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 2018

Revenue for the six months ended 30 June 2018 ("Reporting Period"), prepared in accordance with the International Financial Reporting Standards ("IFRSs"), amounted to approximately RMB45,742.25 million, representing an increase of approximately 43.36% over the corresponding period of the previous 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 RMB12,964.1 million, representing an increase of approximately 92.38% over the corresponding period of the previous year.

As at the end of the Reporting Period, basic earnings per share, prepared in accordance with the IFRSs, were RMB2.45.

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") and H shares ("H Shares") stock abbreviation	Conch Cement
A Shares stock code	600585
Exchange on which A Shares are listed	The Shanghai Stock Exchange ("SSE")
H shares stock code	00914
Exchange on which H Shares are listed	The Stock Exchange of Hong Kong Limited ("Stock Exchange")
Office address	No. 39 Wenhua Road, Wuhu City, Anhui Province, the PRC
Postal code	241000

2. Contact persons and means of contact

	Company Secretary	Securities affairs representative
Name	Yu Shui (acting)	Liao Dan
Contact address	No. 39 Wenhua Road, Wuhu City, Anhui Province, the PRC	No. 39 Wenhua Road, Wuhu City, Anhui Province, the PRC
Telephone	(86-553) 8398976	(86-553) 8398911
Fax number	(86-553) 8398931	(86-553) 8398931
E-mail address	dms@chinaconch.com	dms@chinaconch.com

II. Summary of Accounting Data and Financial Indicators

1. Financial Summary prepared in accordance with the IFRSs

Items	Six months ended 30 June 2018 (RMB'000) (Unaudited)	Six months ended 30 June 2017 (RMB'000) (Unaudited)	Increase/ (decrease) over the corresponding period of the previous year (%)
Revenue	45,742,247	31,907,916	43.36
Net profit attributable to equity shareholders of the Company	12,964,099	6,738,733	92.38
	As at 30 June 2018 (RMB'000) (Unaudited)	**As at 31 December 2017 (RMB'000)**	**Increase/ (decrease) over the beginning of the year (%)**
Total assets	124,326,896	122,142,585	1.79
Total liabilities	25,631,047	30,453,291	-15.83

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

Items	As at 30 June 2018 (RMB'000) (Unaudited)	As at 31 December 2017 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	124,326,896	122,142,585	1.79

Total equity attributable to equity shareholders of the Company	95,918,403	89,406,295	7.28

Items	Six months ended 30 June 2018 (RMB'000) (Unaudited)	Six months ended 30 June 2017 (RMB'000) (Unaudited)	Increase/ (decrease) over the corresponding period of the previous year
Net cash flow generated from operating activities	11,946,486	5,047,043	136.70
Revenue	45,742,247	31,907,916	43.36
Net profit attributable to equity shareholders of the Company	12,942,089	6,716,723	92.68
Net profit attributable to equity shareholders of the Company after extraordinary items	12,744,902	5,123,433	148.76
Weighted average return on net assets (%)	13.65	8.46	Increased 5.19 percentage points
Basic earnings per share (RMB/per share)	2.44	1.27	92.68
Diluted earnings per share (RMB/per share)	2.44	1.27	92.68

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 81,109 shareholders, 94 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
1. Anhui Conch Holdings Co., Ltd. ("Conch Holdings") (Note 1)	State-owned legal person	1,928,870,014	36.40	A Share	Nil	Nil
2. HKSCC Nominees Limited (Note 2)	Foreign legal person	1,298,325,633	24.50	H Share	Unknown	Unknown

3. Hong Kong Securities Clearing Company Limited	Foreign legal person	300,815,885	5.68	A Share	Unknown	Unknown
4. China Securities Finance Corporation Limited	State-owned legal person	259,698,648	4.90	A Share	Unknown	Unknown
5. Anhui Conch Venture Investment Co., Ltd. ("Conch Venture") (Note 3)	Domestic non-state-owned legal person	191,472,045	3.61	A Share	Nil	Nil
6. Central Huijin Asset Management Ltd.	State-owned legal person	70,249,600	1.33	A Share	Unknown	Unknown
7. Bank Negara Malaysia	Others	29,702,495	0.56	A Share	Unknown	Unknown
8. FIL Investment Management (Hong Kong) Limited – Customer Funds	Others	20,980,706	0.40	A Share	Unknown	Unknown
9. The National Social Security Fund 106 Composition	Others	18,612,626	0.35	A Share	Unknown	Unknown
10. Monetary Authority of Macao – Own fund	Others	18,318,642	0.35	A Share	Unknown	Unknown

Notes:

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

(2) HKSCC Nominees Limited held 1,298,325,633 H Shares, representing 24.50% of the total share capital of the Company, and 99.90% of the issued H Share capital of the Company. These shares were held on behalf of various clients.

(3) 45,000,000 floating shares of the Company held by Conch Venture which were pledged to Guoyuan Securities Company Limited on 23 May 2017 were released during the Reporting Period.

(4) All the above shares are floating shares not subject to trading restrictions.

(5) The board of directors of the Company ("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 and 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 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 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 of the Company 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

ANALYSIS ON THE OPERATIONAL CONDITIONS FOR THE FIRST HALF OF 2018

(1) Overview of operation development

In the first half of 2018, in light of new developments including continuous and ongoing national supply-side structural reform, strengthened environmental regulations and control as well as the industry's normalization of off-peak season production, the Group strove to overcome a number of adverse factors such as rising prices for raw materials and fuel. By strengthening research and analysis on the market supply and demand and adhering to the marketing strategy of "one policy for one region, one policy for one plant and implementation of differential policies", the Group reasonably grasped the pace of production and sales and capitalized on the market demands, achieving stable increase in sales volume and significant growth in product price. Moreover, the Group made bulk procurements of raw materials and fuel, optimized resource allocation and strengthened indicator management and control over production and operation, leading to continued improvement of operation quality and substantial improvement in operating results.

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue generated from its principal activities amounted to RMB44,799 million, representing an increase of 44.58% from that for the corresponding period of the previous year; the net profit attributable to equity shareholders of the Company amounted to RMB12,942 million, representing an increase of 92.68% from that for the corresponding period of the previous year; and earnings per share was RMB2.44, representing an increase of RMB1.17 per share from that for the corresponding period of the previous year. In accordance with the IFRSs, the revenue amounted to RMB45,742 million, representing an increase of 43.36% from that for the corresponding period of the previous year; the net profit attributable to equity shareholders of the Company amounted to RMB12,964 million, representing an increase of 92.38% from that for the corresponding period of the previous year; and earnings per share was RMB2.45.

During the Reporting Period, the Group continued to carry out the construction of projects in the PRC. Construction for the cement grinding units for the phase two project of Yueqing Conch Cement Co., Ltd. had been completed and put into operation, construction for the cement aggregates projects of Jianghua Conch Cement Co., Ltd., Yangchun Conch Cement Co., Ltd. and Jiande Conch Cement Co., Ltd. had been completed and put into operation, and construction for four cement aggregates projects of Chongqing Conch Cement Co., Ltd. and Xing'an Conch Cement Co., Ltd. as well as the commercial concrete project of Bazhong Conch Building Materials Co., Ltd. has begun.

Meanwhile, the Group proactively pushed forward the construction and development of overseas projects. One clinker production line and two cement grinding units of Battambang Conch Cement Co., Ltd. of Cambodia had completed construction and been put into operation. The main construction project of Conch North Sulawesi Cement, PT of Indonesia had completed, which will be put into operation shortly. The construction project of Luangprabang Conch Cement Co., Ltd. ("Luangprabang Conch") in Laos is at its peak phase, and construction for the projects of Myanmar Conch Cement (Mandalay) Co., Ltd. ("Mandalay Conch") had begun. The preliminary preparation works for the projects of Vientiane Conch Cement Co., Ltd. ("Vientiane Conch") in Laos, Conch Cement Volga Co., Ltd. ("Volga Conch") in Russia and Qarshi Conch Cement Foreign Enterprise Co., Ltd. ("Qarshi Conch") in Uzbekistan had made orderly progress.

As at the end of the Reporting Period, the production capacity of clinker, cement, aggregates and commercial concrete of the Company amounted to 248 million tonnes, 344 million tonnes, 30.90 million tonnes and 0.6 million cubic meters respectively.

During the Reporting Period, the Group continued to strengthen environmental protection management by increasing investment in environmental protection and push ahead technology improvement in respect of energy conservation and environmental protection technology to reduce emissions. Meanwhile, the Group fully cooperated with the pollution control measures along the Yangtze River, actively fulfilling its corporate responsibilities and obligations in building a beautiful China. During the Reporting Period, in addition to the significant achievements made in respect of wet desulphurization technology improvement, the Group also made great efforts in the modification of electric dust collectors in the clinker production lines, technology improvement of dust collectors in the loading machines, control over unorganized emission of dumping grounds, noise abatement and other aspects, achieving remarkable performance in emission reduction. The construction of the "Demonstration Project for Collection and Purification of CO2 from the Smoke Emitted by Cement Kilns" ("CCS") piloted by the Group in Baimashan Cement Plant will be completed for trial run soon, laying a solid foundation for the further promotion and application of carbon emission reduction projects.

(2) Major operational information during the Reporting Period

1. Analysis of revenue and cost

Principal activities by industry, product and region

Principal activities by industry						
Industry	Operating revenue (RMB'000)	Operating cost (RMB'000)	Gross profit margin (%)	Change in operating revenue from that of the corresponding period of the previous year (%)	Change in operating cost from that of the corresponding period of the previous year (%)	Change in gross profit margin from that of the corresponding period of the previous year (%)
Building material industry	44,799,280	24,713,643	44.83	44.58	19.00	Increased by 11.86 percentage points
Principal activities by product						
Product	Operating revenue (RMB'000)	Operating cost (RMB'000)	Gross profit margin (%)	Change in operating revenue from that of the corresponding period of the previous year (%)	Change in operating cost from that of the corresponding period of the previous year (%)	Change in gross profit margin from that of the corresponding period of the previous year (%)
42.5-grade cement Note 1	28,157,963	15,384,326	45.36	53.38	23.63	13.15
32.5R-grade cement	11,440,982	5,799,651	49.31	31.92	5.39	12.76
Clinker	4,812,946	3,397,860	29.40	31.38	26.48	2.73
Aggregate and carpolite	345,239	99,618	71.15	18.41	-25.84	17.23
Commercial concrete	42,150	32,188	23.63	-	-	-
Principal activities by region						
Region	Operating revenue (RMB'000)	Operating cost (RMB'000)	Gross profit margin (%)	Change in operating revenue from that of the corresponding period of the previous year (%)	Change in operating cost from that of the corresponding period of the previous year (%)	Change in gross profit margin from that of the corresponding period of the previous year (%)
East China Note 2	13,982,379	8,219,139	41.22	53.37	34.58	Increased by 8.21 percentage points

Central China Note 3	12,885,245	6,681,135	48.15	42.99	10.02	Increased by 15.54 percentage points
South China Note 4	6,708,285	3,376,664	49.66	41.15	14.95	Increased by 11.48 percentage points
West China Note 5	9,897,789	5,472,508	44.71	42.22	14.36	Increased by 13.47 percentage points
Export	843,798	617,315	26.84	3.70	-4.13	Increased by 5.98 percentage points
Overseas	481,784	346,882	28.00	44.96	56.60	Decreased by 5.35 percentage points

Notes:
1. *The 42.5-grade cement includes cement of grade 42.5 and above;*
2. *East China mainly includes Jiangsu, Zhejiang, Shanghai, Fujian and Shandong;*
3. *Central China mainly includes Anhui, Jiangxi and Hunan;*
4. *South China mainly includes Guangdong and Guangxi;*
5. *West China mainly includes Sichuan, Chongqing, Guizhou, Yunnan, Gansu, Shaanxi and Xinjiang.*

Sales by industry

During the Reporting Period, the Group realized an aggregate net sales volume of cement and clinker of 143 million tonnes, representing a period-on-period growth of 6.87%, of which the sales volume of self-produced products amounted to 137 million tonnes. Due to a substantial rise in composite selling prices of products, the consolidated gross profit margin of products recorded a period-on-period increase of 11.86 percentage points to 44.83%, among which, the consolidated gross profit margin of products produced and sold by the Group increased by 13.41 percentage points period-on-period to 46.47%.

Sales by type of products

The gross profit margins of the 42.5-grade cement, the 32.5R-grade cement and the clinker increased by 13.15 percentage points, 12.76 percentage points and 2.73 percentage points period-on-period respectively. The consolidated gross profit margin of aggregate and carpolite increased by 17.23 percentage points period-on-period to 71.15%, which was mainly attributable to the significant increase in the product selling price as a result of further improvement in the supply-and-demand conditions of the aggregate market benefiting from the strengthened safety and environmental protection governance by the national and local governments and the further subdivision of its product category by the Company.

Sales by region

During the Reporting Period, the Group recorded a significant period-on-period increase in sales amount in each region, which was attributable to a substantial increase in selling prices and increase in sales volume of products.

In East China and Central China, through market operation, the Company achieved growth in sales volume and significant increase in selling prices, recording a period-on-period increase in sales amount of 53.37% and 42.99% respectively and a period-on-period increase in gross profit margins of 8.21 and 15.54 percentage points respectively.

In South China, the Company achieved growth in sales volume and increase in selling prices through strengthened marketing promotion, resulting in a period-on-period increase of 41.15% in sales amount and a period-on-period increase of 11.48 percentage points in gross profit margin.

In West China, the Company seized the favorable opportunity arising from promotion of off-peak season production due to the seasonal characteristics of the industry to achieve steady increase in both selling prices and sales volume, recording a period-on-period increase in sales amount of 42.22% and a period-on-period increase in gross profit margin of 13.47 percentage points.

Affected by the reduced supply from the domestic market and periodic shortage in clinker resources, the Group recorded a period-on-period decrease in export sales volume of 18.69%. Benefiting from the rise in selling prices, the Group recorded a period-on-period increase in sales amount of 3.70%. With the commencement of operation of overseas projects and continuous improvement in the sales market network, the sales volume of overseas project companies recorded a period-on-period increase of 56.43%, with the sales amount increased by 44.96% period-on-period.

2.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 the previous year （%）**
	Six months ended 30 June 2018 (RMB'000) (Unaudited)	**Six months ended 30 June 2017 (RMB'000) (Unaudited)**	
Revenue from principal activities	44,799,280	30,985,758	44.58
Profit from operations	17,011,437	8,963,801	89.78

Profit before taxation	17,185,657	9,204,537	86.71
Profit attributable to equity shareholders of the Company	12,942,089	6,716,723	92.68

Note: In accordance with the relevant regulations under the "Notice on the Revision of the General Format of Financial Statements of Business Enterprises for 2018" (《關於修訂印發 2018 年度一般企業財務報表格式的通知》) (Caikuai [2018] No.15) issued by the Ministry of Finance, the Company has restated the figures of its financial statements for the first half of 2017.

During the Reporting Period, benefitting from the rise in product selling prices and the growth in product sales volume, the Group's profit from operations, profit before taxation and net profit attributable to equity shareholders of the Company recorded a period-on-period increase of 89.78%, 86.71% and 92.68% respectively.

3.Analysis of costs and expenses

Consolidated costs of cement and clinker for the six months ended 30 June 2018 and their period-on-period changes

Item	Six months ended 30 June 2018		Six months ended 30 June 2017		Change in unit costs (%)	Change in costs proportion (percentage points)
	Unit costs (RMB/tonne) (Unaudited)	Percent-age (%)	Unit costs (RMB/tonne) (Unaudited)	Percent-age (%)		
Raw materials	37.31	21.66	25.66	16.61	45.40	5.05
Fuel and power	100.86	58.57	97.63	63.19	3.31	-4.62
Depreciation expense	12.66	7.35	13.18	8.53	-3.95	-1.18
Labor cost and others	21.39	12.42	18.03	11.67	18.64	0.75
Total	**172.22**	**100.00**	**154.50**	**100.00**	**11.47**	**-**

During the Reporting Period, the consolidated costs of the Group increased by 11.47% or RMB17.72/tonne period-on-period to RMB172.22/tonne, which was mainly due to the change in product sales structure and increase in purchasing price of bulk raw material and fuel.

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 2018 (RMB'000) (Unaudited)	Amount for the six months ended 30 June 2017 (RMB'000) (Unaudited)	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	1,669,270	1,591,727	3.73	5.14	-1.41
Administrative expenses	1,590,731	1,344,620	3.55	4.34	-0.79
Research and development expenses	28,344	19,112	0.06	0.06	-
Financial expenses (income is stated in negative)	-65,547	75,399	-0.15	0.24	-0.39
Total	**3,222,798**	**3,030,858**	**7.19**	**9.78**	**-2.59**

Note: In accordance with the relevant regulations under the "Notice on the Revision of the General Format of Financial Statements of Business Enterprises for 2018" (《關於修訂印發2018年度一般企業財務報表格式的通知》) (Caikuai [2018] No.15) issued by the Ministry of Finance, the Company has restated the figures on its financial statements for the first half of 2017.

During the Reporting Period, the Group's financial expenses decreased by RMB140,950,000 or 186.93% on a period-on-period basis, mainly due to a period-on-period decrease in loan interest expenses and a period-on-period increase in interest income.

During the Reporting Period, the selling, administrative, research and development and financial expenses in aggregate as a percentage to revenue generated from principal activities was 7.19%, decreased by 2.59 percentage points as compared to that of the corresponding period of the previous year. The decrease was mainly attributable to the increase in revenue from principal activities. Expenses per tonne of product decreased by RMB0.12 period-on-period to RMB22.58.

4.Financial position

Asset and liability overview

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

Item	As at 30 June 2018 (RMB'000) (Unaudited)	As at 31 December 2017 (RMB'000)	Change as at the end of the Reporting Period as compared to those at the beginning of the year (%)
Fixed assets	59,310,606	59,667,633	-0.60
Current and other assets	65,016,290	62,474,952	4.07
Total assets	124,326,896	122,142,585	1.79
Current liabilities	18,020,859	21,114,303	-14.65
Non-current liabilities	7,358,436	9,064,175	-18.82
Total liabilities	25,379,295	30,178,478	-15.90
Minority interests	3,029,198	2,557,812	18.43
Equity attributable to equity shareholders of the Company	95,918,403	89,406,295	7.28
Total liabilities and equity	**124,326,896**	**122,142,585**	**1.79**

As at the end of the Reporting Period, the Group's total assets prepared in accordance with the PRC Accounting Standards amounted to RMB124,327 million, representing an increase of 1.79% as compared to those at the end of the previous year. Total liabilities amounted to RMB25,379 million, representing a decrease of 15.90% as compared to those at the end of the previous year; in which the current liabilities amounted to RMB18,021 million, representing a decrease of 14.65% as compared to those at the end of the previous year, which was mainly attributable to the repayment of the corporate bonds due within one year during the Reporting Period; and non-current liabilities amounted to RMB7,358 million, representing a decrease of 18.82% as compared to those at the end of the previous year, which was mainly due to the repayment of due bank borrowings during the Reporting Period. As at 30 June 2018, the Group's gearing ratio calculated in accordance with the

PRC Accounting Standards was 20.41%, representing a decrease of 4.30 percentage points as compared to that at the end of the previous year.

As at the end of the Reporting Period, equity attributable to equity shareholders of the Company amounted to RMB95,918 million, representing an increase of 7.28% as compared to that at the end of the previous year; equity attributable to minority shareholders amounted to RMB3,029 million, representing an increase of 18.43% as compared to that at the end of the previous year; as at the end of the Reporting Period, net assets per share attributable to equity shareholders of the Company amounted to RMB18.10, representing an increase of RMB1.23/share as compared to that at the end of the previous year.

As at 30 June 2018, the total current assets and total current liabilities of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB48,231 million and RMB18,021 million respectively, with a current ratio of 2.68:1 (at the end of the previous year: 2.18:1). The period-on-period increase in current ratio was mainly due to the increase in current assets including cash balance and notes receivable, and the decrease in current liabilities resulting from the repayment of the corporate bonds due within one year. The total current assets and total current liabilities of the Group prepared in accordance with the IFRSs amounted to RMB48,381 million and RMB18,021 million respectively, with net gearing ratio of -0.01 (corresponding period last year: 0.11). 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 2018 (RMB'000) (Unaudited)	As at 31 December 2017 (RMB'000)
Due within 1 year	3,793,603	3,120,771
Due after 1 year but within 2 years	977,936	2,616,794
Due after 2 years but within 5 years	1,656,895	1,590,715
Due after 5 years	495,446	652,972
Total	**6,923,880**	**7,981,252**

As at the end of the Reporting Period, the Group's aggregate bank borrowings balance were RMB6,924 million, representing a decrease of RMB1,057 million as compared to those at the beginning of the year. The decrease was mainly attributable to the repayment of those due bank borrowings during the Reporting Period.

Save for the aforesaid borrowings, the Group had outstanding corporate bonds in a principal amount of RMB3,500 million.

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

Analysis of cash flow

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

	Six months ended 30 June 2018 (RMB'000) (Unaudited)	**Six months ended 30 June 2017 (RMB'000) (Unaudited)**	**Changes (%)**
Net cash flows generated from operating activities	11,946,486	5,047,043	136.70
Net cash flows generated from investment activities	-1,068,048	-1,265,268	15.59
Net cash flows generated from financing activities	-10,211,406	-2,601,291	-292.55
Effect of exchange rate movement on cash and cash equivalents	4,237	-10,332	141.01
Net increase in cash and cash equivalents	671,269	1,170,152	-42.63
Balance of cash and cash equivalents at the beginning of the year	10,428,932	5,799,567	79.82
Balance of cash and cash equivalents at the end of the period	11,100,201	6,969,719	59.26

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB11,946 million, representing an increase of RMB6,899 million period-on-period. Such increase was mainly due to the period-on-period increase in the Group's operating revenue.

During the Reporting Period, the Group's net cash outflows from financing activities increased by RMB7,610 million as compared to that of the corresponding period of last year, primarily attributable to the repayment of corporate bonds by the Group and the period-on-period increase in the amount of listed company's dividends distributed by the Group.

During the Reporting Period, the effect of exchange rate movement on cash and cash equivalents of the Group increased by RMB14.57 million as compared to that of the corresponding period of last year, mainly attributable to the impact of rising exchange rate on the USD-denominated deposits held by the Group at the end of the Reporting Period.

(3) Capital expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB1,966 million, which was primarily used in the investment in construction of cement and clinker production lines and the aggregate projects, as well as expenses in environmental protection 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 2018 (RMB'000) (Unaudited)	As at 31 December 2017 (RMB'000)
Authorized and contracted for	789,099	972,831
Authorized but not contracted for	959,622	1,829,774
Total	**1,748,721**	**2,802,605**

(4) 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, Renminbi and US dollars. The equipment, accessaries and spare parts imported by the Group were mainly settled in US dollars and Euro dollars, while cement and clinker and equipment for export were usually settled in RMB or US dollars. The procurement of materials and sales of commodities by overseas companies were mainly settled in local currencies. 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 a managed risk level, the Group made appropriate foreign exchange receipt and 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 lower costs of exchange settlement and sales, reducing finance costs. The Company also actively explored and implemented a centralized management model of fund pool for foreign projects to reduce loss from currency exchange. Furthermore, the Company used swap instruments to hedge foreign exchange risk based on currency performance.

PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the second half of 2018, the PRC government will continue to adhere to the main theme of "making steady progress while maintaining stability" and implement more proactive fiscal policy and prudent monetary policy, in an effort to promote the stable and healthy development of the economy. Infrastructure investment will continue to grow while investment in the real estate sector is expected to continue to grow. It is expected that the overall demand in the cement market will remain stable in the second half of the year, of which demand in certain regional markets where the Group operates is anticipated to keep rising. The penetrating implementation of the supply-side structural reform, the normalization of off-peak season production, coupled with the "Looking Back (回頭看)" and "Defending the Blue Sky" campaigns fully launched by the central government environmental protection inspection, product supply on the market would be effectively reduced, so as to further improve the supply-and-demand condition in the industry.

In the second half of the year, the Group will continue to proactively and prudently promote the implementation of its development strategy of internationalization. Efforts will be made to push ahead the construction of the projects of Luangprabang Conch in Laos and Mandalay Conch in Myanmar, and to accelerate the preliminary preparation works for projects of Volga Conch in Russia and Qarshi Conch in Uzbekistan. The Group will continue to step up efforts for surveys and feasibility study for overseas projects, with an aim to secure new project sources. Meanwhile, seizing the favorable opportunities arising from the structural adjustment of the cement industry, the Group will proactively seek merger and acquisition opportunities in the domestic market, so as to continue to fine-tune its strategic domestic market planning. Furthermore, the Group will accelerate the extension of the industrial chain to the upstream and downstream sectors by intensifying the development of the aggregate business and proactively pushing ahead its commercial concrete projects, and exploring the development of prefabricated construction, with an aim to encourage growth.

In respect of operation management, the Group will pay close attention to the impact of the supply side structural reform and environmental protection management and control on supply side, as well as the impact of the State's increased infrastructure investments on demand side, and conduct comprehensive analysis so as to grasp a proper understanding of the market trend, improve the precision in marketing strategy and enhance the quality of operation. The Group will enhance its study and assessment of the raw material market supply, consolidate and enhance strategic cooperation with large-scale coal enterprises, and proactively explore new channels, so as to ensure a stable and cost-efficient supply. Meanwhile, in an effort to strictly comply with the national environmental protection policies and strategies, the Group will carry out technology improvement to achieve energy conservation and emission reduction, so as to further improve our performance in environmental protection and control. The Group will promote technology innovation and push ahead with the construction of factories equipped with information system and intelligent system, so as to increase competitive strength. Furthermore, the Group will also step up efforts in introduction and cultivation of high-end talents and fully implement reforms on the incentive remuneration mechanism, creating new organic growth drivers for the sustainable development of the Company.

VII. AUDIT COMMITTEE

The audit committee ("Audit Committee") of the Board was established by the Company. The terms of reference adopted by the Audit Committee complied with all the applicable 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 interim results as disclosed in this announcement has been reviewed by the Audit Committee.

VIII. INTERIM DIVIDEND

The Board did not recommend the payment of dividend or the capitalization of surplus reserve for the Reporting Period.

IX. NO MATERIAL IMPACT EVENT

As at the end of the Reporting Period and up to the date of publishing this announcement, there has been no event that might impose material impacts on the Group.

X. FINANCIAL INFORMATION

The unaudited consolidated statement of profit or loss and consolidated statement of comprehensive income of the Group for the six months ended 30 June 2018, and extract of the unaudited consolidated statement of financial position of the Group as at 30 June 2018, together with the comparative figures as at 30 June 2017, prepared in accordance with IFRSs and presented on the basis described in Note 4(1) below are as follows:

1. Consolidated statement of profit or loss

		Six months ended 30 June	
		2018	*2017*
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	45,742,247	31,907,916
Cost of sales and services rendered		(26,177,257)	(22,017,931)
Gross profit		19,564,990	9,889,985
Other revenue	4(a)	1,146,419	773,444
Other net (loss)/income	4(b)	(169,430)	1,870,703
Selling and marketing costs		(1,669,270)	(1,591,727)
Administrative expenses		(1,621,726)	(1,366,332)
Profit from operations		17,250,983	9,576,073
Finance costs	5(a)	(252,483)	(347,715)
Share of profits of associates		124,394	5,058
Share of profits/(losses) of joint ventures		85,825	(5,817)
Profit before taxation	5	17,208,719	9,227,599
Income tax	6	(3,875,775)	(2,147,010)
Profit for the period		13,332,944	7,080,589

1. Consolidated statement of profit or loss (continued)

		Six months ended 30 June	
		2018	*2017*
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Attributable to:			
Equity shareholders of the Company		12,964,099	6,738,733
Non-controlling interests		368,845	341,856
Profit for the period		13,332,944	7,080,589
Earnings per share	7		
Basic		RMB 2.45	RMB1.27
Diluted		RMB 2.45	RMB1.27

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

	Six months ended 30 June	
	2018	*2017(i)*
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	13,332,944	7,080,589
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(45,233)	-
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	(21,793)	(10,256)
Available-for-sale equity securities: net movement in the fair value reserve (recycling) (ii)	-	(279,819)
Shares of other comprehensive income of the investees	(5,267)	(1,983)
Other comprehensive income for the period	(72,293)	(292,058)
Total comprehensive income for the period	13,260,651	6,788,531
Attributable to:		
Equity shareholders of the Company	12,889,757	6,449,126
Non-controlling interests	370,894	339,405
Total comprehensive income for the period	13,260,651	6,788,531

Notes:

(i) The Group has initially applied International Financial Reporting Standards ("IFRS") 15 and IFRS 9 on 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

(ii) This amount arose under the accounting policies applicable prior to 1 January 2018. As part of the opening balance adjustments as at 1 January 2018, the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. See note 2(b).

3. Consolidated statement of financial position

	At 30 June 2018 RMB'000 (Unaudited)	*At 31 December 2017* RMB'000 (Note)
Non-current assets		
Investment properties	51,872	36,466
Other property, plant and equipment	62,799,751	63,293,696
Lease prepayments	4,885,567	4,904,924
Intangible assets	3,328,805	3,196,077
Goodwill	493,648	493,648
Interests in associates	1,685,006	1,587,953
Interests in joint ventures	1,274,770	1,202,810
Loans and receivables	272,489	263,376
Available-for-sale equity securities	-	461,409
Financial assets measured at fair value through other comprehensive income	401,099	-
Deferred tax assets	733,055	677,819
Prepayment for long-term assets	20,000	-
	75,946,062	76,118,178
Current assets		
Inventories	5,527,850	4,705,200
Trade receivables	13,003,716	12,179,758
Prepayments and other receivables	4,546,921	4,110,966
Amounts due from related parties	309,611	219,659
Tax recoverable	46,061	49,045
Restricted cash deposits	346,474	330,847
Bank deposits with maturity over three months	13,500,000	14,000,000
Cash and cash equivalents	11,100,201	10,428,932
	48,380,834	46,024,407

3. Consolidated statement of financial position (continued)

	At 30 June 2018 RMB'000 (Unaudited)	*At 31 December 2017* RMB'000 (Note)
Current liabilities		
Trade payables	4,689,522	4,967,098
Other payables and accruals	5,062,966	8,423,956
Contract liabilities	2,508,466	-
Bank loans and other borrowings	3,793,603	5,620,076
Amounts due to related parties	189,484	196,509
Current taxation	1,776,818	1,906,664
	18,020,859	21,114,303
Net current assets	30,359,975	24,910,104
Total assets less current liabilities	106,306,037	101,028,282
Non-current liabilities		
Bank loans and other borrowings	6,628,881	8,358,942
Deferred income	634,963	614,099
Deferred tax liabilities	346,344	365,947
	7,610,188	9,338,988
NET ASSETS	98,695,849	91,689,294
CAPITAL AND RESERVES		
Share capital	5,299,303	5,299,303
Reserves	90,384,763	83,850,646
Total equity attributable to equity shareholders of the Company	95,684,066	89,149,949
Non-controlling interests	3,011,783	2,539,345
TOTAL EQUITY	98,695,849	91,689,294

Note: The Group has initially applied IFRS 15 and IFRS 9 on 1 January 2018. Under the transition methods chosen, comparative information is not restated, see note 2 for details.

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 issue on 22 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS.

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 2017 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 2017 are available from the Company's registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2018.

(2) Changes in accounting policies

(a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*

- IFRS 15, *Revenue from contracts with customers*

- IFRS Interpretations Committee ("IFRIC") 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

(2) Changes in accounting policies (continued)

The Group has been impacted by IFRS 9 in relation to classification of financial assets, and impacted by IFRS 15 in relation to presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for IFRS 9 and note 2(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9 and IFRS 15:

	At 31 December 2017	*Impact on initial application of IFRS 9*	*Impact on initial application of IFRS 15*	*At 1 January 2018*
		(Note 2(b))	*(Note 2(c))*	
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale equity securities	461,409	(461,409)	-	-
Financial assets measured at fair value through other comprehensive income	-	461,409	-	461,409
Contract liabilities	-	-	2,143,500	2,143,500
Other payables and accruals	8,423,956	-	(2,143,500)	6,280,456

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

(2) Changes in accounting policies (continued)

The following table summarises the impact of transition to IFRS 9 on reserves at 1 January 2018.

	RMB'000
Fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at fair value through other comprehensive income (FVOCI)	(312,150)
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) relating to equity securities now measured at FVOCI and increase in fair value reserve (non-recycling) at 1 January 2018	312,150

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

- FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for

(2) Changes in accounting policies (continued)

trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	IAS 39 carrying amount at 31 December 2017	*Reclassification*	*IFRS 9 carrying amount at 1 January 2018*
	RMB'000	RMB'000	RMB'000
Financial assets measured at FVOCI (non-recyclable)			
Equity securities (Note)	-	461,409	461,409
Financial assets classified as available-for-sale under IAS 39	461,409	(461,409)	-

Note:

Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in Anhui Xinli Finance Co., Ltd at FVOCI (non-recycling), as the investment is not held for trading and meets the definition of equity from the issuer's perspective.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts.

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

(2) Changes in accounting policies (continued)

Financial guarantees issued are initially recognised within "trade and other payables" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see note 2(b)(ii)) on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(b)(ii) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, restricted cash deposits, bank deposits with maturity over three months, trade receivables, prepayments and other receivables, amounts due from related parties and loans and otherreceivables));

- contract assets as defined in IFRS 15 (see note 2(c)); and

- financial guarantee contracts issued (see note 2(b)(i)).

Financial assets measured at fair value, including units in equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

(2) Changes in accounting policies (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on trade receivables and prepayments and other receivables of the Group are assessed on an individual basis, which was provided based on operating results of each customer and collectability of these receivables.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(2) Changes in accounting policies (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

(2) Changes in accounting policies (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, there is no additional ECLs recognised at 1 January 2018.

(2) Changes in accounting policies (continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

- the determination of the business model within which a financial asset is held; and

- the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and the Group has not identified any material cumulative effect of the initial application of IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

(2) Changes in accounting policies (continued)

There is no significant impact of transition to IFRS 15 on retained earnings and the related tax as at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a material impact on when the Group recognises revenue from the sale of cement and clinkers.

(ii) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

"Receipts in advance from customers" amounting to RMB2,143,500,000 as at 1 January 2018 , which were previously included in "other payables and accruals" are now included under "contract liabilities".

(2) Changes in accounting policies (continued)

(d) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

(3) Revenue and 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) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2018	*2017*
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
– Sales of cement and clinkers	44,799,280	30,985,757
– Others	942,967	922,159
	45,742,247	31,907,916
Disaggregated by geographical location of customers		
– Eastern China	12,636,464	9,078,689
– Central China	14,854,833	9,642,350
– Southern China	7,467,917	5,848,325
– Western China	10,227,259	6,932,481
– Overseas	555,774	406,071
	45,742,247	31,907,916

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

(3) Revenue and segment reporting

(b) Information about profit or loss, assets and liabilities

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 2018 (unaudited)

	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
Disaggregated by timing of revenue recognition								
Point in time	12,636,464	14,854,833	7,467,917	10,227,259	555,774	45,742,247	-	45,742,247
Revenue from external customers	**12,636,464**	**14,854,833**	**7,467,917**	**10,227,259**	**555,774**	**45,742,247**	**-**	**45,742,247**
Inter-segment revenue	2,877,110	11,448,115	309,818	148,205	-	14,783,248	(14,783,248)	-
Reportable segment revenue	15,513,574	26,302,948	7,777,735	10,375,464	555,774	60,525,495	(14,783,248)	45,742,247
Reportable segment profit/(loss)	2,112,264	13,453,849	2,927,076	3,654,345	(72,449)	22,075,085	(4,866,366)	17,208,719
Interest income	5,743	551,292	2,703	7,317	1,828	568,883	(78,766)	490,117
Interest expense	10,252	196,310	11,282	56,281	56,094	330,219	(77,736)	252,483
Depreciation and amortisation for the period	225,863	1,018,616	345,831	766,145	82,493	2,438,948	(15,978)	2,422,970
Additions to non-current segment assets during the period	236,304	1,059,727	246,484	37,809	600,303	2,180,627	-	2,180,627
At 30 June 2018								
Reportable segment assets (including investment in associates and joint ventures)	14,352,342	99,897,497	11,778,270	27,384,237	8,993,862	162,406,208	(38,079,312)	124,326,896
Reportable segment liabilities	8,831,803	12,200,616	2,232,174	12,044,021	8,090,692	43,399,306	(17,768,259)	25,631,047

(3) Revenue and segment reporting (continued)

For the six months ended 30 June 2017 (unaudited)

	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 c)* RMB'000	*Total* RMB'000
Disaggregated by timing of revenue recognition								
Point in time	9,078,689	9,642,350	5,848,325	6,932,481	406,071	31,907,916	-	31,907,916
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	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

(3) Revenue and segment reporting (continued)

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

	Six months ended 30 June	
	2018	*2017*
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Elimination of inter-segment revenue	(14,783,248)	(11,168,093)
Profit		
Elimination of inter-segment profits	(4,889,428)	(2,372,178)
Differences between China Accounting Standards ("CAS") and IFRS*	23,062	23,062
	(4,866,366)	(2,349,116)

	At 30 June 2018	*At 31 December 2017*
	RMB'000	RMB'000
	(Unaudited)	
Assets		
Elimination of inter-segment balances	(38,079,312)	(38,899,876)
Liabilities		
Elimination of inter-segment balances	(18,020,011)	(18,801,717)
Differences between CAS and IFRS*	251,752	274,814
	(17,768,259)	(18,526,903)

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

(4) Other revenue and net (loss)/income

(a) Other revenue

	Six months ended 30 June	
	2018	*2017*
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Subsidy income*	596,620	474,408
Interest income	490,117	276,508
Investment income on wealth management products issued by bank	59,682	20,711
Dividend income from listed securities	-	1,817
	1,146,419	773,444

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

(b) Other net (loss)/ income

	Six months ended 30 June	
	2018	*2017*
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net (loss)/gain on disposal of property, plant and equipment	(1,686)	8,720
Net realised and unrealised gain on derivative financial instruments	29,985	-
Exchange losses	(169,435)	(1,589)
Net gain on disposal of available-for-sale equity securities	-	1,556,773
Net gain on disposal of interest in associate	-	303,104
Others	(28,294)	3,695
	(169,430)	1,870,703

(5) Profit before taxation

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

(a) Finance costs:

	Six months ended 30 June	
	2018	*2017*
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on financial liabilities not at fair value through profit or loss	276,585	363,352
Less: interest expense capitalised into construction-in-progress*	(24,102)	(15,637)
	252,483	347,715

* The borrowing costs have been capitalised at rates of 2.65% ~ 5.99% (six months ended 30 June 2017: 2.51% ~ 8.80%).

(b) Staff costs:

	Six months ended 30 June	
	2018	*2017*
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	2,167,455	1,793,644
Contributions to defined contribution retirement plans	230,915	206,872
	2,398,370	2,000,516

(5) Profit before taxation (continued)

(c) Other items:

	Six months ended 30 June	
	2018	*2017*
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of investment property and other property, plant and equipment	2,258,479	2,274,103
Amortisation of lease prepayments	64,617	61,205
Amortisation of intangible assets	99,874	33,391
Cost of inventories*	25,973,215	20,745,168

* Cost of inventories includes RMB3,369,533,000 (six months ended 30 June 2017: RMB3,157,936,000) 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	
	2018	*2017*
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
Provision for the period	3,915,423	2,187,323
Under/ (over)-provision in respect of prior year	20,113	(551)
	3,935,536	2,186,772
Deferred tax		
Origination and reversal of temporary differences	(59,761)	(39,762)
	3,875,775	2,147,010

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2017and 2018 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

(6) Income tax (continued)

Conch International Holding (HK) Co., Ltd. located in Hong Kong, is taxed at corporate income tax rates of 16.5%. Luangprabang Conch and Vientiane Conch located in Laos are taxed at corporate income tax rates of 24%. Volga Conch located in Russia is taxed at corporate income tax rates of 20%. Battambang Conch located in Cambodia is taxed at corporate income tax rates of 20%. Qarshi Conch located in Uzbekistan is taxed at corporate income tax rates of 7.5%. Other subsidiaries within the Group are generally subject to the PRC corporate income tax at 25% on taxable income determined according to the relevant income tax rules and regulations, except for:

Qianxinan Resource Development Co., Ltd. 黔西南州發展資源開發有限公司 (Note (i))	15%
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. 隆安海螺有限責任公司(Note (i))	15%
Linxia Conch Cement Co., Ltd. 臨夏海螺水泥有限責任公司 (Note (i))	15%
Tongren Conch Panjiang Cement Co., Ltd. 銅仁海螺盤江水泥有限責任公司 (Note (i))	15%

(6) Income tax (continued)

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%
Sichuan Nanwei Cement Co., Ltd. 四川南威水泥有限公司 (Note (i))	15%
Yunnan Zhuangxiang Cement Co., Ltd. 雲南壯鄉水泥股份有限公司 (Note (i))	15%
Liangping Conch Cement Co., Ltd. 梁平海螺水泥有限責任公司 (Note (i))	15%
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. 寶雞眾喜鳳凰山水泥有限公司 (Note (i))	15%
Baoji Zhongxi Jinlinghe Cement Co., Ltd. 寶雞眾喜金陵河水泥有限公司 (Note (i))	15%
Guangxi Lingyun Tonghong Cement Co., Ltd. 廣西淩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. 贛州海螺有限責任公司 (Note (i))	15%
Hami Hongyi Construction Co., Ltd. 哈密弘毅建材有限責任公司(Note (i))	15%
Yingjiangyunhan Cement Co., Ltd. 盈江縣允罕水泥有限公司 (Note (i))	15%
Kunming Conch Cement Co., Ltd. 昆明海螺水泥有限公司 (Note (i))	15%
Shaanxi Tongchuan Fenghuang Construction Co., Ltd. 陝西銅川鳳凰建材有限公司 (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%

(6) Income tax (continued)

Notes:

(i) Pursuant to Notice No.4 issued by the State Administration of Taxation of the People's Republic of China 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 have obtained the approval from local tax bureau in 2018 and are entitled to a preferential income tax rate of 15%.

(ii) Pursuant to Chapter 28 of the Law of the PRC on Enterprise Income Tax, high and new technology enterprises are entitled to a preferential income tax rate of 15%. Conch Construction obtained a high and new technology enterprise certification in 2015, obtained an approval from local tax authority in 2018 and is entitled to a preferential income tax rate of 15% from 1 January 2018 to 31 December 2018. Refractory Material obtained a high and new technology enterprise certification and an approval from local tax authority in 2016 and is entitled to a preferential income tax rate of 15% from 2016 to 2018.

(7) Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on the profit attributable to equity shareholders of the Company of RMB12,964,099,000 (six months ended 30 June 2017: RMB6,738,733,000) and the weighted average number of shares in issue during the six months ended 30 June 2018 of 5,299,303,000 shares (six months ended 30 June 2017: 5,299,303,000 shares).

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the six months ended 30 June 2018 and 2017, therefore, diluted earnings per share is the same as the basic earnings per share.

(8) Contingent liabilities

At 30 June 2018, outstanding letters of credit issued by the Group amounted to approximately RMB64,877,000 (31 December 2017: RMB48,523,000).

At 30 June 2018, the Group issued guarantees in relation to banking facilities to its related parties, PT SDIC Papua Cement Indonesia and Sino-Myanmar International Trading Co., Ltd, amounting to RMB913,901,000 in aggregate (31 December 2017: RMB1,038,413,000). These facilities were utilised to the extent of RMB913,901,000 (31 December 2017: RMB1,038,413,000) as at 30 June 2018.

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

Wuhu City, Anhui Province, the PRC
22 August 2018

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