CONCH

安徽海螺水泥股份有限公司

Anhui Conch Cement Company Limited

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00914)

Interim results for the six months ended 30 June 2016

Revenue for the six months ended 30 June 2016 ("Reporting Period"), prepared in accordance with the International Financial Reporting Standards ("IFRSs"), amounted to approximately RMB23,973.11 million, representing a decrease of approximately 1.03% over the corresponding period of last year.

As at the end of the Reporting Period, profit attributable to equity shareholders of the Company, prepared in accordance with the IFRSs, was approximately RMB3,358.55 million, representing a decrease of approximately 28.76% over the corresponding period of last year.

As at the end of the Reporting Period, basic earnings per share, prepared in accordance with the IFRSs, were RMB0.63.

Unless otherwise stated, the currency unit in this announcement refers to Renminbi ("RMB"), the lawful currency of the People's Republic of China ("PRC"); unless otherwise stated, the financial information in this announcement is prepared in accordance with the China Accounting Standards for Business Enterprises (2006) ("PRC Accounting Standards").

I. BASIC CORPORATE INFORMATION OF THE COMPANY

1. Basic information

Name of the Company	Anhui Conch Cement Company Limited ("the Company", together with its subsidiaries , the "Group")
A shares ("A Shares") stock abbreviation	Conch Cement
A Shares stock code	600585
Exchange on which A Shares are listed	The Shanghai Stock Exchange ("SSE")
H shares ("H Shares") stock code	00914
Exchange on which H Shares are listed	The Stock Exchange of Hong Kong Limited ("Stock Exchange")
Office address	1011 Jiuhua South Road, Wuhu City, Anhui Province, the PRC
Postal code	241000

2. Contact persons and details

	Secretary to the board ("Board") of directors ("Directors") of the Company	Securities affairs representative of the Company
Name	Yang Kaifa	Liao Dan
Contact address	1011 Jiuhua South Road, Wuhu City, Anhui Province, the PRC	1011 Jiuhua South Road, Wuhu City, Anhui Province, the PRC
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E-mail address	dms@conch.cn	dms@conch.cn

II. ACCOUNTING DATA AND FINANCIAL GUIDANCE

1. Financial summary prepared in accordance with the IFRSs

Items	Six months ended 30 June 2016 (RMB'000)	Six months ended 30 June 2015 (RMB'000)	Increase/ (decrease) over the same period of the previous year (%)
Revenue	23,973,109	24,223,323	-1.03
Net profit attributable to equity shareholders of the Company	3,358,547	4,714,488	-28.76
	As at 30 June 2016 (RMB'000)	**As at 31 December 2015 (RMB'000)**	**Increase/ (decrease) over the beginning of the year (%)**
Total assets	103,123,001	105,781,392	-2.51
Total liabilities	28,388,984	32,236,883	-11.94

2. Major accounting data prepared in accordance with the PRC Accounting Standards

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

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

III. TOTAL NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS OF THE TOP 10 SHAREHOLDERS

As at the end of the Reporting Period, the Company had a total of 96,643 shareholders, 137 of which were holders of H Shares.

Name of shareholder	Nature of shareholder	Number of shares held at the end of the Reporting Period (share)	Percentage of shareholding (%)	Class of shares
1. Anhui Conch Holdings Co., Ltd. (Note 2) ("Conch Holdings")	State-owned legal person	1,948,869,927	36.78	A Share
2. HKSCC Nominees Limited (Note 3)	Foreign legal person	1,297,888,885	24.49	H Share
3. Anhui Conch Venture Investment Co., Ltd. (Note 2) ("Conch Venture")	Domestic non-state-owned legal person	286,713,246	5.41	A Share
4. China Securities Finance Corporation Limited	State-owned legal person	166,943,132	3.15	A Share
5. Hong Kong Securities Clearing Company Limited	Foreign legal person	130,189,532	2.46	A Share
6. Central Huijin Asset Management Ltd.	State-owned legal person	70,249,600	1.33	A Share
7. FIL Investment Management (Hong Kong) Limited – Customer Funds	Others	51,341,642	0.97	A Share
8. National Social Security Fund 102	Others	30,033,880	0.57	A Share

Package				
9. Central Bank of Malaysia	Others	28,279,588	0.53	A Share
10. National Social Security Fund 108 Package	Others	23,983,620	0.45	A Share

Notes:

(1) All shares held by the above shareholders are floating shares without trading restrictions.

(2) During the Reporting Period, there was no change in the number of the shares of the Company held by Conch Holdings and Conch Venture, and such shares were not subject to any pledge, freezing order or trust.

(3) HKSCC Nominees Limited held 1,297,888,885 H Shares, representing 24.49% of the total share capital of the Company, and 99.87% of the issued H share capital of the Company. These shares were held on behalf of various clients.

(4) So far as the Board is aware, among the above-mentioned shareholders, Conch Holdings and Conch Venture have connected relationship under the Rules Governing the Listing of Stocks on the SSE. Save for the aforesaid, the Board is not aware of any connected relationship or acting in concert relationship among the above-mentioned shareholders.

IV. 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.

V. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

1. Interests of Directors, supervisors and chief executive

As at the end of the Reporting Period, none of the Directors, chief executive and supervisors of the Company ("Supervisors") nor any of their respective close 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), nor had they been granted or exercised the above interests or rights, which were required to be 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 Rules Governing the Listing of Securities on the Stock Exchange ("HKSE Listing Rules").

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

2. Corporate governance code and corporate governance report

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

VI. MANAGEMENT DISCUSSION AND ANALYSIS

MACRO-ENVIRONMENT

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

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

Operations Overview

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

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

During the Reporting Period, three clinker production lines of PT Conch South

Kalimantan Cement, Myanmar Conch Cement Co., Ltd. and Yingjiang Yunhan Cement Co., Ltd., as well as seven cement grinding units of Ganzhou Conch Cement Co., Ltd. and Guangxi Sihegongmao Co., Ltd. had successively been put into operation, with the clinker and cement production capacity increased by 4.6 million tonnes and 8.1 million tonnes respectively. In addition, the Group continued to facilitate the mergers and acquisitions of domestic projects and had completed the transfer of cement assets of former Anhui Chaodong Cement Co., Ltd., increasing its clinker and cement production capacity by 5.4 million tonnes and 3.5 million tonnes respectively. As at the end of the Reporting Period, the clinker, cement and aggregate production capacity of the Group reached 240 million tonnes, 300 million tonnes and 24.9 million tonnes respectively.

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

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

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

Sales Market Overview

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

Market and sales by region

Sales amount by region

Region	Six months ended 30 June 2016		Six months ended 30 June 2015		Change in sales amount (%)	Change in sales proportion (Percentage points)
	Sales amount (RMB'000)	Percentage (%)	Sales amount (RMB'000)	Percentage (%)		
East China Note 1	6,300,176	26.92	6,894,863	29.23	-8.63	-2.31

Central China Note 2	6,800,205	29.06	6,317,752	26.79	7.64	2.27
South China Note 3	4,158,615	17.77	4,507,613	19.11	-7.74	-1.34
West China Note 4	4,992,602	21.34	5,012,726	21.25	-0.40	0.09
Export and overseas	1,148,857	4.91	853,426	3.62	34.62	1.29
Total	**23,400,455**	**100.00**	**23,586,380**	**100.00**	**-0.79**	**-**

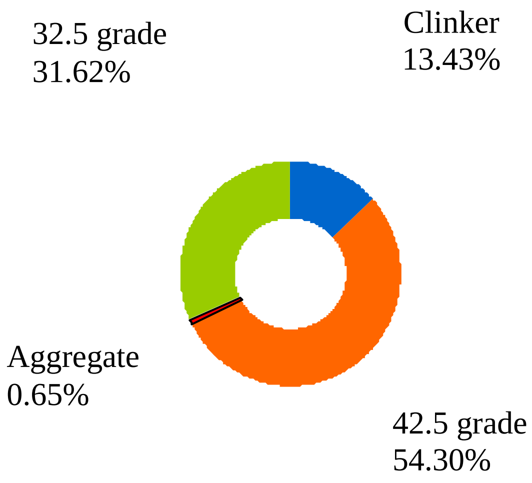
Notes: *1. East China includes Jiangsu province, Zhejiang province, Shanghai, Fujian province, Shandong province and other regions;*
2. Central China includes Anhui province, Jiangxi province, Hunan province, Hubei province and other regions;
3. South China includes Guangdong province, Guangxi province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

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

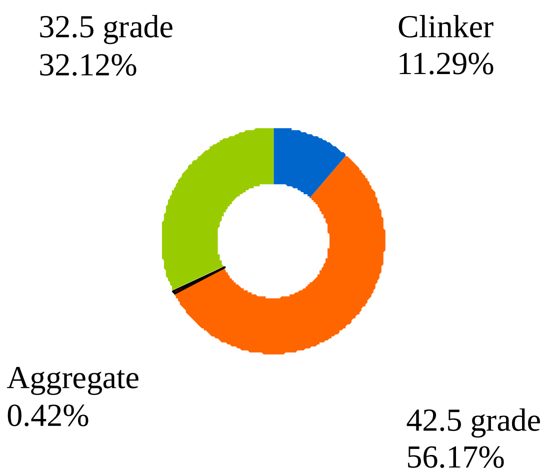
During the Reporting Period, the Group increased export sales. Sales contribution of clinker increased by 2.14 percentage points year-on-year to 13.43%, while the sales contribution of 42.5-grade cement decreased by 1.87 percentage points year-on-year to 54.30%.

Percentage of sales amount by type of products

Six Months ended 30 June 2016



Six Months ended 30 June 2015



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

PROFIT ANALYSIS

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

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

Net profit after extraordinary items attributable to equity shareholders of the Company	2,992,606	2,815,116	6.30

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

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

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

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

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

ANALYSIS OF COSTS AND EXPENSES

Comparison of consolidated costs

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

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

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

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

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

FINANCIAL POSITION

Asset and liability overview

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

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

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

Please refer to Note 9 to the Financial Accounting Report (Unaudited) in this announcement for information on the contingent liabilities of the Group.

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

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

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

Liquidity and Source of Funds

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

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

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

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

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

Analysis of Cash Flow

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

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

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

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

Capital Expenditure

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

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

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

EXCHANGE RATE RISK AND RELATED HEDGING BY FINANCIAL INSTRUMENTS

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

PROSPECTS FOR THE SECOND HALF OF THE YEAR

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

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

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

VII. AUDIT COMMITTEE

An audit committee ("Audit Committee") of the Board has been established by the Company. The terms of reference adopted by the Audit Committee complied with the requirements of the Code Provisions. 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. The financial results in this announcement have been reviewed by the Audit Committee.

VIII. THE BOARD DID NOT RECOMMEND THE PAYMENT OF INTERIM DIVIDEND OR THE CAPITALISATION OF SURPLUS RESERVE FOR THE REPORTING PERIOD

IX. AS AT THE END OF THE REPORTING PERIOD, AND UP TO THE DATE OF PUBLISHING THIS ANNOUNCEMENT, THE GROUP WAS NOT INVOLVED IN ANY MATERIAL EVENTS.

X. FINANCIAL INFORMATION

Financial information extracted from the unaudited consolidated statement of profit or loss and consolidated statement of comprehensive income of the Group for the six months ended 30 June 2016, and unaudited consolidated statement of financial position of the Group as at 30 June 2016, together with the comparative figures at 30 June 2015, prepared in accordance with the IFRSs and presented on the basis described in "4. Notes" of this section. Notes below are as follows:

1. Consolidated statement of profit and loss

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

2. Consolidated statement of profit and loss and other comprehensive income

	Note	*Six months ended 30 June* *2016* RMB'000	*2015* RMB'000
Profit for the period		3,462,850	4,750,126
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		45,121	(5,646)
Available-for-sale equity securities: net movement in fair value reserve	(7)	(109,886)	311,546
Shares of other comprehensive income of the investees		21,921	(3,437)
Other comprehensive income for the period		(42,844)	302,463
Total comprehensive income for the period		3,420,006	5,052,589
Attributable to:			
Equity shareholders of the Company		3,306,168	5,018,555
Non-controlling interests		113,838	34,034
Total comprehensive income for the period		3,420,006	5,052,589

3. Consolidated statement of financial position

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

3. Consolidated statement of financial position (continued)

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

4. Notes:

(1) Basis of preparation

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

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

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

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

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

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

(2) Changes in accounting policies

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

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

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

Annual Improvements to IFRSs 2012-2014 Cycle

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

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

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

(3) Segment reporting

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

(a) Segment results, assets and liabilities

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

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

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

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

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

(3) Segment reporting (continued)

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

For the six months ended 30 June 2016

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

(3) Segment reporting (continued)

For the six months ended 30 June 2015

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

(3) Segment reporting (continued)

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

	Note	*Six months ended 30 June* *2016* RMB'000	*2015* RMB'000
Revenue			
Elimination of inter-segment revenue		(6,962,073)	(7,794,314)
Profit			
Elimination of inter-segment profits		(1,322,425)	(2,281,423)
Differences between CAS and IFRSs*		23,766	22,546
		(1,298,659)	(2,258,877)

	At 30 June 2016 RMB'000	*At 31 December 2015* RMB'000
Assets		
Elimination of inter-segment balances	(30,371,923)	(32,171,760)
Liabilities		
Elimination of inter-segment balances	(13,397,964)	(15,553,540)
Differences between CAS and IFRSs*	364,413	367,062
	(13,033,551)	(15,186,478)

* Differences between PRC accounting standards and IFRSs mainly arise from the deferred income in respect of certain government grants recognised under IFRSs.

(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, prepaid land lease, 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 or the location of operations of the specified non-current assets:

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

(4) Other revenue and net income

(a) Other revenue

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

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

(4) Other revenue and net income (continued)

(b) Other net income

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

(5) Profit before taxation

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

(a) Finance costs:

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

(b) Staff costs:

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

(5) Profit before taxation (continued)

(c) Other items:

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

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

(6) Income tax

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

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

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

Pingliang Conch Cement Co., Ltd. 平涼海螺水泥有限責任公司 (Note (i))	15%
Dazhou Conch Cement Co., Ltd. 達州海螺水泥有限責任公司 (Note (i))	15%
Guangyuan Conch Cement Co., Ltd. 廣元海螺水泥有限責任公司 (Note (i))	15%
Chongqing Conch Cement Co., Ltd. 重慶海螺水泥有限責任公司 (Note (i))	15%
Liquan Conch Cement Co., Ltd. 禮泉海螺水泥有限責任公司 (Note (i))	15%
Guigyang Conch Panjiang Cement Co., Ltd. 貴陽海螺盤江水泥有限責任公司 (Note (i))	15%
Guiding Conch Panjiang Cement Co., Ltd. 貴定海螺盤江水泥有限責任公司 (Note (i))	15%
Zunyi Conch Panjiang Cement Co., Ltd. 遵義海螺盤江水泥有限責任公司 (Note (i))	15%
Qianyang Conch Cement Co., Ltd. 千陽海螺水泥有限責任公司 (Note (i))	15%
Bazhong Conch Cement Co., Ltd. 巴中海螺水泥有限責任公司(Note (i))	15%
Wenshan Conch Cement Co., Ltd. 文山海螺水泥有限公司 (Note (i))	15%
Guangxi Sihegongmao Co., Ltd. 廣西四合工貿有限責任公司(Note (i))	15%
Linxia Conch Cement Co., Ltd. 臨夏海螺水泥有限責任公司(Note (i))	15%
Guizhou Liukuangruian Cement Co., Ltd. 貴州六礦瑞安水泥有限公司(Note (i))	15%
Qianxian Conch Cement Co., Ltd. 乾縣海螺水泥有限責任公司(Note (i))	15%
Qianxinan Resource Development Co., Ltd. 黔西南州發展資源開發有限公司(Note (i))	15%
Sichuan Nanwei Cement Co., Ltd. 四川南威水泥有限公司(Note (i))	15%
Liangping Conch Cement Co., Ltd. 梁平海螺水泥有限責任公司(Note (i))	15%
Tongren Conch Panjiang Cement Co., Ltd. 銅仁海螺盤江水泥有限責任公司(Note (i))	15%
Anhui Wuhu Conch Construction and Installation Co., Ltd (“Conch Construction”) 安徽蕪湖海螺建築安裝工程有限責任公司(Note (ii))	15%
Hami Hongyi Construction Co., Ltd. (“Hami Construction”) 哈密弘毅建材有限責任公司(Note (iii))	12.5%

Note:

(i) Pursuant to Notice No.4 issued by the State Administration of Taxation on 10 March 2015 and relevant local tax authorities' notices, these companies are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC. These companies mentioned above obtained approval from local tax authorities and are entitled to a preferential income tax rate of 15% in 2016.

(ii) Pursuant to Chapter 28 of the Law of the People's Republic of China on Enterprise Income Tax, enterprises are entitled to a preferential income tax rate of 15% after the recognition of high and new technology enterprise. Conch Construction has obtained a high and new technology enterprise certification and approval from local tax authority in 2016 and is entitled to a preferential income tax rate of 15% from 2016 to 2018.

(iii) In 2012, Hami Construction was recognised by the local tax authorities as an enterprise located in Xinjiang depressed region encouraged industries as defined by relevant authorities. According to Cai Shui [2011] No. 53 jointly issued by the Ministry of Finance and the State Administration of Taxation, Hami Construction is entitled to a tax holiday of a tax-free period for the first and second years and a 50% reduction in income tax rate for the third to fifth years, starting from the first year generating revenue. In accordance with local tax authority's notice, the applicable income tax rates for Hami Construction are 0% in 2012 and 2013, and 12.5% from 2014 to 2016.

(7) Other comprehensive income

Available-for-sale equity securities:

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

(8) Earnings per share

(a) Basic earnings per share

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

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the six months ended 30 June 2016 and 2015 respectively.

(9) Contingent liabilities

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

At 30 June 2016, the Group has issued guarantees to banking facilities of its related parties, PT SDIC Papua Cement Co., Ltd. and Sino-Myanmar (Wuhu) International Trading Co., Ltd., amounting to RMB1,193,583,000 in aggregate (31 December 2015: RMB1,177,738,000). These facilities were utilised to the extent of RMB 898,625,000 (31 December 2015: RMB650,458,000) as at 30 June 2016.

By order of the Board
Anhui Conch Cement Company Limited
Chairman
Gao Dengbang

Wuhu City, Anhui Province, the People's Republic of China
22 August 2016

As at the date of this announcement, the Board comprises (i) Mr Gao Dengbang, Mr Wang Jianchao, Mr Wu Bin, Mr Ding Feng and Mr Zhou Bo as executive Directors, (ii) Mr Yang Mian Zhi, Mr Tai Kwok Leung and Mr Leung Tat Kwong Simon as independent non-executive Directors.