensive income of the investees		21,921	(3,437)
Other comprehensive income for the period		(42,844)	302,463
Total comprehensive income for the period		3,420,006	5,052,589
Attributable to:			
Equity shareholders of the Company		3,306,168	5,018,555
Non-controlling interests		113,838	34,034
Total comprehensive income for the period		3,420,006	5,052,589

The notes on pages 53 to 79 form part of this interim financial report.

9. Financial Accounting Report (Unaudited)

Consolidated statement of financial position

at 30 June 2016 – unaudited

(Expressed in Renminbi Yuan)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current assets			
Investment properties	10	37,480	40,156
Other property, plant and equipment	11	65,227,773	64,107,776
Lease prepayments	12	4,748,052	4,489,095
		70,013,305	68,637,027
Intangible assets		2,903,211	2,878,148
Goodwill		463,731	463,731
Interest in associates	13	2,111,911	2,207,688
Interest in joint ventures		839,187	767,749
Loans and receivables	14	233,541	251,964
Available-for-sale equity securities	15	3,103,086	3,249,600
Deferred tax assets		487,449	453,936
Prepayment for an acquisition of business	16	81,000	445,547
		80,236,421	79,355,390
Current assets			
Inventories	17	4,181,177	4,238,039
Trade receivables	18	5,482,533	4,887,786
Prepayments and other receivables	19	2,264,447	2,168,399
Amounts due from related parties	25(d)	452,820	316,079
Tax recoverable		221,215	344,253
Restricted cash deposits		212,607	186,412
Bank deposits with maturity over three months		2,000,000	10,000,000
Cash and cash equivalents	20	8,071,781	4,285,034
		22,886,580	26,426,002

The notes on pages 53 to 79 form part of this interim financial report.

9. Financial Accounting Report (Unaudited)

Consolidated statement of financial position (Cont'd)

at 30 June 2016 – unaudited

(Expressed in Renminbi Yuan)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Current liabilities			
Trade payables	22	3,935,241	3,872,683
Other payables and accruals		6,596,751	7,506,032
Bank loans and other borrowings	21	2,185,520	8,445,248
Amounts due to related parties	25(d)	336,722	319,043
Current taxation		324,977	259,155
		13,379,211	20,402,161
Net current assets			
		9,507,369	6,023,841
Total assets less current liabilities			
		89,743,790	85,379,231
Non-current liabilities			
Bank loans and other borrowings	21	13,932,965	10,739,682
Deferred income		566,359	536,693
Deferred tax liabilities		510,449	558,347
		15,009,773	11,834,722
NET ASSETS			
		74,734,017	73,544,509
CAPITAL AND RESERVES			
Share capital		5,299,303	5,299,303
Reserves		65,875,735	64,848,267
Total equity attributable to equity shareholders of the Company			
		71,175,038	70,147,570
Non-controlling interests			
		3,558,979	3,396,939
TOTAL EQUITY			
		74,734,017	73,544,509

The notes on pages 53 to 79 form part of this interim financial report.

9. Financial Accounting Report (Unaudited)

Consolidated statement of changes in equity

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi Yuan)

Attributable to equity shareholders of the Company											
Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Share of the comprehensive income of the investees	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
								RMB'000			
Balance at 1 January 2016	5,299,303	10,243,790	216,258	(29,113)	2,649,654	742,618	51,013,560	11,500	70,147,570	3,396,939	73,544,509
Changes in equity for the six months ended 30 June 2016:											
Profit for the period	-	-	-	-	-	-	3,358,547	-	3,358,547	104,303	3,462,850
Other comprehensive income	8	-	-	35,586	-	(109,886)	-	21,921	(52,379)	9,535	(42,844)
Total comprehensive income	-	-	-	35,586	-	(109,886)	3,358,547	21,921	3,306,168	113,838	3,420,006
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(14,798)	(14,798)
Dividends approved in respect of the previous year	23	-	-	-	-	-	(2,278,700)	-	(2,278,700)	-	(2,278,700)
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders	-	-	-	-	-	-	-	-	-	63,000	63,000
Balance at 30 June 2016	5,299,303	10,243,790	216,258	6,473	2,649,654	632,732	52,093,407	33,421	71,175,038	3,558,979	74,734,017

The notes on pages 53 to 79 form part of this interim financial report.

9. Financial Accounting Report (Unaudited)

Consolidated statement of changes in equity (Cont'd)

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company											
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Share of the comprehensive income of the investees RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015		5,299,303	10,243,790	218,575	(49,863)	2,649,654	569,110	46,919,407	-	65,849,976	3,377,108	69,227,084
Changes in equity for the six months ended 30 June 2015:												
Profit for the period		-	-	-	-	-	-	4,714,488	-	4,714,488	35,638	4,750,126
Other comprehensive income	8	-	-	-	(4,042)	-	311,546	-	(3,437)	304,067	(1,604)	302,463
Total comprehensive income		-	-	-	(4,042)	-	311,546	4,714,488	(3,437)	5,018,555	34,034	5,052,589
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders		-	-	-	-	-	-	-	-	-	(20,826)	(20,826)
Dividends approved in respect of the previous year	23	-	-	-	-	-	-	(3,444,547)	-	(3,444,547)	-	(3,444,547)
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders		-	-	-	-	-	-	-	-	-	192,549	192,549
Balance at 30 June 2015		5,299,303	10,243,790	218,575	(53,905)	2,649,654	880,656	48,189,348	(3,437)	67,423,984	3,582,865	71,006,849

The notes on pages 53 to 79 form part of this interim financial report.

9. Financial Accounting Report (Unaudited)

Condensed consolidated cash flow statement

for the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000
Operating activities			
Cash generated from operations		5,571,685	5,933,874
– Income tax paid		(904,398)	(1,747,331)
– Interest paid		(588,858)	(576,090)
Net cash generated from operating activities		4,078,429	3,610,453
Investing activities			
Payments for the purchase of property, plant and equipment, lease prepayment and intangible assets		(2,020,067)	(2,840,508)
Proceeds from maturity of bank deposits over three months		10,500,000	4,200,000
Investment in bank deposits with maturity over three months		(2,500,000)	(11,160,631)
Proceeds from disposal of available-for-sale equity, securities and interest in associate		–	4,120,310
Payment for the investment in a joint venture/associate		(73,775)	(1,204,113)
Prepayment for an acquisition of business		(81,000)	–
Acquisition of subsidiaries, net of cash acquired		(768,303)	(509,496)
Loans of related parties and a third party		–	(328,239)
Other cash flows arising from investing activities		605,993	310,078
Net cash generated from/(used in) investing activities		5,662,848	(7,412,599)
Financing activities			
Proceeds from new bank loans and other borrowings		4,423,163	1,330,264
Repayments of bank loans and other borrowings		(7,914,699)	(1,254,038)
Dividends paid to equity shareholders of the Company	23	(2,278,700)	(3,444,547)
Capital contribution from non-controlling interests		63,000	192,549
Other cash flow arising from financing activities		(253,201)	(25,070)
Net cash used in financing activities		(5,960,437)	(3,200,842)
Net increase/(decrease) in cash and cash equivalents		3,780,840	(7,002,988)
Effect of foreign exchange rate changes		5,907	(15,100)
Cash and cash equivalents at 1 January		4,285,034	12,512,121
Cash and cash equivalents at 30 June		8,071,781	5,494,033

The notes on pages 53 to 79 form part of this interim financial report.

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of Anhui Conch Cement Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 “*Interim Financial Reporting*” adopted by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 22 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Group’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory annual consolidated financial statements for the year ended 31 December 2015 are available from the Company’s registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 23 March 2016.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to IFRSs 2012-2014 Cycle*
- *Amendments to IAS 1, Presentation of financial statements: Disclosure initiative*

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

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Annual Improvements to IFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

3 SEGMENT REPORTING

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

(a) Segment results, assets and liabilities

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

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

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

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

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

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

3 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

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

For the six months ended 30 June 2016

	Eastern China RMB'000	Central China RMB'000	Southern China RMB'000	Western China RMB'000	Overseas RMB'000	Subtotal RMB'000	Reconciling items (note b) RMB'000	Total RMB'000
Revenue from external customers	6,221,073	7,788,900	4,578,022	5,113,104	272,010	23,973,109	-	23,973,109
Inter-segment revenue	1,088,741	5,769,949	71,088	32,295	-	6,962,073	(6,962,073)	-
Reportable segment revenue	7,309,814	13,558,849	4,649,110	5,145,399	272,010	30,935,182	(6,962,073)	23,973,109
Reportable segment profit/(loss)	596,617	3,590,366	970,682	631,577	36,173	5,825,415	(1,298,659)	4,526,756
Interest income	3,944	399,711	1,947	6,071	7,230	418,903	(220,112)	198,791
Interest expense	58,181	400,054	51,244	120,751	31,667	661,897	(208,102)	453,795
Depreciation and amortisation for the period	213,902	1,035,586	322,988	719,935	44,240	2,336,651	(5,541)	2,331,110
Additions to non-current segment assets during the period	199,686	1,765,476	109,442	529,108	901,286	3,504,998	-	3,504,998
At 30 June 2016								
Reportable segment assets (including investment in associates and joint ventures)	9,574,107	82,107,983	10,973,369	26,752,814	4,086,651	133,494,924	(30,371,923)	103,123,001
Reportable segment liabilities	5,351,981	14,685,468	3,056,579	14,848,073	3,480,434	41,422,535	(13,033,551)	28,388,984

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

3 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

For the six months ended 30 June 2015

	Eastern China RMB'000	Central China RMB'000	Southern China RMB'000	Western China RMB'000	Overseas RMB'000	Subtotal RMB'000	Reconciling items (note b) RMB'000	Total RMB'000
Revenue from external customers	6,885,131	7,130,507	4,968,066	5,103,918	135,701	24,223,323	-	24,223,323
Inter-segment revenue	1,208,660	6,481,831	87,739	16,084	-	7,794,314	(7,794,314)	-
Reportable segment revenue	8,093,791	13,612,338	5,055,805	5,120,002	135,701	32,017,637	(7,794,314)	24,223,323
Reportable segment profit/(loss)	435,866	6,446,324	1,247,627	508,036	(114,476)	8,523,377	(2,258,877)	6,264,500
Interest income	4,305	496,189	1,660	5,363	436	507,953	(254,649)	253,304
Interest expense	73,585	446,159	51,528	124,216	21,095	716,583	(216,625)	499,958
Depreciation and amortisation for the period	215,327	952,458	313,623	662,734	34,375	2,178,517	(2,996)	2,175,521
Additions to non-current segment assets during the period	226,429	2,759,738	353,451	1,101,840	210,707	4,652,165	-	4,652,165
At 31 December 2015								
Reportable segment assets (including investment in associates and joint ventures)	9,669,151	84,432,310	11,443,584	28,343,247	4,064,860	137,953,152	(32,171,760)	105,781,392
Reportable segment liabilities	5,711,212	17,618,846	3,777,153	16,598,155	3,717,995	47,423,361	(15,186,478)	32,236,883

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

3 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Revenue			
Elimination of inter-segment revenue		(6,962,073)	(7,794,314)
Profit			
Elimination of inter-segment profits		(1,322,425)	(2,281,423)
Differences between CAS and IFRSs*		23,766	22,546
		(1,298,659)	(2,258,877)
Assets			
Elimination of inter-segment balances		(30,371,923)	(32,171,760)
Liabilities			
Elimination of inter-segment balances		(13,397,964)	(15,553,540)
Differences between CAS and IFRSs*		364,413	367,062
		(13,033,551)	(15,186,478)

* The differences mainly arises from the deferred income in respect of certain government grants recognised under IFRSs.

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

3 SEGMENT REPORTING (CONTINUED)

(c) Geographic information

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

	Revenue from external customers Six months ended		Specified non-current assets	
	2016 RMB'000	2015 RMB'000	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
PRC	22,710,468	23,321,754	73,309,620	73,273,017
Others	1,262,641	901,569	3,336,266	2,378,837
	23,973,109	24,223,323	76,645,886	75,651,854

4 BUSINESS COMBINATION

The Group acquired certain core assets which constitute a business under IFRS 3, "Business Combinations", from an independent third party, Anhui Chaodong Cement Co., Ltd., on 5 March 2016. The acquired business is located in the PRC and is principally engaged in the manufacture and sale of clinkers and cement related products.

During the period from 5 March 2016 to 30 June 2016, this acquired business contributed a revenue of RMB273,580,000 and net profit of RMB46,873,000 to the Group's result of operations. If the acquisition had occurred on 1 January 2016, management estimates that the consolidated revenue of the Group for the six months ended 30 June 2016 would have been RMB24,066,874,000, and the consolidated profit for the six months ended 30 June 2016 would have been RMB3,461,650,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would remain the same even if the acquisition had occurred on 1 January 2016.

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

4 BUSINESS COMBINATION (CONTINUED)

Summary of net assets acquired, and the gain from a bargain purchase arising, are as follows:

Fair value of net identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	1,390,668
Intangible assets and lease prepayments	219,827
Inventories	69,897
Cash and cash equivalents	62,390
Trade receivables, prepayments and other receivables	73,309
Bank loans and other borrowings	(424,000)
Trade payables and other liabilities	(265,341)
Total net identifiable assets of the acquiree	1,126,750

Gain From A Bargain Purchase

Gain from a bargain purchase recognised as a result of the above acquisition is as follows:

	RMB'000
Total cash consideration	1,113,867
Fair value of net identifiable assets	(1,126,750)
Gain from a bargain purchase arising from the above business combination (Note 5(b))	(12,883)

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

5 OTHER REVENUE AND NET INCOME

(a) Other revenue

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Subsidy income	416,742	749,889
Interest income	198,791	253,304
	615,533	1,003,193

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

(b) Other net income

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Change in fair value of derivatives	3,780	16,005
Net gain on disposal of property, plant and equipment	65,303	72,064
Net gain on disposal of intangible assets	42,065	-
Exchange gains/(losses)	75,581	(75,440)
Net gain on disposal of available-for-sale equity securities	-	648,699
Net gain on disposal of interest in associate	-	1,150,517
Gain from a bargain purchase (Note 4)	12,883	-
Others	(926)	15,202
	198,686	1,827,047

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

6 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Interest on bank loans and other borrowings	466,636	505,862
Less: interest expense capitalised into construction-in-progress	(12,841)	(5,904)
	453,795	499,958

(b) Staff costs:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Salaries, wages and other benefits	1,476,477	1,326,296
Contributions to defined contribution retirement plans	215,575	199,297
	1,692,052	1,525,593

(c) Other items:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Depreciation of investment property and other property, plant and equipment	2,206,696	2,046,540
Amortisation of lease prepayments	56,040	53,391
Other amortisation	68,374	75,590
Cost of inventories	16,190,765	16,802,937

Cost of inventories includes RMB2,831,877,000 (six months ended 30 June 2015: RMB2,639,114,000) relating to staff costs and depreciation expenses which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Current tax		
Provision for the period	1,112,839	1,616,733
(Over)/under -provision in respect of prior year	(4,151)	10,316
	1,108,688	1,627,049
Deferred tax		
Origination and reversal of temporary differences	(44,782)	(112,675)
	1,063,906	1,514,374

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2016 and 2015 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

Individual companies within the Group are generally subject to Corporate Income Tax at 25% on taxable income determined according to the relevant income tax rules and regulations, except for:

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

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

7 INCOME TAX (CONTINUED)

Guangxi Sihongmao Co., Ltd. 廣西四合工貿有限責任公司(Note (i))	15%
Linxia Conch Cement Co., Ltd. 臨夏海螺水泥有限責任公司(Note (i))	15%
Guizhou Liukuangruian Cement Co., Ltd. 貴州六礦瑞安水泥有限公司(Note (i))	15%
Qianxian Conch Cement Co., Ltd. 乾縣海螺水泥有限責任公司(Note (i))	15%
Qianxinan Resource Development Co., Ltd. 黔西南州發展資源開發有限公司(Note (i))	15%
Sichuan Nanwei Cement Co., Ltd. 四川南威水泥有限公司(Note (i))	15%
Liangping Conch Cement Co., Ltd. 梁平海螺水泥有限責任公司(Note (i))	15%
Tongren Conch Panjiang Cement Co., Ltd. 銅仁海螺盤江水泥有限責任公司(Note (i))	15%
Anhui Wuhu Conch Construction and Installation Co., Lted (“Conch Construction”) 安徽蕪湖海螺建築安裝工程有限責任公司(Note (iii))	15%
Hami Hongyi Construction Co., Ltd. (“Hami Construction”) 哈密弘毅建材有限責任公司(Note (iii))	12.5%

Note:

- (i) Pursuant to Notice No.4 issued by the State Administration of Taxation on 10 March 2015 and relevant local tax authorities’ notices, these companies are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC. These companies mentioned above obtained approval from local tax authorities and are entitled to a preferential income tax rate of 15% in 2016.
- (ii) Pursuant to Chapter 28 of the Law of the People’s Republic of China on Enterprise Income Tax, enterprises are entitled to a preferential income tax rate of 15% after the recognition of high and new technology enterprise. Conch Construction has obtained a high and new technology enterprise certification and approval from local tax authority in 2016 and is entitled to a preferential income tax rate of 15% from 2016 to 2018.
- (iii) In 2012, Hami Construction was recognised by the local tax authorities as an enterprise located in Xinjiang depressed region with operation in encouraged industries as defined by relevant authorities. According to Cai Shui [2011] No. 53 jointly issued by the Ministry of Finance and the State Administration of Taxation, Hami Construction is entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in income tax rate for the third to fifth years, starting from the first year generating revenue. In accordance with local tax authority’s notice, the applicable income tax rates for Hami Construction are 0% in 2012 and 2013, and 12.5% from 2014 to 2016.

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

8 OTHER COMPREHENSIVE INCOME

Available-for-sale equity securities:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Changes in fair value recognised during the period	(146,515)	415,395
Tax effect of changes in fair value recognised during the period	36,629	(103,849)
Changes in fair value recognised during the period (after tax)	(109,886)	311,546
Net movement in the fair value reserve during the period recognised in other comprehensive income	(109,886)	311,546

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on the profit attributable to equity shareholders of the Company of RMB3,358,547,000 (six months ended 30 June 2015: RMB4,714,488,000) and the weighted average number of shares in issue during the six months ended 30 June 2016 of 5,299,302,579 ordinary shares (six months ended 30 June 2015: 5,299,302,579 shares).

(b) Diluted earnings per share

There were no diluted potential ordinary shares during the six months ended 30 June 2016 and 2015, and therefore, diluted earnings per share is the same as the basic earnings per share.

10 INVESTMENT PROPERTIES

During the six months ended 30 June 2016, the Group leased out one property with carrying value of RMB2,532,000 under operating lease and classified the property as investment property accordingly and transferred one investment property to other property, plant and equipment with carrying value of RMB4,590,000 due to the termination of the leasing agreement and change of intention to hold for own use.

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

11 OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2016, the Group acquired property, plant and equipment with a cost of RMB3,376,448,000 (six months ended 30 June 2015: RMB4,033,699,000).

Assets with a carrying amount of RMB55,005,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB9,312,000), resulting in a net gain on disposal of RMB65,303,000 (six months ended 30 June 2015: a net gain of RMB72,064,000).

(b) Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Contracted for	2,296,400	2,071,104
Authorised but not contracted for	2,472,099	3,787,573
	4,768,499	5,858,677

12 LEASE PREPAYMENTS

Lease prepayments represent interest in leasehold land held for own use under operating leases.

During the six months ended 30 June 2016, the Group acquired interests in leasehold land held for own use under operating leases with a cost of RMB318,796,000 (six months ended 30 June 2015: RMB321,841,000).

13 INTERESTS IN ASSOCIATES

As at 30 June 2016, the interest in associates include the investments in Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd. ("Qingsong Building Materials and Chemicals") of RMB714,815,000, a listed company on the Shanghai Stock Exchange ("SSE"), West China Cement Limited ("West Cement") of RMB1,354,897,000, a listed company on the Hong Kong Stock Exchange ("HKSE") and Anhui King Bridge Cement Co., Ltd. ("King Bridge Cement") of RMB42,199,000.

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

14 NON-CURRENT LOANS AND RECEIVABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Loans and receivables	413,711	395,181
Less: Current portion of non-current loans and receivables (note 19)	(180,170)	(143,217)
	233,541	251,964

As at 30 June 2016, loans and receivables represent the loans due from local government. Amounts of RMB195,810,000 (31 December 2015: RMB160,810,000) of the loans and receivables are unsecured, bear interests at rates of 4.35% ~ 6.40% (2015: 4.60% ~ 6.40%) per annum, and repayable from 2016 to 2019. Amounts of RMB217,901,000 (31 December 2015: RMB234,371,000) are unsecured, interest free and repayable from 2016 to 2019.

15 AVAILABLE-FOR-SALE EQUITY SECURITIES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Available-for-sale equity securities		
– Listed in the PRC	3,103,086	3,249,600

All available-for-sale equity securities held by the Group are listed either on the SSE or the Shenzhen Stock Exchange. The fair value of these investments is measured with reference to the respective quoted market prices as at 30 June 2016.

16 PREPAYMENT FOR AN ACQUISITION OF BUSINESS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Prepayment for an acquisition of business	81,000	445,547
	81,000	445,547

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

16 PREPAYMENT FOR AN ACQUISITION OF BUSINESS (CONTINUED)

In June 2016, the Group entered into an acquisition agreement with a third party, Anhui Huaihai Industrial Development Group Co., Ltd. ("Huaihai Group"), to acquire 40% equity interests of Huaibei Mining Xiangshan Cement Co., Ltd., a subsidiary of Huaihai Group at a consideration of RMB268,901,000. Pursuant to the acquisition agreement, the Group prepaid an amount of RMB81,000,000 to Huaihai Group as part of the consideration.

For the prepayment for an acquisition of business in 2015, the Group completed the acquisition of relevant business from Anhui Chaodong Cement Co., Ltd. (see note 4) in 2016 and the prepayments are settled as part of the consideration.

17 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Raw materials	1,492,561	1,459,600
Work in progress	189,361	191,467
Finished goods	2,108,529	2,167,335
Spare parts	390,726	419,637
	4,181,177	4,238,039

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Carrying amount of inventories recognised as expenses	16,687,926	17,394,661

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

18 TRADE RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivables (which are included in trade receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year (inclusive)	5,482,533	4,887,786

Trade debtors are due within 30-60 days from the date of billing, except for retention amount in respect of certain sales contracts which is due upon the expiry of the retention period. Notes receivable are due within 6 months from the date of issuance. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted.

(i) Transferred financial assets that are not derecognised in their entirety

As at 30 June 2016, the Group endorsed certain bank acceptance notes with a carrying amount of RMB1,366,181,000 (31 December 2015: RMB1,734,198,000) to suppliers for settling trade payables of the same amount on a full recourse basis. In the opinion of the directors, the Group has not transferred the substantial risks and rewards relating to these bank acceptance notes, and accordingly, it continued to recognise the full carrying amounts of these notes receivable and the associated trade payables settled.

(ii) Transferred financial assets that are derecognised in their entirety

As at 30 June 2016, the Group endorsed certain bank acceptance notes to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these notes receivable and the payables to suppliers in their entirety. These derecognised bank acceptance notes had a maturity date of less than six months from the end of each reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these notes and has discharged its obligation of the payables to its suppliers. The Group considered the issuing banks of the notes are of good credit quality and the non-settlement of these notes by the issuing banks on maturity is not probable.

As at 30 June 2016, the Group's maximum exposure to loss, which is same as the amount payable by the Group to banks or suppliers in respect of the endorsed notes, should the issuing banks fail to settle the notes on maturity date, amounted to RMB1,524,340,000 (31 December 2015: RMB2,330,273,000).

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

19 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Purchase prepayments	760,245	441,173
Current portion of loans and receivables (note 14)	180,170	143,217
Loans to related parties	27,960	27,960
Loans to a third party	–	200,000
Value-added tax and other tax recoverable	778,821	983,422
Interest receivables	48,095	46,606
Other receivables	469,156	326,021
	2,264,447	2,168,399

All of the prepayments and other receivables are expected to be recovered within one year.

20 CASH AND CASH EQUIVALENTS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Deposits with banks within 3 months	2,060,000	23,464
Cash at bank and in hand	6,011,781	4,261,570
	8,071,781	4,285,034

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

21 BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are as follows:

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Current bank loans and other borrowings			
Bank loans			
– Secured	(i)	174,000	–
– Unsecured		2,004,247	1,440,545
		2,178,247	1,440,545
Unsecured debentures	(ii)	–	6,997,430
Other borrowings			
– Unsecured	(iii)	7,273	7,273
		2,185,520	8,445,248
Non-current bank loans and other borrowings			
Bank loans			
– Secured	(i)	120,000	–
– Unsecured		5,318,592	2,239,128
		5,438,592	2,239,128
Unsecured debentures	(ii)	8,494,373	8,493,281
Other borrowings			
– Unsecured	(iii)	–	7,273
		13,932,965	10,739,682

- (i) Secured bank loans were borrowed from China Construction Bank (“CCB”). The loans bear interest at rates ranging from 4.51% to 5.25% per annum. The amount of RMB120,000,000 are long-term loans and will be repayable in October 2017 and the amount of RMB174,000,000 will be repayable within one year. As at 30 June 2016, the loans are secured by property, plant and equipment of the Group with carrying amount of RMB26,636,000 (31 December 2015: RMB: Nil) and lease prepayments of the Group with carrying amount of RMB63,537,000 (31 December 2015: Nil).

9. Financial Accounting Report (Unaudited)

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(Expressed in Renminbi Yuan unless otherwise indicated)

21 BANK LOANS AND OTHER BORROWINGS (CONTINUED)

(ii) In May 2011, the Company issued corporate bonds with an aggregate principal amount of RMB9,500,000,000, of which RMB7,000,000,000 with a maturity period of 5 years (“5-year bond”) and RMB2,500,000,000 with a maturity period of 7 years (“7-year bond”). The 5-year bond and the 7-year bond carry fixed annual interest rate of 5.08% and 5.20% respectively, which will be paid annually. The principal of the 5-year bond was fully repaid on 23 May 2016. The 7-year bond is fully repayable on 23 May 2018.

In November 2012, the Company issued corporate bonds with an aggregate principal amount of RMB6,000,000,000 of which RMB2,500,000,000 with a maturity period of 5 years (“5-year bond”) and RMB3,500,000,000 with a maturity period of 10 years (“10-year bond”). The 5-year bond and the 10-year bond carry fixed annual interest rate of 4.89% and 5.10% respectively, which will be paid annually. The principal of the 5-year bond is fully repayable on 7 November 2017 and the 10-year bond is fully repayable on 7 November 2022.

Anhui Conch Holdings Co., Ltd. (“Conch Holdings”) provides unconditional and irrevocable joint liability guarantee for the above bonds over the respective maturity periods.

(iii) Other unsecured borrowings represents national debt loan provided by the Anhui Provincial Department of Finance. The loan bears interest at a rate of 1.80% (31 December 2015: 3.05%) per annum and is repayable in June 2017.

At 30 June 2016 and 31 December 2015, the bank loans were repayable as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year or on demand	2,178,247	1,440,545
After 1 year but within 2 years	1,827,209	320,728
After 2 years but within 5 years	3,207,133	1,336,986
After 5 years	404,250	581,414
Total non-current bank loans	5,438,592	2,239,128
	7,616,839	3,679,673

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

22 TRADE PAYABLES

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year (inclusive)	3,895,999	3,832,499
Between 1 and 2 years (inclusive)	30,063	28,721
Between 2 and 3 years (inclusive)	6,183	9,015
More than 3 years	2,996	2,448
	3,935,241	3,872,683

23 DIVIDENDS

The 2015 annual general meeting held on 3 June 2016 approved the final dividend for the year ended 31 December 2015 of approximately RMB2,278,700,000 (RMB0.43 per ordinary share) (six months ended 30 June 2015: RMB3,444,547,000, RMB0.65 per ordinary share) and the dividends were paid on 22 June 2016.

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Financial instruments carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3: Fair value measured using significant unobservable inputs

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

(ii) Fair value hierarchy

	Fair value measurements as at 30 June 2016			
	Fair value at 30 June 2016 RMB'000	categorised into		
		Quoted prices in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity securities:				
– Listed	3,103,086	3,103,086	–	–
Financial liabilities:				
Other payables and accruals				
– Derivative financial instruments	(2,613)	–	(2,613)	–
	3,100,473	3,103,086	(2,613)	–

	Fair value measurements as at 31 December 2015			
	Fair value at 31 December 2015 RMB'000	categorised into		
		Quoted prices in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity securities:				
– Listed	3,249,600	3,249,600	–	–
Financial liabilities:				
Other payables and accruals				
– Derivative financial instruments	(6,393)	–	(6,393)	–
	3,243,207	3,249,600	(6,393)	–

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

(ii) Fair value hierarchy (continued)

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: Nil).

(iii) Valuation techniques and inputs used in Level 2 fair value measurements

The derivative financial instruments in Level 2 are the forward exchange contracts. The fair value of forward exchange contracts is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 30 June 2016 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 June 2016		At 31 December 2015	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Non-current bank loans and other borrowings	13,932,965	13,926,461	10,739,682	10,834,373

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related parties information

Name of related party	Nature of relationship
Conch Holdings 安徽海螺集團有限責任公司	Substantial shareholder of the Company
China Conch Venture Holdings Limited ("China Conch Venture") 中國海螺創業控股有限公司	Shareholder of Conch Holdings, some directors of the Company are also directors and equity holders of China Conch Venture
Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles and Science") 蕪湖海螺型材科技股份有限公司	Subsidiary of Conch Holdings
Anhui Conch Construction Materials Design Centre ("Conch Design Institute") 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Anhui Conch Information Technology Engineering Co., Ltd. ("Conch IT Engineering") 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Holdings
Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu") 蕪湖海創實業有限責任公司	Subsidiary of China Conch Venture
Anhui Conch Kawasaki Engineering Company Limited ("CK Engineering") 安徽海螺川崎工程有限責任公司	Subsidiary of China Conch Venture
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment") 安徽海螺川崎節能設備製造有限公司	Subsidiary of China Conch Venture
Yangzhou Haichang Port Industrial Co., Ltd. ("HC Port") 揚州海昌港務實業有限公司	Subsidiary of China Conch Venture
Anhui Conch Venture New Energy-saving Building Material Co., Ltd. ("Conch Venture Green") 安徽海創新型節能建築材料有限責任公司	Subsidiary of China Conch Venture

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

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25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related parties information (continued)

Name of related party	Nature of relationship
Bozhou Conch Venture New Energy-saving Building Material Co., Ltd. ("Bozhou Conch Venture Green") 亳州海創新型節能建築材料有限責任公司	Subsidiary of China Conch Venture
Wuhu Conch Investment Ltd. ("WH Investment") 蕪湖海螺投資有限公司	Subsidiary of China Conch Venture
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("Conch Kawasaki Equipment") 安徽海螺川崎裝備製造有限公司	Joint venture of the Company
PT. SDIC Papua Cement Indonesia ("Papua Cement") 印尼巴布亞水泥有限公司	Joint venture of the Company
Sino-Myanmar International Trading Co.,Ltd ("Sino-Myanmar International") 中緬(蕪湖)國際貿易有限公司	Joint venture of the Company
Myanmar Conch Cement Company Limited ("Myanmar Conch") 緬甸海螺水泥有限公司	Joint venture of the Company
Qingsong Building Materials and Chemicals 新疆青松建材化工(集團)股份有限公司	Associate of the Company
King Bridge Cement 安徽朱家橋水泥有限公司	Associate of the Company
West Cement 中國西部水泥有限公司	Associate of the Company
Jiande Chengli Building Material Co., Ltd. ("Chengli Building Material") 建德市成利建材有限公司	In trust of a subsidiary of the Company
Hwasu Corporation 安徽華塑股份有限公司	In trust of a subsidiary of the Company before 30 April 2015

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

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25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions between the Group and related parties

The Group has entered into the following material related party transactions:

(i) Transactions with Conch Holdings

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Receiving services	1,678	1,510
Provision of services and sales of goods	1,089	1,196

As at 30 June 2016, bank loans and other borrowings amounting to RMB8,697,500,000 (31 December 2015: RMB15,708,000,000) are guaranteed by Conch Holdings.

(ii) Transactions with other related parties

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Sales of goods	71,073	55,947
Sales of property, plant and equipment	107,945	219,338
Provision of services	21,470	13,135
Purchase of property, plant and equipment	354,707	297,652
Purchase of materials	100,544	183,363
Receiving services	37,627	156,330
Management fee	–	8,266
Loans to related parties	–	128,305
Interest on loans	848	1,339

As at 30 June 2016, bank loans and other borrowings amounting to RMB1,193,583,000 (31 December 2015: RMB1,177,738,000) are guaranteed by the Company.

9. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Short-term employees benefits	1,286	1,031
Post-employment benefits	178	172
	1,464	1,203

The above remuneration is disclosed in "staff costs" (see note 6(b)).

(d) Amounts due from/to related parties

(i) Due from related parties

	At	At
	30 June 2016 RMB'000	31 December 2015 RMB'000
CK Engineering	168,895	115,312
Conch Kawasaki Equipment	115,127	89,595
CK Equipment	34,779	14,710
Conch Design Institute	61,515	58,492
Conch Profiles and Science	1,173	224
Qingsong Building Materials and Chemicals	7,617	6,567
Chengli Building Material	17,814	19,753
Papua Cement	29,551	2,906
Conch IT Engineering	2,458	957
WH Investment	10,383	2,669
Sino-Myanmar International	1,140	3,414
Conch Holdings	1,036	-
Myanmar Conch	1,332	1,332
Other related parties	-	148
	452,820	316,079

9. Financial Accounting Report (Unaudited)

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25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Amounts due from/to related parties (continued)

(ii) Due to related parties

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
CK Engineering	192,405	54,387
Conch Kawasaki Equipment	77,186	88,399
CK Equipment	50,209	48,936
Conch Design Institute	1,126	1,009
Conch Profiles and Science	221	1,570
King Bridge Cement	1,147	–
HC Port	424	8,235
Conch IT Engineering	4,973	5,687
Conch Holdings	757	–
Papua Cement	–	86,161
Conch Venture Wuhu	7,654	7,657
Other related parties	620	17,002
	336,722	319,043

26 CONTINGENT LIABILITIES

At 30 June 2016, outstanding letters of credit issued by the Group amounted to approximately RMB39,187,000 (31 December 2015: RMB69,426,000).

At 30 June 2016, the Group issued guarantees to banking facilities of its related parties, Papua Cement and Sino-Myanmar International, amounting to RMB1,193,583,000 in aggregate (31 December 2015: RMB1,177,738,000). These facilities were utilised to the extent of RMB898,625,000 (31 December 2015: RMB650,458,000) as at 30 June 2016.

10. Documents for Inspection

- (1) Financial statements bearing the signatures and seals of the legal representative, officer-in-charge of the accounting function and officer-in-charge of the accounting department;
- (2) Originals of all the corporate documents and the announcements of the Company which were disclosed in newspaper designated by the CSRC during the Reporting Period;
- (3) A copy of this half-year report of the Company published on the Stock Exchange.

Anhui Conch Cement Company Limited

Gao Dengbang

Chairman

22 August 2016