



2017 INTERIM REPORT

Anhui Conch Cement Company Limited

(A Share: 600585 H Share: 00914)

1. The Board, Supervisory Committee and Directors, Supervisors and the senior management of the Company warrant that the information in this report, for which they jointly and severally accept legal liability, is truthful, accurate and complete, and does not contain any misrepresentation, misleading statements or material omission.
2. All Directors of the Company attended the fourth meeting of the seventh session of the Board.
3. This half-yearly report is unaudited.
4. Mr. Gao Dengbang (Chairman), Mr. Zhou Bo (Chief Accountant) and Ms. Liu Yan (Officer-in-charge of the Accounting Department) warrant that the financial report contained herein is true, accurate and complete.
5. 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.
6. During the Reporting Period, there was no external guarantee in violation of the established decision-making procedures.
7. 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.

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1. Definitions

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

The Company/Conch Cement	:	Anhui Conch Cement Co., Ltd.
The Group	:	the Company and its subsidiaries
Board	:	the board of directors of the Company
Director(s)	:	the director(s) of the Company
Supervisory Committee	:	the supervisory committee of the Company
Supervisor(s)	:	the supervisor(s) of the Company
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
Shanghai Haiyi	:	Shanghai Haiyi Shipping Co., Ltd.
Chaohu Conch	:	Chaohu Conch Cement Co., Ltd.
Liukuangruian	:	Guizhou Liukuangruian Cement Co., Ltd.
Yeafing New Energy	:	Shaoyang Yeafing New Energy Co., Ltd.
Xiangshan Cement	:	Huaibei Mining Xiangshan Cement Company Limited
Battambang Conch	:	Battambang Conch Cement Co., Ltd
Luangprabang Conch	:	Luangprabang Conch Cement Co., Ltd
North Sulawesi Conch	:	Conch North Sulawesi Cement, PT

1. Definitions

Xinli Finance	:	Anhui Xinli Finance Co., Ltd., a company listed on the SSE (formerly known as “Anhui Chaodong Cement Co., Ltd.”, which was 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)
Qingsong Building Materials and Chemicals	:	Xinjiang Qingsong Building Materials and Chemicals (Group) Co., Ltd., a company listed on the SSE (stock code: 600425) and whose stock short name was changed to “*ST Qingsong” after being imposed delisting risk warning on 11 April 2017
WCC	:	West China Cement Limited, a company listed on Hong Kong Stock Exchange (stock code: 2233)
Regional Committee(s)	:	Regional management unit(s) specially established by the Company for implementation of regional management in order to strengthen the Company’s management over its subsidiaries and enhance management efficiency by organizing certain subsidiaries located in a particular province or neighboring areas into a regional management unit
Remuneration and Nomination Committee	:	Remuneration and Nomination Committee of the Board
Audit Committee	:	Audit Committee of the Board
Reporting Period	:	the period from 1 January 2017 to 30 June 2017
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

1. Definitions

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)
Model Code	:	Model Code for Securities Transactions by Directors of Listed Issuers
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

2. Corporate Profile and Major Financial Indicators

- (1) **Official Chinese name of the Company** : 安徽海螺水泥股份有限公司
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)** : Zhou Bo
Phone number : 0086 553 8398976
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@chinaconch.com
- (4) **Registered address of the Company** : 39 Wenhua Road, Wuhu City, Anhui Province, the PRC
Office address of the Company : 39 Wenhua Road, Wuhu City, Anhui Province, the PRC
Postal code : 241000
Email address of the Company : cement@chinaconch.com
Website of the Company : <http://www.conch.cn>
Contact address in Hong Kong : 40/F Jardine House, 1 Connaught Place, Central, Hong Kong

2. Corporate Profile and Major Financial Indicators

- (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, Shanghai Stock Exchange
- (6) **Exchange on which the Company's shares are listed** :
- H Shares** : Stock Exchange
- Stock code** : 00914
- Stock name** : Conch Cement
- 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

2. Corporate Profile and Major Financial Indicators

(9) Accounting data prepared in accordance with the PRC Accounting Standards

Table 1:

Items	As at 30 June 2017 (RMB'000)	As at 31 December 2016 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	113,320,273	109,514,121	3.48
Net assets attributable to equity shareholders of the Company	80,383,020	76,608,921	4.93

Table 2:

Items	Six months ended 30 June 2017 (RMB'000)	Six months ended 30 June 2016 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Net cash flow generated from operating activities	5,047,043	4,667,287	8.14
Revenue	31,907,916	23,973,109	33.10
Net profit attributable to equity shareholders of the Company	6,716,723	3,354,918	100.21
Net profit attributable to equity shareholders of the Company after extraordinary items	5,123,433	2,992,606	71.20
Basic earnings per share (RMB/share)	1.27	0.63	100.21
Diluted earnings per share (RMB/share)	1.27	0.63	100.21
Basic earnings per share after extraordinary items (RMB/share)	0.97	0.56	71.20
Weighted average return on net assets (%)	8.46	4.67	Increased by 3.79 percentage points
Weighted average return on net assets after extraordinary items (%)	6.45	4.17	Increased by 2.28 percentage points

2. Corporate Profile and Major Financial Indicators

Table 3:

Extraordinary items for the Reporting Period	Amount (RMB'000)
(1) Gain/(Loss) on disposal of non-current assets	311,824
(2) Government subsidy	231,580
(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	1,556,773
(4) Gain/(Loss) on entrusted investment or asset management	20,712
(5) Entrusted fee income obtained from entrusted operation	-
(6) 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	-
(7) Charges on share of funds received from non-financial enterprises included in the current income statement	3,491
(8) Other non-operating income and expenses other than the above items	3,696
(9) Effect of extraordinary items on income tax	-528,321
(10) Effect of extraordinary items on minority interests	-6,465
Total	1,593,290

(10) Financial summary prepared in accordance with the International Financial Reporting Standards ("IFRSs")

Items	Six months ended 30 June 2017 (RMB'000)	Six months ended 30 June 2016 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Revenue	31,907,916	23,973,109	33.10
Net profit attributable to equity shareholders of the Company	6,738,733	3,358,547	100.64

2. Corporate Profile and Major Financial Indicators

	As at 30 June 2017 (RMB'000)	As at 31 December 2016 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	113,320,273	109,514,121	3.48
Total liabilities	29,135,088	29,536,289	-1.36

(11) Explanations for differences between consolidated financial statements prepared in accordance with the PRC Accounting Standards and the IFRSs

	Net profit attributable to equity shareholders of the Company		Equity attributable to equity shareholders of the Company	
	Six months ended 30 June 2017 (RMB'000)	Six months ended 30 June 2016 (RMB'000)	As at 30 June 2017 (RMB'000)	As at 31 December 2016 (RMB'000)
As reported in the statutory financial statements prepared in accordance with the PRC Accounting Standards	6,716,723	3,354,918	80,383,020	76,608,921
– Deferral of subsidy income not subject to “China Accounting Standards for Business Enterprises No.16 – Government Subsidy” in accordance with the IFRSs	22,010	3,629	-278,357	-300,367
As reported in accordance with the IFRSs	6,738,733	3,358,547	80,104,663	76,308,554

3. Business Overview of the Company

(1) OVERVIEW OF THE CEMENT INDUSTRY

In the first half of 2017, the cement industry continued to push forward the supply-side structural reform. On one hand, the government continued to tighten control over new production capacity, with ongoing decrease in the new production capacity in the first half of the year. On the other hand, the Ministry of Environmental Protection of the PRC carried out environmental protection inspections, and enterprises that failed to meet the requirements for environmental protection facilities or discharge standards were required to suspend production for rectification within the prescribed time period. Meanwhile, the government promulgated the proposed reform of mineral resources approval system and implemented more stringent approval policy regarding mineral resources, which will facilitate the phase-out of backward cement production. Furthermore, under the leadership of the government and industry association, continuous efforts were made to promote off-peak season production, expanding the coverage from certain regions to across the whole country, which helped to appropriately reduce product supply and effectively improve the current supply-demand conditions in the market.

In the first half of 2017, the growth in fixed asset investments in China was generally stable. Property investments saw an increase in growth rate as compared to the same period of the previous year, while the growth in infrastructure investments maintained at a high level, with a slight increase in demand in the cement market. The PRC's cement production volume increased by 0.4% compared to the previous year to approximately 1.11 billion tonnes. Benefitting from the positive impact of the supply-side structural reform, product price recorded significant increase as compared with that of the same period of the previous year, significantly enhancing the profitability of the industry. (*source: Digital Cement*)

(2) INTRODUCTION OF THE MAIN BUSINESS OF THE COMPANY

During the Reporting Period, the Group was principally engaged in the production and sale of cement, commodity clinker and aggregate. The Group produced and sold cement products based on the demands of the market, which mainly included 42.5-grade cement, 52.5-grade cement and 32.5-grade cement, widely used in infrastructure projects including railways, expressways, airports and hydraulic facilities as well as urban property development and the rural markets.

As part of the basic raw material industry, cement is a regional product as its sales radius is subject to transportation and local cement price, resulting in a sales model different from that of the consumer staples. The Group has adopted a sales model which focuses on direct sales and is supplemented by distribution, and has established over 500 marketing departments in the marketplaces where the Company operates in China and overseas, building up an extensive marketing network.

3. Business Overview of the Company

During the Reporting Period, while continuing to further fine-tune its strategic market planning in the country and overseas and diversifying its business into aggregates by exploring into the upstream and downstream industrial chain, the Group also proactively implemented energy conservation and consumption reduction measures such as cement roller press and decomposition furnace for the clinker production line with the aim of reducing cost and enhancing efficiency, so as to achieve substantial improvement in our operating profit.

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

During the Reporting Period, the Group reduced its shareholding in the shares of some other listed companies, resulting in a decrease of 87% and 21% respectively in the available-for-sale financial assets and long-term equity investments as compared to that at the beginning of the year. Save as disclosed above, there was no material change in the construction-in-progress, fixed assets, intangible assets and other primary assets of the Group.

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

Since its listing in 1997, the Company has focused on developing and growing its cement business by promoting independent innovation and technology innovation, facilitating the application of technology for environmental protection and energy conservation and developing recycling economy. After 20 years of constant, healthy and steady development, and by continuously improving internal management and promoting technology innovation, the Company has created the unique “Conch model”, establishing strong advantage in resources, technology, human resources, funding, market share and brand recognition.

As a pioneer of the innovation of new dry-process cement technique and application of energy conservation and consumption reduction technology, the Group further consolidated and enhanced its competitive strength mentioned above through upgrading to technology and improving its internal operation, so as to maintain its core competitiveness. The Group also strived to maintain its low-cost advantage in the industry by reducing coal and electricity consumption, promoting the construction of information system, improving productivity and enhancing cost control.

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

ANALYSIS ON THE OPERATIONAL CONDITIONS FOR THE FIRST HALF OF 2017

(1) Overview of operation development

In the first half of 2017, the Group strove to overcome a number of adverse factors including rising prices for raw materials and fuels and outstanding contradiction between market supply and demand, and seized the favorable opportunities arising from further implementation of supply-side structural reform and promotion of off-peak season production due to the seasonal characteristics of the industry by conducting careful study and analysis of the market conditions. The Group adhered to the marketing strategy of “implementation of differential policies with one policy for one region”, achieving stable increase in sales volume and significant increase in product price. The Group made bulk procurement of raw materials and fuels and optimized resource allocation, putting effective control over procurement costs. Moreover, the Group has made efforts to strengthen indicator management and control over production and operation, so as to improve operation quality and achieve better operating results.

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group’s revenue generated from its principal activities amounted to RMB30.986 billion, representing an increase of 32.42% from that for the corresponding period of last year; the net profit attributable to equity shareholders of the Company amounted to RMB6.717 billion, representing an increase of 100.21% from that for the corresponding period of last year; and earnings per share was RMB1.27, representing an increase of RMB0.64 per share from that for the corresponding period of last year. In accordance with the IFRSs, the revenue amounted to RMB31.908 billion, representing an increase of 33.10% from that for the corresponding period of last year; the net profit attributable to equity shareholders of the Company amounted to RMB6.739 billion, representing an increase of 100.64% from that for the corresponding period of last year; and earnings per share was RMB1.27.

During the Reporting Period, the Group continued to promote the construction of domestic projects. Seven cement grinding units of Quanjiao Conch Cement Co., Ltd., Anhui Xuancheng Conch Cement Co., Ltd. and Nantong Conch Cement Co., Ltd. had successively completed construction and been put into operation. Regarding overseas development, the Group proactively pushed forward the construction and development of overseas projects. Phase two of the Merak grinding mill project in Indonesia had completed construction and been put into production. The construction of the cement projects of North Sulawesi Conch of Indonesia and Battambang Conch of Cambodia had entered into the peak phase, and Luangprabang Conch of Laos had made steady progress. The preliminary works for the projects of Volga of Russia, Vientiane of Laos and Mandalay of Myanmar had made smooth progress. As at the end of the Reporting Period, the production capacity of clinker, cement and aggregates of the Group amounted to 244 million tonnes, 333 million tonnes and 24.9 million tonnes respectively.

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

The Group continued to push ahead technology improvement in respect of energy conservation and environmental protection, and tightened supervision and management of subsidiaries' environmental protection activities, focusing on the sustainable development of the Group. The Group carried out upgrade and improvement of the SNCR denitration technology and explored and developed effective desulphurization technology, so as to ensure the discharge of pollutants such as NO_x and SO₂ meets the specified standards. The Group continued to implement technology improvement on the cement roller presses, decomposition furnaces of clinker production lines and raw mill's three-fan systems, and achieved positive results in energy conservation and emission reduction. In order to implement the low-carbon development strategy advocated by the government, the Baimashan cement plant of the Group piloted the construction of the "Demonstration Project for Collection and Purification of CO₂ from the Smoke Emitted by Cement Kilns", with an aim to lower carbon emission and perform our social responsibility as a major enterprise.

(2) Sales market overview

During the Reporting Period, the Group realized an aggregate net sales volume of cement and clinker of 134 million tonnes, representing a year-on-year growth of 4.60%.

Markets and sales by region

Region	Six months ended 30 June 2017		Six months ended 30 June 2016		Change in sales amount (%)	Change in sales proportion (Percentage points)
	Sales amount (RMB'000)	Percentage (%)	Sales amount (RMB'000)	Percentage (%)		
East China ^{Note 1}	9,116,529	29.42	6,300,176	26.92	44.70	2.50
Central China ^{Note 2}	9,011,389	29.08	6,800,205	29.06	32.52	0.02
South China ^{Note 3}	4,752,450	15.34	4,158,615	17.77	14.28	-2.43
West China ^{Note 4}	6,959,322	22.46	4,992,602	21.34	39.39	1.12
Export and overseas	1,146,068	3.70	1,148,857	4.91	-0.24	-1.21
Total	30,985,758	100.00	23,400,455	100.00	32.42	-

Notes:

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

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

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

In East China and Central China, the Company achieved growth in sales volume and significant increase in product prices through market operation, recording a year-on-year increase in sales amount of 44.70% and 32.52% respectively.

In South China, the Company took proactive initiatives in response to the effect of new production capacity, with slight decrease in sales volume and increase in selling price, resulting in a year-on-year increase in sales amount of 14.28%.

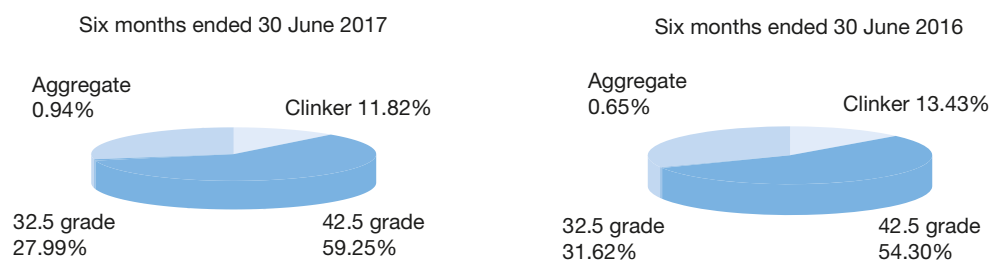
In West China, the Company seized the favorable opportunity arising from the increasing market demand and promotion of off-peak season production due to the seasonal characteristics of the industry to achieve steady increase in both sales volume and prices, recording a year-on-year increase in sales amount of 39.39%.

Being affected by the increasing demand from the domestic market and periodic shortage in clinker resources, and from the perspective of maximizing overall profit, the Group increased export of cement products and controlled export of clinker products, recording a year-on-year decrease in export sales amount of 17.79%. With the commencement of production of overseas projects and increased efforts to explore the overseas markets, overseas sales volume recorded a year-on-year increase of 85.31% and the sales amount increased by 100.06% on a year-on-year basis.

Sales by type of products

During the Reporting Period, the sales contribution of the 42.5-grade cement increased by 4.95 percentage points year-on-year to 59.25%; the sales contribution of the 32.5-grade cement decreased by 3.63 percentage points year-on-year to 27.99%; the sales contribution of clinker decreased by 1.61 percentage points year-on-year to 11.82%; and sales contribution of aggregate increased by 0.29 percentage point year-on-year to 0.94%.

Percentage of sales amount by type of products



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

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

(3) Profit analysis

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

Item	Amount		Change from that for the corresponding period of last year (%)
	Six months ended 30 June 2017 (RMB'000)	Six months ended 30 June 2016 (RMB'000)	
Revenue from principal activities	30,985,758	23,400,455	32.42
Profit from operations	8,960,541	3,967,759	125.83
Profit before taxation	9,204,537	4,502,989	104.41
Net profit attributable to equity shareholders of the Company	6,716,723	3,354,918	100.21

During the Reporting Period, benefitting from the growth in product sales volume, rise in product selling prices and increase in investment income, the Group's profit from operations, profit before taxation and net profit attributable to equity shareholders of the Company recorded a year-on-year increase of 125.83%, 104.41% and 100.21% respectively.

During the Reporting Period, the Group received investment income of RMB1.86 billion from disposal of its equity interests in several listed companies within the same industry.

Gross profit margin by type of products for the six months ended 30 June 2017 and its year-on-year change

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 corresponding period of last year (%)	Year-on-year change in gross profit margin (percentage points)
42.5-grade cement	18,357,834	12,444,180	32.21	29.65	2.56
32.5-grade cement	8,672,894	5,503,156	36.55	34.74	1.81
Clinker	3,663,475	2,686,558	26.67	24.96	1.71
Aggregate and carpolite	291,555	134,336	53.92	42.27	11.65
Total	30,985,758	20,768,230	32.97	30.71	2.26

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

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

During the Reporting Period, due to a substantial rise in product composite selling prices, the consolidated gross profit margin recorded a year-on-year increase of 2.26 percentage points to 32.97%. Among which, the consolidated gross profit margin of aggregate and carpolite increased by 11.65 percentage points year-on-year to 53.92%, which was mainly attributable to the significant increase in product selling price as a result of further improvement in the market supply-and-demand condition due to the efforts by the national and local governments to strengthen the integrated management of mineral resources.

(4) Analysis of costs and expenses

Consolidated costs of cement and clinker for the six months ended 30 June 2017 and their year-on-year changes

Item	Six months ended 30 June 2017		Six months ended 30 June 2016		Change in unit costs (%)	Change in costs proportion (percentage points)
	Unit costs	Percentage	Unit costs	Percentage		
	(RMB/tonne)	(%)	(RMB/tonne)	(%)		
Raw materials	25.66	16.61	22.8	18.05	12.54	-1.44
Fuel and power	97.63	63.19	71.7	56.77	36.16	6.42
Depreciation expense	13.18	8.53	13.48	10.67	-2.23	-2.14
Labor cost and others	18.03	11.67	18.32	14.51	-1.58	-2.84
Total	154.50	100.00	126.30	100.00	22.33	-

During the Reporting Period, the Group recorded consolidated costs of cement and clinker of RMB154.50/tonne, representing a year-on-year increase of RMB28.20/tonne, which was mainly due to a year-on-year increase in raw coal price.

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

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

Expenses for the period	Amount for the six months ended 30 June 2017 (RMB'000)	Amount for the six months ended 30 June 2016 (RMB'000)	As a percentage of revenue from principal activities for the Reporting Period (%)	As a percentage of revenue from principal activities for the corresponding period of last year (%)	Change in percentage of revenue from principal activities (percentage points)
Selling expenses	1,591,727	1,505,220	5.14	6.43	-1.29
Administrative expenses	1,363,732	1,440,941	4.40	6.16	-1.76
Financial expenses (net)	75,399	182,100	0.24	0.78	-0.54
Total	3,030,858	3,128,261	9.78	13.37	-3.59

During the Reporting Period, the Group's financial expenses decreased by 58.59% on a year-on-year basis, mainly due to a year-on-year decrease in interest expenses as a result of the repayment of the corporate bonds with a principal amount of RMB7 billion that were already due by the Group last year.

The Group's selling, administrative and financial expenses in aggregate as a percentage to revenue generated from principal activities was 9.78%, having decreased by 3.59 percentage points as compared to the corresponding period of last year. The decrease was mainly attributable to the increase in revenue from principal activities. The total of these three expense items of products per tonne decreased by RMB1.80/tonne or 7.35% year-on-year to RMB22.70/tonne, which was mainly attributable to the increase in sales volume.

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

(5) Financial position

Asset and liability overview

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

Item	30 June 2017 (RMB'000)	31 December 2016 (RMB'000)	Change as at the end of the Reporting Period as compared to those at the beginning of the year (%)
Fixed assets	61,197,840	62,278,022	-1.73
Current and other assets	52,122,433	47,236,099	10.34
Total assets	113,320,273	109,514,121	3.48
Current liabilities	19,813,463	17,049,224	16.21
Non-current liabilities	9,023,748	12,166,126	-25.83
Total liabilities	28,837,211	29,215,350	-1.29
Minority interests	4,100,042	3,689,850	11.12
Equity attributable to equity shareholders of the Company	80,383,020	76,608,921	4.93
Total liabilities and equity	113,320,273	109,514,121	3.48

As at the end of the Reporting Period, the total assets of the Group prepared in accordance with the PRC Accounting Standards was RMB113.320 billion, representing an increase of 3.48% as compared to that at the end of last year, while the total liabilities amounted to RMB28.837 billion, representing a decrease of 1.29% as compared to that at the end of last year. Of which, current liabilities amounted to RMB19.813 billion, representing an increase of 16.21% as compared to that at the end of last year, and the non-current liabilities amounted to RMB9.024 billion, representing a decrease of 25.83% as compared to that at the end of last year, mainly due to the transfer of the corporate bonds due within one year to the current liabilities. As at the end of the Reporting Period, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 25.45%, representing a decrease of 1.23 percentage points as compared to that at the end of the previous year.

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

Please refer to note 12 to the financial statements prepared in accordance with the PRC Accounting Standards for information on the contingent liabilities of the Group.

As at the end of the Reporting Period, equity attributable to equity shareholders of the Company amounted to RMB80.383 billion, representing an increase of 4.93% as compared to that at the end of the previous year; net assets per share attributable to equity shareholders of the Company amounted to RMB15.17, representing an increase of RMB0.71/share as compared to that at the end of the previous year.

As at the end of the Reporting Period, the total current assets and total current liabilities of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB37.061 billion and RMB19.813 billion respectively, with a current ratio of 1.87:1 (as at the end of the previous year: 1.72:1). The year-on-year increase in current ratio was mainly due to the increase in current assets including cash balance and notes receivable during the Reporting Period. The total current assets and total current liabilities of the Group prepared in accordance with the IFRSs amounted to RMB37.113 billion and RMB19.813 billion respectively, with net gearing ratio of 0.11, which was stable. Net gearing ratio was calculated as follows: interest-bearing liabilities minus cash and cash equivalents divided by shareholders' equity.

Liquidity and source of funds

Maturity analysis of bank loans and other borrowings of the Group as at the end of the Reporting Period is as follows:

	As at 30 June 2017 (RMB'000)	As at 31 December 2016 (RMB'000)
Due within 1 year	2,920,203	2,037,987
Due after 1 year but within 2 years	2,603,800	2,209,147
Due after 2 years but within 5 years	1,646,980	2,883,278
Due after 5 years	607,825	354,825
Total	7,778,808	7,485,237

As at the end of the Reporting Period, the Group's aggregate bank borrowings balance were RMB7.779 billion, representing an increase of RMB294 million as compared to those at the beginning of the year. The increase was mainly attributable to the additional borrowings of the Group's subsidiaries during the Reporting Period. Please refer to note 8 to the financial statements prepared in accordance with the PRC Accounting Standards for information on the borrowings bearing fixed interest rate.

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

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 within 1 year 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 the cash flow generated from realization of investment.

Analysis of cash flow

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

	Six months ended 30 June 2017 (RMB'000)	Six months ended 30 June 2016 (RMB'000)	Changes (%)
Net cash flows generated from operating activities	5,047,043	4,667,287	8.14
Net cash flows generated from investment activities	-1,265,268	5,662,847	-122.34
Net cash flows generated from financing activities	-2,601,291	-6,549,294	60.28
Effect of exchange rate movement on cash and cash equivalents	-10,332	5,907	-274.91
Net increase/(decrease) in cash and cash equivalents	1,170,152	3,786,747	-69.10
Balance of cash and cash equivalents at the beginning of the year	5,799,567	4,285,034	35.34
Balance of cash and cash equivalents at the end of the year	6,969,719	8,071,781	-13.65

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB5.047 billion, representing an increase of RMB380 million as compared to that of last year. Such increase was mainly due to the increase in the Group's operating revenue.

During the Reporting Period, the Group's net cash outflows from investment activities increased by RMB6.928 billion as compared to that of last year, mainly due to the increase in term deposits with a maturity of over three months as compared to that of last year during the Reporting Period.

During the Reporting Period, the Group's net cash outflows from financing activities decreased by RMB3.948 billion as compared to that of last year, primarily attributable to the repayment of corporate bonds due within one year by the Group during the corresponding period of last year.

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

(6) Capital expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB1.906 billion, which was primarily used for the construction of cement and clinker production lines of overseas projects and the environmental technological improvement projects.

As at the end of the Reporting Period, capital commitments in respect of the purchase of machinery and equipment for production that were committed but have not been provided for in the accounts are set out as follows:

	As at 30 June 2017 (RMB'000)	As at 31 December 2016 (RMB'000)
Authorized and contracted for	1,960,106	2,057,963
Authorized but not contracted for	2,026,686	3,062,212
Total	3,986,792	5,120,175

(7) Exchange rate risk and related hedging by financial instruments

During the Reporting Period, the Group proactively pushed forward the construction of overseas projects, the payment of which was principally made in local currency or Renminbi with a limited amount in US dollars. The import of equipment, fire-resistant tiles and spare parts was mainly settled in US dollars, while the export of cement and clinker and equipment was usually settled in Renminbi or US dollars. Any change in the exchange rates of such foreign currencies against RMB will directly affect the project construction costs, material procurement costs and export sales revenues of the Group.

In order to effectively reduce foreign exchange risk to ensure an overall managed risk level, the Group implemented centralized management, allocation and use of foreign funds in the domestic and overseas markets by continuing to promote a management model of foreign fund pool, so as to lower costs of exchange settlement and sales, effectively reducing finance costs. The Company also increased the loans denominated in the currencies of the countries where it invests to an appropriate extent, so as to match the financing currency with the settle requirements. The Company made appropriate foreign exchange payment arrangements based on the import and export plan by adjusting its operation strategy for foreign exchange risk on a timely basis, so as to effectively minimize US dollar exchange rate risk.

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

PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the second half of 2017, the PRC economy will adhere to the main theme of “making steady progress while maintaining stability” and continue to implement proactive fiscal policies and prudent monetary policies with a focus on the supply-side structural reform. Infrastructure investments will maintain steady growth while the real estate market will show a slowdown and stabilizing trend. It is expected that the overall demand in the cement market will remain stable in the second half of the year. In addition, the government will step up control measures over industries with excessive production capacity by applying control measures such as energy consumption, environmental protection, quality, safety and technology, and strengthen control over mineral resources, so as to squeeze the backward production capacity out of the market. Coupled with the ongoing implementation of off-peak season production, the major enterprises will continue to push forward the merger and consolidation of the industry to further increase industry concentration, which will help to improve the supply-and-demand condition in the market, promote managed competition and stabilize the pricing system.

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 explore the market for the new project in Indonesia and to accelerate the construction of the projects of Battambang Conch, Luangprabang Conch and North Sulawesi Conch. The Group will accelerate the preliminary preparation works for projects in Vientiane of Laos, Mandalay of Myanmar and Volga of Russia, and carry out project surveys and market inspections in the countries adjoining the “The Belt and Road”. Meanwhile, seizing the favorable opportunities arising from the structural adjustment of the PRC cement industry and strengthening the strategic cooperation with major enterprises of the cement industry, the Group will steadily carry out merger and acquisition and restructuring, so as to further fine-tune its strategic domestic market planning. Furthermore, efforts will be made to accelerate the Group’s aggregate business development and expand its concrete business presence, in an effort to accelerate the extension of industrial chain.

In respect of operation management, the Group will closely monitor changes in the domestic and overseas economic environment to grasp a proper understanding of the supply-and-demand relationship, pursuant to which the Group will implement precise marketing strategy. The Group will adhere to the marketing strategy of “implementation of differential policies with one policy for one region”, so as to maintain stable market shares and strive for higher product prices. Meanwhile, the Group will strengthen communication with peers in the industry to push forward joint management in regional market, with an aim to maximize profit. The Group will also continue to implement strict control over costs, make rigorous effort to promote innovation in management and technology, accelerate construction of the information system and step up efforts in safety and environmental protection, so as to improve operation efficiency and further consolidate our competitive strength. Furthermore, the Group will enhance cultivation of talent reserve by implementing talent programs and pushing forward reforms on the incentive remuneration mechanism, laying a solid foundation for the future development of the Group.

5. Report of the Directors

(1) PRINCIPAL INVESTMENTS DURING THE REPORTING PERIOD

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

- (1) In February 2017, the Company and Myanmar MYINT Investment Group (“MYINT”) invested in and established Myanmar Conch Cement (Mandalay) Co., Ltd., with a registered capital of US\$45 million. The Company and MYINT contributed US\$24.75 million and US\$20.25 million respectively, representing 55% and 45% of the registered capital of Myanmar Conch Cement (Mandalay) Co., Ltd. respectively.
- (2) In June 2017, Conch International Holdings (HK) Limited (“Conch (HK)”), a wholly-owned subsidiary of the Company, and Krittaphong Group Co., Ltd (“Krittaphong Group”) invested in and established Vientiane Conch Cement Co., Ltd. in Laos, with an initial registered capital of US\$1 million. Conch (HK) and Krittaphong Group contributed US\$0.75 million and US\$0.25 million respectively, representing 75% and 25% of the registered capital of Vientiane Conch Cement Co., Ltd. respectively.
- (3) In March 2017, with the approval by shareholders in the general meeting of Yingjiangyunhan Cement Co., Ltd. (“Yingjiangyunhan”), the Company made separate injection to Yingjiangyunhan, with the amount of capital contribution amounting to RMB270 million. After completion of the capital increase, the registered capital of Yingjiangyunhan increased from RMB30 million to RMB300 million, and the shareholding of the Company has been increased from 90% to 99%, while the shareholding of the shareholder Liu Yuecun has been decreased from 10% to 1%.
- (4) In May 2017, Conch (HK) and Hunan Changsha Yuebo Asset Management Co., Ltd. made cash injection to Luangprabang Conch on a pro rata basis, with the amount of capital contribution amounting to US\$22 million. Conch (HK) contributed US\$15.40 million. After completion of the capital increase, the registered capital of Luangprabang Conch increased from US\$1 million to US\$23 million, and the shareholding of Conch (HK) in Luangprabang Conch remained 70%.
- (5) In May 2017, Conch (HK) and Battambang KT Cement Co., Ltd. (“KT Company”, the business partner from Cambodia) acquired the 9% and 11% equity interests in Battambang Conch from Hong Kong Prosperity Cement Holdings Limited (“Prosperity Company”, which held 20% equity interests in Battambang Conch), respectively. The consideration Conch (HK) paid for the above 9% equity interests was US\$0.9 million. After completion of the transfer of equity interests, Conch (HK) held 60% equity interests in Battambang Conch, KT Company held 40% equity interests in Battambang Conch and Prosperity Company ceased to hold equity interests in Battambang Conch.

5. Report of the Directors

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

- (1) During the Reporting Period, in order to realize investment return, the Company decreased its shareholding in Xinli Finance by 3,620,000 shares, representing 1.49% of the issued shares of Xinli Finance. After such decrease in shareholdings, the Company held 18,165,700 shares in Xinli Finance, representing 7.51% of the issued shares of Xinli Finance. Subsequently, as Xinli Finance carried out capital conversion from capital reserve during the Reporting Period on the basis of one share for each existing share held, the number of shares in Xinli Finance held by the Company increased to 36,331,400, while the Company's shareholding remaining at 7.51%. The Company also decreased its shareholding in Qingsong Building Materials and Chemicals by 146,028,004 shares, representing 10.59% of the issued shares of Qingsong Building Materials and Chemicals. After such decrease in shareholdings, the Company no longer held any shares in Qingsong Building Materials and Chemicals. Furthermore, the Company decreased its shareholding in Jidong Cement by 187,703,978 shares, representing 13.93% of the issued shares of Jidong Cement. After such decrease in shareholdings, the Company no longer held any shares in Jidong Cement. The Company decreased its shareholdings in the aforesaid companies and realized investment return of RMB1.860 billion.
- (2) 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	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	54,218,350	9.00	7.51	391,652,492	98,846,143	-151,039,681
000401	Jidong Cement	2,161,423,434	13.93	-	-	1,459,743,423	1,040,617,140
600425	Qingsong Building Materials and Chemicals	813,754,120	10.59	-	-	260,743,065	195,410,178
2233	WCC	1,449,828,915	21.17	21.17	1,441,030,540	48,772,444	48,772,444
Total		4,479,224,819	-	-	1,832,683,032	1,868,105,075	1,133,760,081

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 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 paragraph headed “Overview of Operation Development” under the section headed “Analysis on the Operational Conditions for the First Half of 2017” in Chapter 4 “Management Discussion and Analysis on the Operations of the Group” in this report as well as note 5. (13) to the financial statements prepared in accordance with the PRC Accounting Standards.

4. Principal majority-owned subsidiaries and invested companies

As at the end of the Reporting Period, the Company had 131 majority-owned subsidiaries, 6 jointly-controlled entities and 2 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, in order to increase the capital revenue, and as approved by a resolution of the Board of the Company passed on 25 January 2017, the Company was authorized to utilize its self-owned funds in the amount of RMB2.4 billion (accounted for 3.4% of the Company’s audited net assets for the year ended 31 December 2015 as consolidated and prepared in accordance with China Accounting Standards) to purchase the wealth management product “An Xin • Ling Dong • 75 Days” issued by Agricultural Bank of China Wuhu Jinqiao Sub-branch for a term of 75 days with the expected annualized return rate of 4.2% after taking into account the liquidity and capital security.

The Company fully recovered the principal of the financial entrustment of RMB2.4 billion on 12 April 2017, and the net gain from the wealth management amounted to RMB20,712,300, achieving the expected return rate.

5. Report of the Directors

(2) IMPLEMENTATION OF THE 2016 PROFIT DISTRIBUTION PROPOSAL OF THE COMPANY

On 31 May 2017, the profit distribution proposal for the year 2016 was considered and approved at the 2016 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 2016, under such proposal, the Company paid to all the shareholders of the Company a cash dividend of RMB0.50 (tax inclusive) per share, totaling RMB2,649,651,289.50 (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 2017.

6. 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. On 31 May 2017, the Company convened the 2016 annual general meeting. Please refer to the announcement published on the websites of the Stock Exchange and the Company by the Company on 31 May 2017, and the announcement published on the website of the SSE by the Company on 1 June 2017 for the voting results of the resolutions at the general meeting.

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.

6. Significant Events

(3) EVENTS REGARDING INSOLVENCY AND RESTRUCTURING

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

(4) ACQUISITIONS AND DISPOSALS OF MATERIAL ASSETS

During the Reporting Period, there was no acquisition of the Group's material assets or equity. Details on the disposal of the Group's shareholdings in other listed companies are set out in the paragraph headed "Shareholdings in Other Listed Companies and Trading of Shares of Other Listed Companies" in Section 5 in this report.

(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**

(1) *Use of trademarks*

On 23 September 1997, the Company and Conch Holdings, being its controlling shareholder, entered into the 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 the 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.

6. Significant Events

During the Reporting Period, the fees paid by the Company to Conch Holdings in respect of the use of the trademark amounted to RMB750,000. Pursuant to the HKSE Listing Rules and the SSE Listing Rules, no announcements were required to be made in respect of such connected transaction, nor was such connected transaction subject to the independent shareholders' approval requirement.

(2) *Transaction with Shanghai Haiyi - logistics transportation*

On 30 June 2016, Shanghai Conch Logistics Co., Ltd. ("Shanghai Logistics", a wholly-owned subsidiary of the Company) and Shanghai Haiyi entered into the Transportation Contract, pursuant to which Shanghai Haiyi has agreed to provide maritime transportation services for products such as cement, clinker and coal for the Group for a term of one year. Although no transaction amount is specified in the contract, Shanghai Logistics estimates that the transaction amount will not exceed RMB230 million, which will be determined and settled according to the volume of cargoes actually transported by Shanghai Haiyi for the Group. The Group secured the maritime transportation services from Shanghai Haiyi by way of public tender.

As Shanghai Haiyi is a subsidiary of Conch Venture, and Conch Venture holds more than 5% of the Company's shares, Shanghai Haiyi is also a connected person of the Company under the SSE Listing Rules. The above transaction constituted a connected transaction under the SSE Listing Rules. As the transaction was determined by way of public tender, it can be exempted from the review and disclosure as a connected transaction. In accordance with the HKSE Listing Rules, the above transaction did not constitute a connected transaction as defined in the HKSE Listing Rules.

As at the end of the Reporting Period, the above Transportation Contract was completed with an actual transaction amount of RMB208.0625 million.

On 30 June 2017, Shanghai Logistics entered into the Transportation Contract with Shanghai Haiyi by way of public tender, pursuant to which Shanghai Haiyi shall provide maritime transportation service for products such as cement, clinker and coal for the Group for a term of one year. Although no transaction amount is specified in the contract, Shanghai Logistics estimates that the transaction amount will not exceed RMB230 million.

6. Significant Events

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

On 25 April 2017, as approved by the Board, the Company and Conch Design Institute entered into the Design and Technical Services Contract, pursuant to which Conch Design Institute shall provide certain subsidiaries of the Company with engineering design and technical innovation services for clinker production lines, cement grinding mills, aggregate and residual heat electricity generation projects, with a contract sum of RMB73.28 million.

As stipulated in the Design and Technical Services Contract, the contract price was determined by the parties after arm's length negotiation with reference to the Engineering Survey and Design Charging Administration Regulations 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 prices for the provision of relevant services. The contract price will be financed by the Group's own capital.

For the performance of the above-mentioned Design and Technical Services Contract (and only such contract), no transaction amount has incurred during the Reporting Period. 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 RMB18.2864 million.

The aforesaid transaction constituted a connected transaction as defined in the HKSE Listing Rules. In accordance with the SSE Listing Rules, the aforesaid transaction also constituted a connected transaction as defined in the SSE Listing Rules, but no ad-hoc announcement was required to be made as the contract amount was less than 0.5% of the latest audited net asset of the Group. For details about the transaction, please refer to the Company's announcement dated 25 April 2017 and published on the website of the Stock Exchange and the website of the Company respectively.

(7) MATERIAL CONTRACTS

1. **The Group 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.**

6. Significant Events

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 RMB1,475.49 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	Name of creditor
1	North Sulawesi Conch	100%	1,000,000	ten years	2017.02.24	The Export-Import Bank of China, Anhui Branch
2	Yeafing New Energy	65%	200,000	two years	2017.03.22	HSBC Bank, Hefei Branch
3	Battambang Conch	60%	US\$20million (135,490)	one year	2017.06.23	Bank of China, Phnom Penh Branch
4	Liukuangruian	51%	100,000	one year	2017.01.24	China Minsheng Bank, Shanghai Branch
5	Xiangshan Cement	40%	40,000	one year	2017.05.31	Industrial Bank, Wuhu Branch
Total			1,475,490			

Notes:

- (1) The Company provided a guarantee for loans granted to Xiangshan Cement on a pro rata basis in accordance with its shareholding proportion;
- (2) The Company provided full guarantee for the loans granted to the 3 majority-owned subsidiaries including Liukuangruian, Yeafing New Energy and Battambang Conch. Liuzhi Gongkuang (Group) Co., Ltd. (a shareholder holding 49% equity interests in Liukuangruian) provided equity pledge; Shen Lvye (a shareholder holding 35% equity interests in Yeafing New Energy) provided equity pledge; Battambang KT Cement Co., Ltd. (a shareholder holding 40% equity interests in Battambang) provided equity pledge;
- (3) The RMB-denominated amounts of the guarantees provided by the Company for the USD-denominated loans of Battambang Conch as set out in the table above were translated at the exchange rate of the US Dollar against Renminbi as at 30 June 2017;
- (4) The loans guaranteed by the Company for the subsidiaries as set out in the table above were all for working capital purposes.

6. Significant Events

During the Reporting Period, the guarantees provided by the Company for its subsidiaries in aggregate amounted to RMB1,435.49 million, and the guarantees provided by the Company for Xiangshan Cement, a joint venture, amounted to RMB40 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 RMB670 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 RMB7,937.3 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 RMB9,035.37 million, including RMB-denominated guarantee of RMB5,952.00 million and USD-denominated guarantee of US\$455.15 million (the USD-denominated guarantee balance was translated at the exchange rate of the US Dollar against Renminbi as at 30 June 2017), representing 11.78% 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 RMB200 million.

In March 2016, 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 RMB60 million.

During the Reporting Period, save for the guarantees for three joint ventures, Sino-Myanmar International Trading Co., Ltd., PT SDIC Papua Cement Indonesia and Xiangshan Cement, the Company did not provide any guarantee for its controlling shareholder, de facto controllers, other related parties and any entities which are not legal persons or individuals. As at the end of the Reporting Period, the balance of external guarantees provided by the Company (excluding those provided for its subsidiaries) was RMB1,098.07 million.

As at the end of the Reporting Period, save for the guarantees and pledges of assets as disclosed above, the Group did not provide any other guarantees and pledges, nor did the Group have any other significant contingent liabilities.

6. 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

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 2017 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) EXPLANATION ON INTEGRITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

During the reporting period, there was no refusal to implement judgment enforced by court, and no default in payment of outstanding due debt of relatively large amount by the Company, its controlling shareholders and de facto controller.

6. Significant Events

(12) ENVIRONMENTAL PROTECTION AND WASTE DISCHARGE OF THE COMPANY

As a cement production enterprise, the emissions consisting mainly of dust, NO_x and SO₂ are inevitable during the production process of cement and clinker. During the Reporting Period, a total of 48 subsidiaries of the Group were included in the List of National Key Monitored Enterprises for Waste Gas. The Group carried out comprehensive treatment by taking into consideration the different characteristics of various pollutants. The measures adopted included: (1) the Group carried out upgrade and renovation on the electric dust collectors for the production lines, so as to ensure the dust emission met the discharge standards; (2) the Group developed its unique denitration technology comprising “refined operation + Low-NO_x combustion + SNCR” through years of exploration and practice, and completed transformation of all production lines, effectively reducing NO_x emission; and (3) Given that the mines owned by a few companies of the Group had a relatively high sulphur concentration, the Group had actively explored and made attempts in development of effective desulphurisation technology to reduce SO₂ emission, and has made remarkable achievements.

With the increasingly stringent environmental protection requirements imposed by the country, the Group will invest more in environmental protection by implementing energy conservation and consumption reduction measures, carrying out upgrade and transformation and strengthening environmental management, in an effort to beat the national discharge standards and further consolidate our advantage in environmental management.

(13) DETAILS, REASONS AND IMPACT OF CHANGES IN THE ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND AUDIT METHODS OF THE COMPANY

During the Reporting Period, pursuant to the “Accounting Standards for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations” and the revised “Accounting Standards for Business Enterprises No. 16 – Government Grants” issued by the Ministry of Finance in April 2017 and May 2017 respectively, the Company is required to adopt the aforesaid Accounting Standards for Business Enterprises in the financial reports for the year 2017 and subsequent periods.

The changes in the accounting policies are adjustments to the financial statements presentation and note disclosure shown in the financial reports, which had no material impact on the financial position and operating results of the Company.

(14) 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.

7. Changes in Shares and Shareholders

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

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

7. Changes in Shares and Shareholders

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

As at the end of the Reporting Period, the Company had a total of 66,728 shareholders, 124 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	Pledged or frozen	
					Status	Number of shares (share)
1. Conch Holdings ^(Note 1)	State-owned legal person	1,948,869,927	36.78	A Share		
2. HKSCC Nominees Limited ^(Note 2)	Foreign legal person	1,298,069,385	24.50	H Share		
3. Conch Venture ^(Note 1)	Domestic non-state-owned legal person	286,713,246	5.41	A Share	Pledged	45,000,000
4. China Securities Finance Corporation Limited	State-owned legal person	203,763,442	3.85	A Share		
5. Hong Kong Securities Clearing Company Limited	Foreign legal person	193,242,506	3.65	A Share		
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	48,873,161	0.92	A Share		
8. Bank Negara Malaysia	Others	28,279,588	0.53	A Share		
9. T. Rowe Price – Customer Funds	Others	22,751,207	0.43	A Share		
10. FIL Investment Management (Hong Kong) Limited – Customer Funds	Others	22,485,906	0.42	A Share		

Notes:

- (1) During the Reporting Period, there was no change in the number of the shares of the Company held by Conch Holdings and Conch Venture. The shares held by Conch Holdings were not subject to any pledge, freezing order or trust. 45,000,000 shares of the Company held by Conch Venture were pledged to Guoyuan Securities Company Limited during the Reporting Period for a term of one year, details of which were set out in the announcement of the Company dated 2 June 2017 published on the SSE's website.
- (2) HKSCC Nominees Limited held 1,298,069,385 H Shares, representing 24.50% of the total share capital of the Company, and 99.88% of the issued H Shares of the Company. These shares were held on behalf of various clients.
- (3) All the above shares are floating shares not subject to trading restrictions.
- (4) The Board is not aware of any connected relationship or acting in concert relationship among the above-mentioned shareholders.

7. Changes in Shares and Shareholders

(3) AS AT THE END OF THE REPORTING PERIOD, 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.	155,091,172 H Shares (long position) (Note 4)	Beneficial owner/ Investment manager/ Trustee/Custodian	11.93% (Note 3)
JPMorgan Chase & Co.	17,665,223 H Shares (short position) (Note 4)	Beneficial owner	1.35% (Note 3)

7. Changes in Shares and Shareholders

Name of shareholder	Number of ordinary shares held	Capacity	Percentage of shareholding of the relevant class of shares
Citigroup Inc.	70,929,613 H Shares (long position) (Note 5)	Interest of a controlled corporation/Custodian	5.46% (Note 3)
Citigroup Inc.	27,364,431 H Shares (short position) (Note 5)	Interest of a controlled corporation	2.11% (Note 3)
Taiwan Cement Corporation	116,568,000 H Shares (long position) (Note 6)	Interest of a controlled corporation	8.97% (Note 3)
BlackRock, Inc.	70,825,318 H Shares (long position) (Note 7)	Interest of a controlled corporation	5.45% (Note 3)
BlackRock, Inc.	1,910,500 H Shares (short position) (Note 7)	Interest of a controlled corporation	0.15% (Note 3)
Schroders Plc	65,580,500 H Shares (long position) (Note 8)	Investment manager	5.05% (Note 3)

7. Changes in Shares and Shareholders

Notes:

- (1) Anhui Provincial Investment Group Holdings Co., Ltd. (“Anhui Provincial Investment Group”) and Conch Venture Property held 51% and 49% of the equity interests in Conch Holdings, respectively. Conch Venture Property is wholly owned by Anhui Conch Venture New Energy-saving Building Material Co., Ltd. (“CV Green”), which is in turn wholly owned by China Conch Venture Holdings (HK) Limited (“CV HK”). CV HK is wholly owned by China Conch Venture Holdings International Limited (“CV International”). CV International is a wholly-owned subsidiary of 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 29 June 2017 in respect of the relevant event that occurred on 26 June 2017, these shares were held through certain subsidiaries of JPMorgan Chase & Co.. Of the 155,091,172 H Shares (long position), 48,312,879 H Shares were held in the capacity of beneficial owner, 19,294,920 H Shares in the capacity of investment manager; 18,130 H Shares in the capacity of trustee, and 87,465,243 H Shares (securities in lending pool) in the capacity of custodian.
- (5) Based on the disclosure of interests form submitted by Citigroup Inc. on 20 June 2017 in respect of the relevant event that occurred on 15 June 2017, these shares were held through certain subsidiaries of Citigroup Inc.. Of the 70,929,613 H Shares (long position), 32,809,210 Shares were held in the capacity of interest of a controlled corporation, and 38,120,403 Shares (securities in lending pool) in the capacity of custodian.
- (6) 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.
- (7) Based on the disclosure of interests form submitted by BlackRock, Inc. on 3 July 2017 in respect of the relevant event that occurred on 30 June 2017, these shares were held through certain subsidiaries of BlackRock, Inc..
- (8) Based on the disclosure of interests form submitted by Schroders Plc on 12 June 2017 in respect of the relevant event that occurred on 7 June 2017, these shares were held through certain subsidiaries of Schroders Plc.

Save for the aforesaid shareholders, as at the end of the Reporting Period, 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.

7. Changes in Shares and Shareholders

(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.

8. Directors, Supervisors, Senior Management and Staff

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

During the Reporting Period, Mr. Ding Feng tendered his resignation as the deputy general manager of the Company due to work arrangements and Mr. Yang Kaifa tendered his resignation as the secretary to the Board of the Company due to work arrangements. After careful consideration, the Board approved the requests for resignation of the two senior management staff and expressed its gratitude to the above senior management staff for their contribution to the operation and development of the Company during their tenure.

On 28 June 2017, the Board agreed to appoint Mr. Ke Qiubi as the deputy general manager of the Company according to the recommendation of the Remuneration and Nomination Committee. Upon the resignation of the secretary to the Board, i.e. Mr. Yang Kaifa, the Board designated Mr. Zhou Bo, an executive director and the Chief Accountant of the Company to tentatively take up the role of secretary to the Board according to the relevant requirements under the SSE Listing Rules. On 8 August 2017, the Board agreed to officially appoint Mr. Zhou Bo as the secretary to the Board of the Company with effect from 8 August 2017.

During the Reporting Period, Mr. Qi Shengli tendered his resignation as a Supervisor and the chairman of the Supervisory Committee due to work arrangements. Pursuant to the relevant laws and regulations and requirements under the Articles of the Company, Mr. Qi would continue to serve as a supervisor of the Company until the election of a new supervisor to fill his vacancy at a general meeting.

During the Reporting Period, Mr. Tai Kwok Leung (an independent non-executive Director) was appointed as an independent non-executive director of G & M Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 6038)) on 12 May 2017. Save for the aforesaid, there was no change in the biographies of other Directors, Supervisors and senior management members of the Company.

8. 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 2016 (shares)	Reduction of shareholding during the Reporting Period (shares)	Number of shares held as of 30 June 2017 (shares)
Li Xiaobo	Deputy general manager	193,000	-	193,000
Ke Qiubi	Deputy 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

According to the scheme of shareholding reduction submitted by Mr. Ke Qiubi, the deputy general manager, the Company disclosed his plan to reduce shareholdings in the Company on the SSE website on 8 June 2017 (please see relevant announcement for details). Subject to compliance with relevant requirements under the business rules of the SSE, Mr. Ke Qiubi sold 60,000 shares of the Company on 3 July 2017 and the Company fulfilled its reporting obligations to the SSE in a timely manner.

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

8. Directors, Supervisors, Senior Management and Staff

(4) CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

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

(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 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 at the end of the Reporting Period, there were 43,213 staff members under the employment of the Group with a total remuneration of approximately RMB2,019.14 million, which was the total remuneration of staff for the Reporting Period.

During the Reporting Period, the Group implemented an annual remuneration system for its middle and senior management which was encouraged and restricted based on the production, sales volume, profitability and costs according to the annual objective accountability 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.

In relation to training, the Group provided multi-level training programmes, with an aim to enhancing the management capability of the management personnel 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 committees and subsidiaries, which provided systematic and targeted training for various trainees and skill needs.

9. 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")	11Conch02 (11海螺02)	122069	2011.5.23	2018.5.22	2.5	5.20	The interest is payable annually, and the final interest shall be paid together with the principal amount	SSE
2012 Corporate Bonds of Anhui Conch Cement Company Limited ("2012 Corporate Bonds")	12Conch01 (12海螺01) 12Conch02 (12海螺02)	122202 122203	2012.11.7	2017.11.06 2022.11.06	2.5 3.5	4.89 5.10	The interest is payable annually, and the final interest shall be paid together with the principal amount	SSE

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 next 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.

9. 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 Limited
	Business address	16-20th Floor, Rongchao Tower, 4036 Jintian Road, Futian District, Shenzhen
	Contact person	Zhang Caihong (張彩虹)
	Telephone	010-5680 0319
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	Li Bingting (李冰婷)
	Telephone	010-5902 6656
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 FROM ISSUANCE OF CORPORATE BONDS

The net proceeds raised from the issuance of the corporate bonds with a principal amount of RMB9.5 billion by the Company in 2011 amounted to RMB9,461,980,000. 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.

9. Information on Corporate Bonds

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

According to the two credit rating notices (Xinpingweihanzi [2017] tracking No.048 and Xinpingweihanzi [2017] tracking No.049) and tracking rating reports issued by China Chengxin Securities Rating Company Limited (“China Chengxin”) in April 2017, 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 website of the SSE on 22 April 2017.

(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 2017, the accumulative outstanding balance of external guarantees provided by Conch Holdings amounted to RMB9.35 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 30.52% of the unaudited net assets (excluding minority interests) of Conch Holdings as of 30 June 2017.

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 interest of the seven-year bonds of the 2011 Corporate Bonds of the Company is 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 interest of the five-year bonds of the 2012 Corporate Bonds of the Company is 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.

9. Information on Corporate Bonds

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

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

The major financial indicators (unaudited) of Conch Holdings, the guarantor for the 2011 Corporate Bonds and 2012 Corporate Bonds of the Company, as at 30 June 2017 are as follows:

Items	30 June 2017
Net assets (billion)	87.42
Gearing ratio (%)	27.26
Return on net assets (%)	8.35
Current ratio (times)	2.56
Quick ratio (times)	2.18

(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 Limited and Zhong De Securities Co., Ltd. disclosed the Trustee Report on the 2011 Corporate Bonds of Anhui Conch Cement Company Limited (2016) and Trustee Report on the 2012 Corporate Bonds of Anhui Conch Cement Company Limited (2016) respectively in April 2017, including the operation and financial position of the issuer for the year, utilization of the proceeds, credibility of guarantor of the corporate bonds, interest payment of the bonds for the current period and the tracking rating of the bonds.

9. Information on Corporate Bonds

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

Major indicators	30 June 2017	31 December 2016	Change between the end of this Reporting Period and the previous year (%)	Reason for the change
Current ratio (%)	187.05	172.41	Increased by 14.64 percentage points	Mainly attributable to the increase in current assets such as cash balance and bills receivable
Quick ratio (%)	159.55	145.73	Increased by 13.82 percentage points	Mainly attributable to the increase in current assets such as cash balance and bills receivable
Gearing ratio (%)	25.45	26.68	Decreased by 1.23 percentage points	Mainly attributable to the increase in revenue from principal activities and investment return as compared to that of last year during the Reporting Period
Loan repayment rate (%)	100	100	-	

Major indicators	Six months ended 30 June 2017	Six months ended 30 June 2016	Increase/(decrease) over the same period of the previous year (%)	Reason for the change
EBITDA interest coverage ratio	32.81	15.64	109.77	Mainly attributable to the increase in the aggregate profit as compared to that of last year
Interest payment ratio (%)	100	100	-	

9. Information on Corporate Bonds

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

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

(10) PAYMENT OF PRINCIPAL AND 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 RMB79.705 billion and US\$5.518 billion, of which an amount of RMB6.540 billion and US\$175 million were drawn and an amount of RMB73.165 billion and US\$5.343 billion remained unutilized. During the Reporting Period, the Company obtained new bank loans in an amount of RMB1.177 billion according to the operation and development needs of the Company, and repaid bank loans of RMB884 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 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.

10. Financial Accounting Report (Unaudited)

Consolidated statement of profit or loss

for the six months ended 30 June 2017 – unaudited

(Expressed in Renminbi Yuan ("RMB"))

	Note	Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Revenue	3	31,907,916	23,973,109
Cost of sales and services rendered		(22,017,931)	(16,790,431)
Gross profit		9,889,985	7,182,678
Other revenue	4 (a)	752,733	615,533
Other net income	4 (b)	1,891,414	198,686
Selling and marketing costs		(1,591,727)	(1,505,220)
Administrative expenses		(1,366,332)	(1,443,531)
Profit from operations		9,576,073	5,048,146
Finance costs	5 (a)	(347,715)	(453,795)
Share of profits/(losses) of associates		5,058	(95,686)
Share of (losses)/profits of joint ventures		(5,817)	28,091
Profit before taxation	5	9,227,599	4,526,756
Income tax	6	(2,147,010)	(1,063,906)
Profit for the period		7,080,589	3,462,850
Attributable to:			
Equity shareholders of the Company		6,738,733	3,358,547
Non-controlling interests		341,856	104,303
Profit for the period		7,080,589	3,462,850
Earnings per share	8		
Basic		RMB1.27	RMB0.63
Diluted		RMB1.27	RMB0.63

The notes on pages 59 to 83 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 22.

10. Financial Accounting Report (Unaudited)

Consolidated statement of profit and loss and other comprehensive income

for the six months ended 30 June 2017 – unaudited

(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Profit for the period		7,080,589	3,462,850
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		(10,256)	45,121
Available-for-sale equity securities: net movement in the fair value reserve	7	(279,819)	(109,886)
Shares of other comprehensive income of the investees		(1,983)	21,921
Other comprehensive income for the period		(292,058)	(42,844)
Total comprehensive income for the period		6,788,531	3,420,006
Attributable to:			
Equity shareholders of the Company		6,449,126	3,306,168
Non-controlling interests		339,405	113,838
Total comprehensive income for the period		6,788,531	3,420,006

The notes on pages 59 to 83 form part of this interim financial report.

10. Financial Accounting Report (Unaudited)

Consolidated statement of financial position

at 30 June 2017 – unaudited

(Expressed in Renminbi Yuan)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Investment properties	9	37,565	27,967
Other property, plant and equipment	10	64,005,155	64,660,953
Lease prepayments	11	4,803,883	4,819,674
		68,846,603	69,508,954
Intangible assets		2,993,964	2,912,630
Goodwill		493,648	493,648
Interest in associates	12	1,481,242	2,143,046
Interest in joint ventures		1,148,230	1,172,383
Loans and receivables	13	254,938	206,830
Available-for-sale equity securities	14	391,652	2,935,177
Deferred tax assets		568,073	529,547
Prepayment for long-term assets	15	29,409	28,912
		76,207,759	79,930,767
Current assets			
Inventories	16	5,449,227	4,548,534
Trade receivables	17	8,401,777	7,145,293
Prepayments and other receivables	18	2,224,332	1,904,169
Amounts due from related parties	25 (d)	171,905	301,952
Tax recoverable		79,914	97,423
Restricted cash deposits		315,640	286,417
Bank deposits with maturity over three months		13,500,000	9,500,000
Cash and cash equivalents	19	6,969,719	5,799,566
		37,112,514	29,583,354

The notes on pages 59 to 83 form part of this interim financial report.

10. Financial Accounting Report (Unaudited)

Consolidated statement of financial position (Cont'd)

at 30 June 2017 – unaudited

(Expressed in Renminbi Yuan)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Current liabilities			
Trade payables	21	4,102,969	4,362,893
Other payables and accruals		6,428,227	7,293,525
Bank loans and other borrowings	20	7,918,533	4,537,632
Amounts due to related parties	25 (d)	151,282	235,716
Current taxation		1,212,451	619,459
		19,813,462	17,049,225
Net current assets			
		17,299,052	12,534,129
Total assets less current liabilities			
		93,506,811	92,464,896
Non-current liabilities			
Bank loans and other borrowings	20	8,356,928	11,443,109
Deferred income		584,832	569,580
Deferred tax liabilities		379,866	474,375
		9,321,626	12,487,064
NET ASSETS			
		84,185,185	79,977,832
CAPITAL AND RESERVES			
Share capital		5,299,303	5,299,303
Reserves		74,805,360	71,009,251
Total equity attributable to equity shareholders of the Company			
		80,104,663	76,308,554
Non-controlling interests			
		4,080,522	3,669,278
TOTAL EQUITY			
		84,185,185	79,977,832

The notes on pages 59 to 83 form part of this interim financial report.

10. Financial Accounting Report (Unaudited)

Consolidated statement of changes in equity

for the six months ended 30 June 2017 – 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 other comprehensive income	Total	Non-controlling interests RMB'000	Total equity RMB'000
								of the investees 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	7	-	-	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	22	-	-	-	-	-	(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
and 1 July 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 59 to 83 form part of this interim financial report.

10. Financial Accounting Report (Unaudited)

Consolidated statement of changes in equity (Cont'd)

for the six months ended 30 June 2017 – unaudited

(Expressed in Renminbi Yuan)

Note	Attributable to equity shareholders of the Company										
	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 other comprehensive income of the investees RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 30 June 2016 and 1 July 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
Changes in equity for the six months ended 30 June 2016:											
Profit for the period	-	-	-	-	-	-	5,215,321	-	5,215,321	318,595	5,533,916
Other comprehensive income	-	-	-	9,939	-	(93,081)	-	1,337	(81,805)	331	(81,474)
Total comprehensive income	-	-	-	9,939	-	(93,081)	5,215,321	1,337	5,133,516	318,926	5,452,442
Dividends declared by non-wholly owned subsidiaries to non- controlling shareholders	-	-	-	-	-	-	-	-	-	(210,690)	(210,690)
Capital contribution received by non- wholly owned subsidiaries from non-controlling shareholders	-	-	-	-	-	-	-	-	-	2,063	2,063
Balance at 31 December 2016	5,299,303	10,243,790	216,258	16,412	2,649,654	539,651	57,308,728	34,758	76,308,554	3,669,278	79,977,832

The notes on pages 59 to 83 form part of this interim financial report.

10. Financial Accounting Report (Unaudited)

Consolidated statement of changes in equity (Cont'd)

for the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi Yuan)

Note	Attributable to equity shareholders of the Company										
	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 other comprehensive income of the investees RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	5,299,303	10,243,790	216,258	16,412	2,649,654	539,651	57,308,728	34,758	76,308,554	3,669,278	79,977,832
Changes in equity for the six months ended 30 June 2017:											
Profit for the period	-	-	-	-	-	-	6,738,733	-	6,738,733	341,856	7,080,589
Other comprehensive income	7	-	-	(7,805)	-	(279,819)	-	(1,983)	(289,607)	(2,451)	(292,058)
Total comprehensive income	-	-	-	(7,805)	-	(279,819)	6,738,733	(1,983)	6,449,126	339,405	6,788,531
Dividends declared by non-wholly owned subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(8,390)	(8,390)
Dividends approved in respect of the previous year	22	-	-	-	-	-	(2,649,651)	-	(2,649,651)	-	(2,649,651)
Capital contribution received by non-wholly owned subsidiaries from non-controlling shareholders	-	-	-	-	-	-	-	-	-	82,991	82,991
Acquisition of non-controlling interests	-	-	(3,366)	-	-	-	-	-	(3,366)	(2,762)	(6,128)
Balance at 30 June 2017	5,299,303	10,243,790	212,892	8,607	2,649,654	259,832	61,397,810	32,775	80,104,663	4,080,522	84,185,185

The notes on pages 59 to 83 form part of this interim financial report.

10. Financial Accounting Report (Unaudited)

Condensed consolidated cash flow statement

for the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Operating activities			
Cash generated from operations		6,622,798	5,571,685
– Income tax paid		(1,575,755)	(904,398)
– Interest paid		(259,724)	(588,858)
Net cash generated from operating activities		4,787,319	4,078,429
Investing activities			
Payments for the purchase of property, plant and equipment, lease prepayment and intangible assets		(2,005,657)	(2,020,067)
Proceeds from maturity of bank deposits over three months		11,000,000	10,500,000
Investment in bank deposits with maturity over three months		(15,000,000)	(2,500,000)
Proceeds from disposal of available-for-sale equity securities and interest in associate		4,697,025	–
Other cash flows arising from investing activities		43,364	(317,085)
Net cash (used in)/generated from investing activities		(1,265,268)	5,662,848
Financing activities			
Proceeds from new bank loans and other borrowings		1,177,181	4,423,163
Repayments of bank loans and other borrowings		(883,610)	(7,914,699)
Dividends paid to equity shareholders of the Company	22	(2,649,651)	(2,278,700)
Capital contribution from non-controlling interests		82,992	63,000
Other cash flow arising from financing activities		(68,479)	(253,201)
Net cash used in financing activities		(2,341,567)	(5,960,437)
Net increase in cash and cash equivalents		1,180,484	3,780,840
Effect of foreign exchange rate changes		(10,331)	5,907
Cash and cash equivalents at 1 January		5,799,566	4,285,034
Cash and cash equivalents at 30 June		6,969,719	8,071,781

The notes on pages 59 to 83 form part of this interim financial report.

10. 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 issue on 21 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any 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.

This 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 2016 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 2016 that is included in the interim financial report as comparative information does not constitute the Company’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 2016 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 2017.

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. None of these developments has had a material effect on how the group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

10. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

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 interim financial report 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 interim financial report 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.

10. 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 2017

	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	9,078,689	9,642,350	5,848,325	6,932,481	406,071	31,907,916	-	31,907,916
Inter-segment revenue	1,532,393	9,434,032	127,232	74,436	-	11,168,093	(11,168,093)	-
Reportable segment revenue	10,611,082	19,076,382	5,975,557	7,006,917	406,071	43,076,009	(11,168,093)	31,907,916
Reportable segment profit/(loss)	971,790	7,718,690	1,449,675	1,407,406	29,154	11,576,715	(2,349,116)	9,227,599
Interest income	4,837	374,250	2,166	9,437	3,699	394,389	(117,881)	276,508
Interest expense	24,908	242,894	26,415	108,654	43,011	445,882	(98,167)	347,715
Depreciation and amortisation for the period	222,732	1,064,811	285,829	726,489	74,379	2,374,240	(5,541)	2,368,699
Additions to non-current segment assets during the period	208,866	397,355	137,613	57,436	1,040,234	1,841,504	-	1,841,504
At 30 June 2017								
Reportable segment assets (including investment in associates and joint ventures)	12,757,712	90,052,656	11,291,607	27,362,934	7,528,173	148,993,082	(35,672,809)	113,320,273
Reportable segment liabilities	8,148,391	14,480,214	3,224,983	14,671,339	6,661,712	47,186,639	(18,051,551)	29,135,088

10. 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 2016

	Eastern China	Central China	Southern China	Western China	Overseas	Subtotal	Reconciling items (note b)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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)	10,971,027	87,690,990	11,511,490	27,800,616	6,146,670	144,120,793	(34,606,672)	109,514,121
Reportable segment liabilities	6,600,568	15,541,530	3,511,758	15,669,681	5,339,998	46,663,535	(17,127,246)	29,536,289

10. 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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Revenue		
Elimination of inter-segment revenue	(11,168,093)	(6,962,073)
Profit		
Elimination of inter-segment profits	(2,372,178)	(1,322,425)
Differences between CAS and IFRSs*	23,062	23,766
	(2,349,116)	(1,298,659)
	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Assets		
Elimination of inter-segment balances	(35,672,809)	(34,606,672)
Liabilities		
Elimination of inter-segment balances	(18,349,427)	(17,448,184)
Differences between CAS and IFRSs*	297,876	320,938
	(18,051,551)	(17,127,246)

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

10. 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 operations.

	Revenue from external customers		Specified non-current assets	
	Six months ended		At	At
	2017	2016	30 June 2017	31 December 2016
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	30,770,940	22,710,468	70,196,217	72,254,996
Others	1,136,976	1,262,641	5,051,817	4,039,376
	31,907,916	23,973,109	75,248,034	76,294,372

4 OTHER REVENUE AND NET INCOME

(a) Other revenue

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Subsidy income	474,408	416,742
Interest income	276,508	198,791
Dividend income from listed securities	1,817	–
	752,733	615,533

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

10. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

4 OTHER REVENUE AND NET INCOME (CONTINUED)

(b) Other net income

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Change in fair value of derivatives	–	3,780
Net gain on disposal of property, plant and equipment	8,720	65,303
Net gain on disposal of intangible assets	–	42,065
Exchange (losses)/gains	(1,589)	75,581
Net gain on disposal of available-for-sale equity securities	1,556,773	–
Net gain on disposal of interest in associate	303,104	–
Gain from a bargain purchase	–	12,883
Others	24,406	(926)
	1,891,414	198,686

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Interest on bank loans and other borrowings	363,352	466,636
Less: interest expense capitalised into construction-in-progress	(15,637)	(12,841)
	347,715	453,795

(b) Staff costs:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Salaries, wages and other benefits	1,793,644	1,476,477
Contributions to defined contribution retirement plans	206,872	215,575
	2,000,516	1,692,052

10. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

5 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Depreciation of investment property and other property, plant and equipment	2,274,103	2,206,696
Amortisation of lease prepayments	61,205	56,040
Other amortisation	33,391	68,374
Cost of inventories	20,745,168	16,190,765

Cost of inventories includes RMB3,157,936,000 (six months ended 30 June 2016: RMB2,831,877,000) relating to staff costs and depreciation expenses which amount is also included in the respective total amounts disclosed separately above or in note 5 (b) for each of these types of expenses.

6 INCOME TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current tax		
Provision for the period	2,187,323	1,112,839
Over-provision in respect of prior year	(551)	(4,151)
	2,186,772	1,108,688
Deferred tax		
Origination and reversal of temporary differences	(39,762)	(44,782)
	2,147,010	1,063,906

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2017 and 2016 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

10. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

6 INCOME TAX (CONTINUED)

Conch International Holding (HK) Co., Ltd. (“Conch International”), a subsidiary in Hong Kong, is taxed at corporate income tax rates of 16.5%. Luangprabang Conch Cement Co., Ltd. (“Luangprabang Conch”) a subsidiary in Laos, is taxed at corporate income tax rates of 24%. Conch Cement Volga Limited Liability Company (“Volga Conch”) a subsidiary in Russia, is taxed at corporate income tax rates of 20%. Other individual companies within the Group are generally subject to Corporate Income Tax at 25% on taxable income determined according to the relevant income tax rules and regulations, except for:

Pingliang Conch Cement Co., Ltd. (“Pingliang Conch”) 平涼海螺水泥有限責任公司 (Note (i))	15%
Dazhou Conch Cement Co., Ltd. (“Dazhou Conch”) 達州海螺水泥有限責任公司 (Note (i))	15%
Guangyuan Conch Cement Co., Ltd. (“Guangyuan Conch”) 廣元海螺水泥有限責任公司 (Note (i))	15%
Chongqing Conch Cement Co., Ltd. (“Chongqing Conch”) 重慶海螺水泥有限責任公司 (Note (i))	15%
Liquan Conch Cement Co., Ltd. (“Liquan Conch”) 禮泉海螺水泥有限責任公司 (Note (i))	15%
Guigyang Conch Panjiang Cement Co., Ltd. (“Guigyang Conch”) 貴陽海螺盤江水泥有限責任公司 (Note (i))	15%
Guiding Conch Panjiang Cement Co., Ltd. (“Guiding Conch”) 貴定海螺盤江水泥有限責任公司 (Note (i))	15%
Zunyi Conch Panjiang Cement Co., Ltd. (“Zunyi Conch”) 遵義海螺盤江水泥有限責任公司 (Note (i))	15%
Qianyang Conch Cement Co., Ltd. (“Qianyang Conch”) 千陽海螺水泥有限責任公司 (Note (i))	15%
Bazhong Conch Cement Co., Ltd. (“Bazhong Conch”) 巴中海螺水泥有限責任公司 (Note (i))	15%
Wenshan Conch Cement Co., Ltd. (“Wenshan Conch”) 文山海螺水泥有限公司 (Note (i))	15%
Guangxi Sihegongmao Co., Ltd. (“Sihegongmao”) 廣西四合工貿有限責任公司 (Note (i))	15%
Linxia Conch Cement Co., Ltd. (“Linxia Conch”) 臨夏海螺水泥有限責任公司 (Note (i))	15%
Tongren Conch Panjiang Cement Co., Ltd. (“Tongren Conch”) 銅仁海螺盤江水泥有限責任公司 (Note (i))	15%
Guizhou Liukuanguan Cement Co., Ltd. (“Liukuanguan”) 貴州六礦瑞安水泥有限公司 (Note (i))	15%
Qianxian Conch Cement Co., Ltd. (“Qianxian Conch”) 乾縣海螺水泥有限責任公司 (Note (i))	15%

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Notes to the unaudited interim financial report

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6 INCOME TAX (CONTINUED)

Qianxinan Resource Development Co., Ltd. (“Qianxinan”) 黔西南州發展資源開發有限公司 (Note (i))	15%
Sichuan Nanwei Cement Co., Ltd. (“Nanwei Cement”) 四川南威水泥有限公司 (Note (i))	15%
Yunnan Zhuangxiang Cement Co., Ltd. (“Zhuangxiang Conch”) 雲南壯鄉水泥股份有限公司 (Note (i))	15%
Liangping Conch Cement Co., Ltd. (“Liangping Conch”) 梁平海螺水泥有限責任公司 (Note (i))	15%
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. (“Fenghuangshan”) 寶雞眾喜鳳凰山水泥有限公司 (Note (i))	15%
Baoji Zhongxi Jinlinghe Cement Co., Ltd. (“Jinlinghe”) 寶雞眾喜金陵河水泥有限公司 (Note (i))	15%
Guangxi Lingyun Tonghong Cement Co., Ltd. (“Lingyun Tonghong”) 廣西凌雲通鴻水泥有限公司 (Note (i))	15%
Baoshan Conch Cement Co., Ltd. (“Baoshan Conch”) 保山海螺水泥有限責任公司 (Note (i))	15%
Ganzhou Conch Cement Co., Ltd. (“Ganzhou Conch”) 贛州海螺有限責任公司 (Note (i))	15%
Anhui Wuhu Conch Construction and Installation Co., Ltd (“Conch Construction”) 安徽蕪湖海螺建築安裝工程有限責任公司 (Note (ii))	15%
Anhui Conch Siam Refractory Material Co., Ltd. (“Refractory Material”) 安徽海螺暹羅耐火材料有限公司 (Note (ii))	15%

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 2017.
- (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. Refractory Material 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 2017 to 2019.

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7 OTHER COMPREHENSIVE INCOME

Available-for-sale equity securities:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Changes in fair value recognised during the period	(373,092)	(146,515)
– Net change in fair value	1,282,114	(146,515)
– Reclassified to profit or loss	(1,655,206)	–
Tax effect of changes in fair value recognised during the period	93,273	36,629
Changes in fair value recognised during the period (after tax)	(279,819)	(109,886)
Net movement in the fair value reserve during the period recognised in other comprehensive income	(279,819)	(109,886)

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on the profit attributable to equity shareholders of the Company of RMB6,738,733,000 (six months ended 30 June 2016: RMB3,358,547,000) and the weighted average number of shares in issue during the six months ended 30 June 2017 of 5,299,303,000 ordinary shares (six months ended 30 June 2016: 5,299,303,000 shares).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the six months ended 30 June 2017 and 2016, and therefore, diluted earnings per share is the same as the basic earnings per share.

9 INVESTMENT PROPERTIES

During the six months ended 30 June 2017, the Group leased out three properties and one leasehold land with carrying value of RMB12,666,000 (six months ended 30 June 2016: leased out one property with carrying value of RMB2,532,000) under operating lease and classified the properties and leasehold land as investment properties accordingly.

During the six months ended 30 June 2017, the Group transferred one investment property to other property, plant and equipment with carrying value of RMB2,420,000 (six months ended 30 June 2016: RMB4,590,000) due to the termination of the leasing agreement and change of intention to hold for own use.

10. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

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10 OTHER PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2017, the Group acquired property, plant and equipment with a cost of RMB1,634,739,000 (six months ended 30 June 2016: RMB3,376,448,000).

Assets with a carrying amount of RMB9,845,000 were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB55,005,000), resulting in a net gain on disposal of RMB8,720,000 (six months ended 30 June 2016: a net gain of RMB65,303,000).

11 LEASE PREPAYMENTS

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

During the six months ended 30 June 2017, the Group acquired interests in leasehold land held for own use under operating leases with a cost of RMB48,423,000 (six months ended 30 June 2016: RMB318,796,000).

12 INTERESTS IN ASSOCIATES

As at 30 June 2017, the interests in associates include the investments in West China Cement Limited (“West Cement”) of RMB1,441,031,000, a company listed on the Hong Kong Stock Exchange, and Anhui King Bridge Cement Co., Ltd. (“King Bridge Cement”) of RMB40,211,000.

During the six months ended 30 June 2017, the Group disposed an associate, Qingsong Building Materials and Chemicals (“Qingsong Building”), at an amount of RMB980,609,000 resulting in a net disposal gain of RMB303,104,000. The related share of loss of Qingsong Building before disposal was RMB42,361,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB91,000).

13 LOANS AND RECEIVABLES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Loans and receivables	355,852	360,409
Less: Current portion of non-current loans and receivables (note 18)	(100,914)	(153,579)
	254,938	206,830

As at 30 June 2017, loans and receivables represent the loans due from local government. Amounts of RMB97,000,000 (31 December 2016: RMB148,310,000) of the loans and receivables are unsecured, bearing interests at rates from 4.35% to 4.75% (2016: from 4.35% to 4.75%) per annum, and repayable from 2017 to 2020. Amounts of RMB258,852,000 (31 December 2016: RMB212,099,000) are unsecured, interest free and repayable from 2017 to 2022.

10. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

14 AVAILABLE-FOR-SALE EQUITY SECURITIES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Available-for-sale equity securities		
– Listed in the PRC	391,652	2,935,177

All available-for-sale equity securities held by the Group are listed on the Shanghai Stock Exchange.

15 PREPAYMENT FOR LONG-TERM ASSETS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Prepayment for properties	29,409	28,912
	29,409	28,912

16 INVENTORIES

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Raw materials	2,560,402	1,961,930
Work in progress	205,487	203,659
Finished goods	2,262,020	1,987,760
Spare parts	421,318	395,185
	5,449,227	4,548,534

(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	
	2017 RMB'000	2016 RMB'000
Carrying amount of inventories recognised as expenses	21,635,070	16,687,926

10. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

17 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 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year (inclusive)	8,401,777	7,145,293

Trade debtors are due within 30 to 90 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 1 year 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.

As at 30 June 2017, the Group endorsed the undue bank acceptance notes of RMB1,201,321,000 (31 December 2016: RMB1,139,306,000) to its suppliers to settle trade payables of the same amounts and derecognised these notes receivable and the payables to suppliers in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue notes receivable is limited to when the issuance banks of these undue notes are unable to settle the amounts due to the holders of these notes. As at 30 June 2017, the maximum exposure to loss from its continuous involvement represents the amounts of notes receivable of RMB1,201,321,000 (31 December 2016: RMB1,139,306,000), which the Group endorsed to its suppliers.

As at 30 June 2017, the undue notes receivable of RMB1,464,559,000 (31 December 2016: RMB1,193,896,000) endorsed to its suppliers to settle the trade payables were not derecognised because management believed that the credit risk of ownership were not substantially transferred. The associated trade payables were also not derecognised. The carrying amounts of these undue notes receivable and trade payables approximate its fair values. All these undue notes receivable were due within 1 year.

10. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

18 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Purchase prepayments	824,002	579,828
Current portion of loans and receivables (note 13)	100,914	153,579
Loans to related parties	27,960	27,960
Value-added tax and other tax recoverable	609,752	561,843
Interest receivables	135,965	114,888
Other receivables	525,739	466,071
	2,224,332	1,904,169

Except security deposit which does not meet payment terms, all of the prepayments and other receivables are expected to be recovered within one year.

19 CASH AND CASH EQUIVALENTS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Deposits with banks within 3 months	2,568,421	1,500,000
Cash at bank and in hand	4,401,298	4,299,566
	6,969,719	5,799,566

10. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

20 BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are as follows:

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Current bank loans and other borrowings			
Bank loans			
– Secured	(i)	60,000	60,000
– Unsecured		2,860,203	1,970,714
		2,920,203	2,030,714
Unsecured debentures	(ii)	4,998,330	2,499,645
Other borrowings			
– Unsecured	(iii)	–	7,273
		7,918,533	4,537,632
Non-current bank loans and other borrowings			
Bank loans			
– Secured	(i)	–	–
– Unsecured		4,858,605	5,447,250
Unsecured debentures	(ii)	3,498,323	5,995,859
		8,356,928	11,443,109

- (i) Secured bank loans were borrowed from China Construction Bank (“CCB”). The loans bear interest at rates of 4.75% per annum. The amount of RMB60,000,000 will be repayable in October 2017. As at 30 June 2017, the loans are secured by property, plant and equipment of the Group with carrying amount of RMB574,248,000 (31 December 2016: RMB608,033,000).

10. Financial Accounting Report (Unaudited)

Notes to the unaudited interim financial report

(Expressed in Renminbi Yuan unless otherwise indicated)

20 BANK LOANS AND OTHER BORROWINGS (CONTINUED)

- (ii) In May 2011, the Company issued corporate bonds with principal amount of RMB2,500,000,000 with a maturity period of 7 years (“7-year bond”). The 7-year bond carries fixed annual interest rate of 5.20%, which is paid annually. The principal of the 7-year bond will be 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 is paid annually. The principal of the 5-year bond is fully repayable on 7 November 2017 and the 10-year bond will be 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 represent national debt loan provided by the Anhui Provincial Department of Finance. The loan was fully repaid in June 2017.

At 30 June 2017 and 31 December 2016, the bank loans were repayable as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year or on demand	2,920,203	2,030,714
After 1 year but within 2 years	2,603,800	2,209,147
After 2 years but within 5 years	1,646,980	2,883,278
After 5 years	607,825	354,825
Total non-current bank loans	4,858,605	5,447,250
	7,778,808	7,477,964

10. Financial Accounting Report (Unaudited)

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21 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 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year (inclusive)	4,061,968	4,330,228
Between 1 and 2 years (inclusive)	32,559	17,748
Between 2 and 3 years (inclusive)	4,513	6,807
More than 3 years	3,929	8,110
	4,102,969	4,362,893

22 DIVIDENDS

The 2016 annual general meeting held on 31 May 2017 approved the final dividend for the year ended 31 December 2016 of approximately RMB2,649,651,000 (RMB0.50 per ordinary share) (six months ended 30 June 2016: RMB2,278,700,000, RMB0.43 per ordinary share) and the dividends were paid on 21 June 2017.

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

23 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

10. Financial Accounting Report (Unaudited)

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24 COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

(a) Capital commitments

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Contracted for	1,960,106	2,057,963
Authorised but not contracted for	2,026,686	3,062,212
	3,986,792	5,120,175

(b) Operating lease commitments

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year (inclusive)	6,900	5,361
After 1 year but within 5 years (inclusive)	7,188	9,490
After 5 years	7,813	7,998
	21,901	22,849

10. Financial Accounting Report (Unaudited)

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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	Related party of Conch Holdings
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 International Hotel ("Wuhu Conch Hotel") 蕪湖海螺國際大酒店	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") 安徽海创新型節能建築材料有限責任公司	Subsidiary of China Conch Venture

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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
Myanmar Conch Cement (Yangon) Company Limited ("Yangon Conch") 緬甸海螺 (仰光) 水泥有限公司	Joint venture of the Company
Huaibei Mining Xiangshan Cement Company Limited ("Xiangshan Cement") 淮北礦業相山水泥有限責任公司	Joint venture of the Company
Qingsong Building 新疆青松建材化工 (集團) 股份有限公司	Associate of the Company before 4 May 2017
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

10. Financial Accounting Report (Unaudited)

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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	
	2017	2016
	RMB'000	RMB'000
Receiving services	2,377	1,678
Provision of services and sales of goods	854	1,089
Sales of property, plant and equipment	1,961	–

As at 30 June 2017, bank loans and other borrowings amounting to RMB8,500,000,000 (31 December 2016: RMB8,500,000,000) are guaranteed by Conch Holdings.

(ii) Transactions with other related parties

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Sales of goods	117,520	71,073
Sales of property, plant and equipment	6,210	107,945
Provision of services	33,893	21,470
Purchase of property, plant and equipment	271,530	354,707
Purchase of materials	132,857	100,544
Receiving services	104,125	37,627
Interest on loans	843	848

As at 30 June 2017, bank loans and other borrowings amounting to RMB1,098,072,000 (31 December 2016: RMB1,176,796,000) are guaranteed by the Company.

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(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	
	2017 RMB'000	2016 RMB'000
Short-term employees benefits	1,388	1,286
Post-employment benefits	184	178
	1,572	1,464

The above remuneration is disclosed in “staff costs” (see note 5 (b)).

(d) Amounts due from/to related parties

(i) Due from related parties

	At	At
	30 June 2017 RMB'000	31 December 2016 RMB'000
CK Engineering	26,775	75,406
Conch Kawasaki Equipment	16,676	71,142
CK Equipment	9,890	42,474
Conch Design Institute	14,628	13,923
Qingsong Building	-	5,670
Chengli Building Material	13,330	14,742
Papua Cement	50,355	38,368
WH Investment	14,432	10,221
Myanmar Conch	11,320	27,300
Conch IT Engineering	12,389	1,222
Other related parties	2,110	1,484
	171,905	301,952

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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 2017 RMB'000	At 31 December 2016 RMB'000
CK Engineering	32,576	32,664
Conch Kawasaki Equipment	18,071	57,233
CK Equipment	57,112	89,898
Conch Design Institute	4,060	-
HC Port	-	9,736
Conch IT Engineering	5,884	5,965
Papua Cement	5,346	-
Conch Venture Wuhu	27,074	39,247
Other related parties	1,159	973
	151,282	235,716

26 CONTINGENT LIABILITIES

At 30 June 2017, outstanding letters of credit issued by the Group amounted to approximately RMB138,757,000 (31 December 2016: RMB63,557,000).

At 30 June 2017, the Group issued guarantees in relation to banking facilities of its related parties, Papua Cement, Sino-Myanmar International and Xiangshan Cement, amounting to RMB1,098,072,000 in aggregate (31 December 2016: RMB1,176,796,000). These facilities were utilised to the extent of RMB1,098,072,000 (31 December 2016: RMB1,096,203,000) as at 30 June 2017.

11. 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

21 August 2017