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 2020

Revenue for the six months ended 30 June 2020 ("Reporting Period"), prepared in accordance with the International Financial Reporting Standards ("IFRSs"), amounted to approximately RMB74,006.90 million, representing an increase of approximately 3.30% 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 RMB16,086.08 million, representing an increase of approximately 5.26% 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 RMB3.04.

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
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
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II. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

1. Financial Summary prepared in accordance with the IFRSs

Items	Six months ended 30 June 2020 (RMB'000) (Unaudited)	Six months ended 30 June 2019 (RMB'000) (Unaudited)	Increase/ (decrease) over the corresponding period of the previous year (%)
Operating revenue	74,006,895	71,643,826	3.30
Net profit attributable to equity shareholders of the Company	16,086,075	15,281,711	5.26
	As at 30 June 2020 (RMB'000) (Unaudited)	**As at 31 December 2019 (RMB'000)**	**Increase/ (decrease) over the beginning of the year (%)**
Total assets	183,294,568	178,777,182	2.53
Total liabilities	34,645,139	36,646,408	-5.46

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

Items	As at 30 June 2020 (RMB'000) (Unaudited)	As at 31 December 2019 (RMB'000)	Increase/ (decrease) over the beginning of the year (%)
Total assets	183,294,568	178,777,182	2.53
Total equity attributable to equity shareholders of the Company	142,982,093	137,361,682	4.09

Items	Six months ended 30 June 2020 (RMB'000) (Unaudited)	Six months ended 30 June 2019 (RMB'000) (Unaudited)	Increase/ (decrease) over the corresponding period of the previous year (%)
Net cash flow generated from operating activities	14,561,590	14,504,324	0.39
Operating revenue	74,006,895	71,643,826	3.30
Net profit attributable to equity shareholders of the Company	16,069,245	15,259,702	5.31
Net profit attributable to equity shareholders of the Company after extraordinary items	15,526,697	14,923,484	4.04
Weighted average return on net assets (%)	11.18	12.84	Decreased by 1.66 percentage points
Basic earnings per share (RMB/per share)	3.03	2.88	5.31
Diluted earnings per share (RMB/per share)	3.03	2.88	5.31

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 206,245 shareholders, 84 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	-
2. HKSCC Nominees Limited (Note 2)	Foreign legal person	1,298,424,112	24.50	H Share	Unknown	Unknown
3. Hong Kong Securities Clearing Company Limited	Foreign legal person	420,848,349	7.94	A Share	Unknown	Unknown
4. China Securities Finance Corporation Limited	State-owned legal person	158,706,413	2.99	A Share	Unknown	Unknown
5. Central Huijin Asset Management Ltd.	State-owned legal person	70,249,600	1.33	A Share	Unknown	Unknown
6. Anhui Conch Venture Investment Co., Ltd.	Domestic non-state-owned legal person	41,478,000	0.78	A Share	Nil	-

7. Hillhouse Capital Management Co., Ltd. – HCM China Fund	Others	37,322,610	0.70	A Share	Unknown	Unknown
8. Bank Negara Malaysia	Others	32,245,473	0.61	A Share	Unknown	Unknown
9. Industrial & Commercial Bank of China – SSE 50 Trading Open-end Index Securities Investment Fund	Others	16,276,257	0.31	A Share	Unknown	Unknown
10. He Xiangjian	Domestic natural person	15,589,853	0.29	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 pledge, freezing order or trust.

(2) HKSCC Nominees Limited held 1,298,424,112 H Shares, representing 24.50% of the total share capital of the Company, and 99.91% of the issued H Shares of the Company. These shares were held on behalf of its various clients.

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

(4) 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 AND SENIOR MANAGEMENT

1. Interests of directors, supervisors and chief executive

During the Reporting Period, none of the directors, chief executive and supervisors of the Company nor any of their respective close associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("HKSE Listing Rules") 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 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 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 2020

(1) Overview of operation development

In the first half of 2020, in the face of complex domestic and international situations, the Group strove to overcome the impact of adverse factors such as the COVID-2019 epidemic and the prolonged rainy season and actively promoted the resumption of work and production. The Group proactively seized the opportunities arising from the growth in market demand, captured market demands and stabilized market share. Moreover, the Group made bulk procurement 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 steady improvement of operating results.

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group's revenue amounted to RMB74,007 million, representing an increase of 3.30% from that for the corresponding period of the previous year; the net profit attributable to equity shareholders of the Company amounted to RMB16,069 million, representing an increase of 5.31% from that for the corresponding period of the previous year; and earnings per share was RMB3.03, representing an increase of RMB0.15 per share from that for the corresponding period of the previous year. In accordance with the IFRSs, the revenue amounted to RMB74,007 million, representing an increase of 3.30% from that for the corresponding period of the previous year; the net profit attributable to equity shareholders of the Company amounted to RMB16,086 million, representing an increase of 5.26% from that for the corresponding period of the previous year; and earnings per share was RMB3.04, representing an increase of RMB0.16 per share from that for the corresponding period of the previous year.

During the Reporting Period, the Group steadily pushed forward project constructions and mergers and acquisitions at home and abroad. The clinker project of Tibet Basu Conch Cement Co., Ltd. has entered into its peak stage of construction. After the Company acquired Wuhu South Cement Co., Ltd., ("Wuhu South Cement") the production capacity of clinker increased by 4.5 million tonnes and the production capacity of cement increased by 1.6 million tonnes. In terms of overseas development, one clinker line and two cement grinding units of Myanmar Conch (Mandalay) Cement Co., Ltd. have been completed and put into operation. By strengthening its overseas presence and increasing its efforts in market expansion, the overall operating quality of the Group's projects in operation has been persistently improved. Construction and proposed construction projects in regions including Southeast Asia and Central Asia are in orderly progress.

As at the end of the Reporting Period, the Group's production capacity of clinker, cement, aggregates and commercial concrete amounted to 259 million tonnes, 366 million tonnes, 56.80 million tonnes and 3 million cubic meters respectively.

(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 (%)	Period-on-period change in operating revenue (%)	Period-on-period change in operating cost (%)	Period-on-period change in gross profit margin
Building material industry (sale of self-produced products)	47,123,152	24,741,179	47.50	-3.17	-3.77	Increased by 0.33 percentage point
Building material industry (trading business)	15,359,275	15,325,749	0.22	-22.17	-22.22	Increased by 0.06 percentage point
Principal activities by product						
Product	Operating revenue (RMB'000)	Operating cost (RMB'000)	Gross profit margin (%)	Period-on-period change in operating revenue (%)	Period-on-period change in operating cost (%)	Period-on-period change in gross profit margin
Building material industry (sale of self-produced products) -42.5-grade cement Note 1	35,573,757	18,820,204	47.10	8.48	7.78	Increased by 0.34 percentage point
Building material industry (sale of self-produced products) -32.5-grade cement	6,051,336	3,022,175	50.06	-43.84	-44.58	Increased by 0.67 percentage point
Building material industry (sale of self-produced products) -Clinker	4,942,703	2,694,228	45.49	6.98	2.12	Increased by 2.60 percentage points
Building material industry (sale of self-produced products) -Aggregate and carpolite	477,039	139,371	70.78	3.54	-3.57	Increased by 2.15 percentage points
Building material industry (sale of self-produced products) -Commercial concrete	78,317	65,201	16.75	369.60	368.05	Increased by 0.28 percentage point
Building material industry (trading business)	15,359,275	15,325,749	0.22	-22.17	-22.22	Increased by 0.06 percentage point

Principal activities by region						
Region	Operating revenue (RMB'000)	Operating cost (RMB'000)	Gross profit margin (%)	Period-on-period change in operating revenue (%)	Period-on-period change in operating cost (%)	Period-on-period change in gross profit margin
Building material industry (sale of self-produced products) - East China Note 2	12,603,770	6,320,509	49.85	-7.38	-7.57	Increased by 0.10 percentage point
Building material industry (sale of self-produced products) -Central China Note 3	14,618,766	7,466,578	48.92	-4.60	-5.10	Increased by 0.27 percentage point
Building material industry (sale of self-produced products) -South China Note 4	7,825,551	3,962,183	49.37	-1.89	-1.30	Decreased by 0.30 percentage point
Building material industry (sale of self-produced products) -West China Note 5	10,646,857	6,043,402	43.24	1.42	-1.40	Increased by 1.63 percentage points
Building material industry (sale of self-produced products) -Export	235,169	164,613	30.00	-35.81	-38.51	Increased by 3.07 percentage points
Building material industry (sale of self-produced products) -Overseas	1,193,039	783,894	34.29	33.63	32.01	Increased by 0.80 percentage point
Building material industry (trading business)	15,359,275	15,325,749	0.22	-22.17	-22.22	Increased by 0.06 percentage point

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, etc;

3. Central China mainly includes Anhui, Jiangxi and Hunan, etc;

4. South China mainly includes Guangdong, Guangxi and Hainan;

5. West China mainly includes Sichuan, Chongqing, Guizhou, Yunnan, Gansu, Shaanxi and Xinjiang, etc.

Sales by industry

During the Reporting Period, the Group realized an aggregate net sales volume of cement and clinker of 187 million tonnes, representing a period-on-period decrease of 7.60%. Affected by the decrease in net sales volume of cement and clinker and the decrease in composite selling price of products, the revenue generated from principal activities reached RMB62,482 million, representing a period-on-period decrease of 8.65%. The operating cost from principal activities decreased by 11.78% period-on-period to RMB40,067 million. The consolidated gross profit margin of products recorded a period-on-period increase of 2.27 percentage points to 35.87%.

The Group realized a sales volume of self-produced products of cement and clinker of 141 million tonnes, representing a period-on-period decrease of 3.40%. The sales revenue from self-produced products amounted to RMB47,123 million, representing a period-on-period decrease of 3.17%. The cost of sales of self-produced products decreased by 3.77% period-on-period to RMB24,741 million. The consolidated gross profit margin of self-produced products recorded a period-on-period increase of 0.33 percentage point to 47.50%.

The Group's cement and clinker trading business recorded a sales volume of 46 million tonnes, representing a period-on-period decrease of 18.39%. The revenue from the trading business amounted to RMB15,359 million, representing a period-on-period decrease of 22.17%. The cost of the trading business amounted to RMB15,326 million, representing a period-on-period decrease of 22.22%.

Sales by type of products

During the Reporting Period, the sales amount of the Group's 32.5-grade cement decreased by 43.84% period-on-period, mainly due to the revision of the national standard for general Portland cement. Sales of P.C32.5R Composite Portland cement have been entirely cancelled. The sales amount of commercial concrete increased by 369.60% period-on-period, mainly because the Group's commercial concrete projects have been gradually put into operation.

Sales by region

During the Reporting Period, except the period-on-period increase in the sales volume and sales amount of products in West China, the sales volume and the sales amount of self-produced products decreased by varying degrees in other regions due to the impact of the COVID-19 epidemic.

In East China and Central China, affected by the COVID-19 epidemic and the prolonged rainy weather, the market demand has generally declined, leading to respective period-on-period decreases of 7.38% and 4.60% in sales amount. However, benefitting from the decrease in the cost of products, the gross profit margin increased by 0.10 percentage point and 0.27 percentage point period-on-period respectively.

In South China, the sales volume decreased and the sales amount dropped by 1.89% period-on-period. The gross profit margin decreased by 0.30 percentage point period-on-period.

In West China, benefitting from the increasing demands for local infrastructure, the price was stable with growth in sales volume, and the sales amount increased by 1.42% period-on-period. The gross profit margin increased by 1.63 percentage points period-on-period.

During the Reporting Period, as the demands in the international market declined due to the impact of the COVID-19 epidemic abroad, the export sales volume of the Company decreased by 41.00% period-on-period and export sales amount dropped by 35.81% period-on-period. With the gradual enhancement of capacity utilization of newly constructed overseas projects and continued improvement of sales network, overseas project companies recorded period-on-period increases of 30.64% and 33.63% in sales volume and sales amount respectively.

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 previous year (%)
	Six months ended 30 June 2020 (RMB'000) (Unaudited)	Six months ended 30 June 2019 (RMB'000) (Unaudited)	
Revenue from principal activities	62,482,427	68,400,324	-8.65
Profit from operations	21,145,063	20,136,018	5.01
Profit before taxation	21,496,460	20,336,001	5.71
Net profit attributable to equity shareholders of the Company	16,069,245	15,259,702	5.31

During the Reporting Period, due to the decrease in product sales, the revenue from principal activities decreased by 8.65% period-on-period. Affected by the decrease in the cost of products and expenses for the period, the Group's profit from operations, profit before taxation and net profit attributable to equity shareholders of the Company recorded period-on-period increase of 5.01%, 5.71% and 5.31% respectively.

3. Analysis of costs and expenses

Consolidated costs of cement and clinker for the six months ended 30 June 2020 and their period-on-period changes

Item	Six months ended 30 June 2020		Six months ended 30 June 2019		Change in unit costs (%)	Change in costs proportion (percentage points)
	Unit costs (RMB/tonne) (Unaudited)	Percentage (%)	Unit costs (RMB/tonne) (Unaudited)	Percentage (%)		
Raw materials	42.66	24.45	39.09	22.26	9.13	2.19
Fuel and power	92.78	53.17	97.53	55.56	-4.87	-2.39
Depreciation expense	13.44	7.70	12.72	7.25	5.66	0.45
Labor cost and others	25.62	14.68	26.20	14.93	-2.21	-0.25
Total	**174.50**	**100**	**175.54**	**100**	**-0.59**	**-**

Note: All cost items mentioned above represent the costs of the Company's self-produced products, excluding cost of the trading business.

During the Reporting Period, the consolidated costs of the Company's cement and clinker of the Company decreased by 0.59% period-on-period, which was mainly affected by the decrease in the cost of raw coal and power.

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 2020 (RMB'000) (Unaudited)	Amount for the six months ended 30 June 2019 (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	1,791,651	1,983,125	2.87	2.90	-0.03
Administrative expenses	1,772,554	2,165,012	2.84	3.17	-0.33
Research and development expenses	80,537	23,332	0.13	0.03	0.10
Financial expenses (income is stated in negative)	-864,130	-629,723	-1.38	-0.92	-0.46
Total	**2,780,612**	**3,541,746**	**4.45**	**5.18**	**-0.73**

During the Reporting Period, the Group's financial expenses decreased by 37.22% period-on-period, mainly due to a period-on-period increase in the Group's deposit interest income.

During the Reporting Period, the Group's selling, administrative, research and development and financial expenses in aggregate as a percentage to revenue generated from principal activities was 4.45%, representing a decrease of 0.73 percentage point period-on-period. The decrease was mainly attributable to a period-on-period decrease in the administrative expense and selling expense and the increase in deposit interest income of the Group. Excluding the effect of trading business income, the Group's selling, administrative, research and development and financial expenses in aggregate as a percentage to revenue generated from principal activities was 5.90%, representing a decrease of 1.38 percentage points period-on-period.

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 2020 (RMB'000) (Unaudited)	As at 31 December 2019 (RMB'000)	Change as at the end of the Reporting Period as compared to that at the beginning of the year (%)
Fixed assets	61,677,938	58,858,416	4.79
Current and other assets	121,616,630	119,918,766	1.42
Total assets	183,294,568	178,777,182	2.53
Current liabilities	26,082,228	27,421,190	-4.88
Non-current liabilities	8,391,119	9,035,543	-7.13
Total liabilities	34,473,347	36,456,733	-5.44
Minority interests	5,839,128	4,958,767	17.75
Equity attributable to equity shareholders of the Company	142,982,093	137,361,682	4.09
Total liabilities and equity	183,294,568	178,777,182	2.53

As at the end of the Reporting Period, the Group's total assets prepared in accordance with the PRC Accounting Standards amounted to RMB183,295 million, representing an increase of 2.53% as compared to those at the end of the previous year. Total liabilities amounted to RMB34,473 million, representing a decrease of 5.44% as compared to those at the end of the previous year; of which the current liabilities amounted to RMB26,082 million, representing a decrease of 4.88% as compared to those at the end of the previous year, which was mainly attributable to a decrease in taxes payables; non-current liabilities amounted to RMB8,391 million, representing a decrease of 7.13% when compared with that at the end of last year, which was mainly due to reclassification of long-term borrowings to non-current liabilities due within 1 year based on the repayment term during the Reporting Period. As at 30 June 2020, the Group's gearing ratio calculated in accordance with the PRC Accounting Standards was 18.81%, representing a decrease of 1.58 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 RMB142,982 million, representing an increase of 4.09% as compared to that at the end of the previous year; equity attributable to minority shareholders amounted to RMB5,839 million, representing an increase of 17.75% as compared to that of 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 RMB26.98, representing an increase of RMB1.06 per share as compared to that at the end of the previous year.

As at 30 June 2020, the total current assets and total current liabilities of the Group prepared in accordance with the PRC Accounting Standards amounted to RMB98,855 million and RMB26,082 million respectively, with a current ratio of 3.79:1 (at the end of last year: 3.54:1). The increase in the current ratio as compared to that at the end of last year was mainly due to the increase in current assets including currency capital and trade receivables. The total current assets and total current liabilities of the Group prepared in accordance with the IFRSs amounted to RMB98,967 million and RMB26,082 million respectively; with a net gearing ratio of -0.03 (corresponding period last year: -0.05). 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 2020 (RMB'000) (Unaudited)	**As at 31 December 2019 (RMB'000)**
Due within 1 year	5,889,517	3,917,815
Due after 1 year but within 2 years	1,442,381	991,555
Due after 2 years but within 5 years	1,455,910	2,524,737
Due after 5 years	330,000	355,000
Total	**9,117,808**	**7,789,107**

As at the end of the Reporting Period, the Group's aggregate bank borrowings balance was RMB9,118 million, representing an increase of RMB1,329 million as compared to those at the beginning of the year.

Save for the aforesaid borrowings, the Group had corporate bonds in a principal amount of RMB3,499 million which would be due after 2 years but within 5 years.

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 2020 (RMB'000) (Unaudited)	**Six months ended 30 June 2019 (RMB'000) (Unaudited)**	**Changes (%)**
Net cash flows generated from operating activities	14,561,590	14,504,324	0.39

Net cash flows generated from investment activities	-9,749,425	423,736	-2,400.83
Net cash flows generated from financing activities	-9,805,041	-9,018,218	-8.72
Effect of foreign exchange rate changes on cash and cash equivalents	17,246	2,620	558.25
Net increase in cash and cash equivalents	-4,975,630	5,912,462	-184.15
Balance of cash and cash equivalents at the beginning of the year	22,014,145	9,857,672	123.32
Balance of cash and cash equivalents at the end of the period	17,038,515	15,770,134	8.04

During the Reporting Period, the Group's net cash flows generated from operating activities amounted to RMB14,562 million, representing a period-on-period increase of RMB57 million, which was mainly due to an increase in the Group's operating revenue during the Reporting Period.

During the Reporting Period, the Group's net cash outflows from investment activities increased by RMB10,173 million as compared to that of the same period last year, mainly due to the increase by the Group of newly added fixed term deposits with a maturity of over three months and the wealth management products during the Reporting Period.

During the Reporting Period, the Group's net cash outflows from financing activities increased by RMB787 million as compared to that of the same period last year, primarily attributable to a period-to-period increase in the payment of cash dividends to shareholders for the previous year by the Group during the Reporting Period.

(3) Capital expenditure

During the Reporting Period, capital expenditure of the Group amounted to approximately RMB3,930 million, which was primarily used in the construction of cement and clinker production lines of overseas projects, investment in the technology modification in respect of energy conservation and environmental protection for domestic production lines, residual heat generation projects and the construction of aggregate projects, as well as the expenditure in mergers and acquisitions of 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 2020 (RMB'000) (Unaudited)	As at 31 December 2019 (RMB'000)
Authorized and contracted for	3,424,116	3,979,444
Authorized but not contracted for	811,374	871,538
Total	**4,235,490**	**4,850,982**

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

During the Reporting Period, the Group proactively prevented foreign exchange fluctuation risks. For overseas construction projects, payment was principally made in local currency, RMB and US dollars. The equipment, fire-resistant tiles 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 purchase of raw 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 that the risk level is overall under control, the Group made appropriate financing and foreign exchange payment arrangements based on the construction progress of oversea projects by adjusting its foreign exchange fund management plan on a timely basis. The Group proactively implemented centralized management, allocation and utilization over foreign funds in domestic and overseas markets by continuing to promote a management model of foreign fund pool, so as to lower costs of exchange settlement and sales, effectively reducing financial expenses. The Group implemented a regional fund pool management model in the same country in which the Group invested, so as to complement each other's capital advantage, enhance capital economies of scale, reduce loss from currency exchange and reduce financing costs. Meanwhile, the Group made appropriate allocation of foreign currency assets in active response to the adverse impact from interest rate cuts and exchange rate fluctuations around the globe as a result of the COVID-19 epidemic, reallocated loan funds according to the changes in foreign exchange rates and interest rates, and leveraged swap instruments to hedge foreign exchange risks based on trend of currency exchanges.

PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the second half of 2020, the PRC government will focus on the goal and task of building a well-off society in an all-round way and promote epidemic prevention and control as well as overall economic and social development. Under the premise of normalization of epidemic prevention and control, the government will adhere to the main theme of making steady progress while maintaining stability, continue to embrace new development concepts, insist on the focus on the supply-side structural reform, and deepen reform and opening up. The government will also firmly stick to the strategic basis of expanding domestic demand, vigorously protecting and stimulating the vitality of market players, steadily developing the "six stabilities" (六穩), fully implementing the "six guarantees" (六保), promoting high-quality economic development, and striving to complete the objectives and tasks of economic and social development throughout the year. The government will implement a more proactive and promising fiscal policy, pay attention to effectual results, and implement a more flexible, moderate and precise monetary policy. Infrastructure investment is expected to improve persistently, real estate investment is expected to remain stable, and rigid support for cement demand is expected to continue. In order to win the battle on the environmental front, environmental regulation on air pollution will not be relaxed, and local environmental protection control will see stricter measures. In addition, consistent impact arising from the implementation of policies such as off-peak production and comprehensive mine control is conducive to balancing the supply and demand relationship in the cement industry.

In the second half of the year, the Group is committed to achieving high quality development, in terms of overseas development, the Group will actively and steadily implement its internationalization development strategies, continuously improve quality of the projects under operation, accelerate the construction of contracted projects, further improve the overseas development system and strengthen internal management during the transition period of the epidemic. In terms of domestic development, the Group will focus on the cement business, seize development opportunities, actively seek suitable merger and acquisition targets, and continuously improve the market layout. At the same time, the Group will accelerate the upstream and downstream industrial chain extension, fully promote the implementation of aggregate projects, steadily expand the concrete business, test-drive its venture into prefabricated construction business, and continuously expand the fields of new commercial activities.

In terms of operation and management, the Group will pay close attention to the changes of macroeconomic situation at home and abroad, focus on epidemic prevention and control regularly, and put its full effort on business management. It will conduct in-depth study on market supply and demand, coordinate optimization of resource allocation, reasonably grasp the pace of production and sales, strengthen the terminal market construction; continue to promote traceability and source control, deepen strategic cooperation with large coal enterprises, broaden the resource supply channels via long-term agreement, and reduce procurement costs. In an effort to comply with the state's decision to plan for ecological civilization construction, the Group will continue to carry out technological modification on energy conservation and environmental protection, accelerate the transformation of innovation achievements and promote the application of scientific and technological innovation projects. It will carry out informatization construction strongly, step up efforts to push forward with the construction and application of smart factories, and continuously strengthen its core competitiveness. The Group will continue to carry out organizational structure optimization and the development of talent echelon, stimulate the innovation and creativity of talents with an aim to promote high-quality development.

VII. AUDIT COMMITTEE

The audit committee ("Audit Committee") has been established by the Company. The terms of reference adopted by the Audit Committee complied with all the applicable Code Provisions set out in Appendix 14 to the HKSE Listing Rules. The Audit Committee is responsible for the review and supervision of financial reporting procedures and the internal control system of the Group as well as the giving of advice and recommendations to the Board .The interim results of 2020 as disclosed in this announcement have 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

Financial information extracted from the unaudited consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2020 and unaudited consolidated statement of financial position of the Group at 30 June 2020 together with the comparative figures for the six months ended 30 June 2019, 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

	Note	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	4(3)	74,006,895	71,643,826
Cost of sales and services rendered		(51,348,962)	(49,045,000)
Gross profit		22,657,933	22,598,826
Other revenue	4(4)(a)	2,283,562	1,674,710
Other net income	4(4)(b)	11,847	67,324
Selling and marketing costs		(1,791,651)	(1,983,125)
Administrative expenses		(1,853,583)	(2,198,191)
Profit from operations		21,308,108	20,159,544
Finance costs	4(5)(a)	(216,603)	(234,809)
Share of profits of associates		160,966	167,153
Share of profits of joint ventures		261,871	267,174
Profit before taxation	4(5)	21,514,342	20,359,062
Income tax	4(6)	(4,878,210)	(4,717,522)
Profit for the period		16,636,132	15,641,540
Attributable to:			
Equity shareholders of the Company		16,086,075	15,281,711
Non-controlling interests		550,057	359,829
Profit for the period		16,636,132	15,641,540
Earnings per share	4(7)		
Basic		RMB 3.04	RMB 2.88
Diluted		RMB 3.04	RMB 2.88

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

	Six months ended 30 June	
	2020	*2019*
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Profit for the period	16,636,132	15,641,540
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 ("FVOCI") - net movement in fair value reserve (non-recycling)	112,146	9,537
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	(38,183)	9,929
Shares of other comprehensive income of associates	20,406	3,150
Other comprehensive income for the period	94,369	22,616
Total comprehensive income for the period	16,730,501	15,664,156
Attributable to:		
Equity shareholders of the Company	16,171,799	15,303,271
Non-controlling interests	558,702	360,885
Total comprehensive income for the period	16,730,501	15,664,156

3. Consolidated statement of financial position

	At 30 June 2020	*At 31 December 2019*
	RMB'000 (Unaudited)	RMB'000
Non-current assets		
Property, plant and equipment		
- Investment properties	84,673	85,734
- Other property, plant and equipment	72,182,909	70,163,505
Intangible assets	5,485,805	5,048,093
Goodwill	576,042	514,398
Interests in associates	2,150,989	2,057,501
Interests in joint ventures	1,959,619	1,763,112
Loans and receivables	437,823	374,312
Long-term prepayments	10,000	133,000
Financial assets measured at FVOCI	469,236	326,096
Deferred tax assets	970,827	1,099,391
	84,327,923	81,565,142
Current assets		
Inventories	6,605,277	5,571,523
Assets held for sale	-	9,811
Trade receivables	11,412,898	12,995,665
Financial assets measured at fair value through profit and loss	14,760,940	16,782,737
Prepayments and other receivables	4,268,700	6,495,639
Amounts due from related parties	271,910	347,819
Tax recoverable	26,984	31,768
Restricted cash deposits	477,824	459,336
Bank deposits with maturity over three months	44,103,597	32,503,597
Cash and cash equivalents	17,038,515	22,014,145
	98,966,645	97,212,040

3. Consolidated statement of financial position (continued)

	At 30 June 2020	*At 31 December 2019*
	RMB'000 (Unaudited)	RMB'000
Current liabilities		
Trade payables	5,968,591	7,145,833
Other payables and accruals	7,104,997	8,248,581
Current portion of long-term payables	468,674	437,358
Contract liabilities	3,731,645	3,492,486
Bank loans and other borrowings	5,889,517	3,917,815
Lease liabilities	16,853	20,275
Amounts due to related parties	337,179	263,521
Current taxation	2,564,771	3,895,321
	26,082,227	27,421,190
Net current assets	72,884,418	69,790,850
Total assets less current liabilities	157,212,341	151,355,992
Non-current liabilities		
Bank loans and other borrowings	6,726,503	7,369,346
Lease liabilities	31,196	34,833
Long-term payables	447,834	458,132
Deferred income	676,528	639,134
Deferred tax liabilities	680,851	723,773
	8,562,912	9,225,218
NET ASSETS	148,649,429	142,130,774
CAPITAL AND RESERVES		
Share capital	5,299,303	5,299,303
Reserves	137,524,340	131,887,099
Total equity attributable to equity shareholders of the Company	142,823,643	137,186,402
Non-controlling interests	5,825,786	4,944,372
TOTAL EQUITY	148,649,429	142,130,774

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 21 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 4(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 2019 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 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 2019 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 2019 are available from the Company's registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 20 March 2020.

(2) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 3, *Definition of a Business*

(2) Changes in accounting policies (continued)

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. The adoption of the amendment has not a significant impact on the consolidated financial statements.

Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

(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 sale and trading of clinkers and cement products. No operating segments have been aggregated to form the following reportable segments.

(3) Revenue and segment reporting (continued)

(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	
	2020	*2019*
	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 clinker, cement products and other materials	48,134,587	48,815,974
- Trading of clinker, cement products	15,359,275	19,584,350
- Trading of other materials	10,266,989	3,146,564
- Service income	246,044	96,938
	74,006,895	71,643,826
Disaggregated by geographical location of customers		
- Eastern China	26,690,657	21,836,641
- Central China	21,660,313	24,699,932
- Southern China	10,228,266	9,754,065
- Western China	13,951,803	14,351,718
- Overseas	1,475,856	1,001,470
	74,006,895	71,643,826

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(3)(b).

(b) Information about profit or loss, 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, including all the operating results, assets and liabilities 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 of the PRC.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as 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:

(3) Revenue and segment reporting (continued)

For the six months ended 30 June 2020 (Unaudited)

	Eastern China RMB'000	*Central China* RMB'000	*Southern China* RMB'000	*Western China* RMB'000	*Overseas* RMB'000	*Subtotal* RMB'000	*Elimination* RMB'000	*Total* RMB'000
Disaggregated by type of business								
Sales of clinker, cement products and other materials	13,537,049	15,558,097	8,395,271	9,454,866	1,189,304	48,134,587	-	48,134,587
Trading	12,986,065	6,066,594	1,817,948	4,469,105	286,552	25,626,264	-	25,626,264
Service Income	167,543	35,622	15,047	27,832	-	246,044	-	246,044
Revenue from external customers	**26,690,657**	**21,660,313**	**10,228,266**	**13,951,803**	**1,475,856**	**74,006,895**	**-**	**74,006,895**
Disaggregated by timing of revenue recognition								
Point in time	26,523,114	21,624,691	10,213,219	13,923,971	1,475,856	73,760,851	-	73,760,851
Over time	167,543	35,622	15,047	27,832	-	246,044	-	246,044
Revenue from external customers	**26,690,657**	**21,660,313**	**10,228,266**	**13,951,803**	**1,475,856**	**74,006,895**	**-**	**74,006,895**
Inter-segment revenue	2,889,341	11,407,783	252,333	178,407	75,181	14,803,045	(14,803,045)	-
Reportable segment revenue	29,579,998	33,068,096	10,480,599	14,130,210	1,551,037	88,809,940	(14,803,045)	74,006,895
Reportable segment profit (profit before taxation)	2,621,411	25,769,294*	3,732,687	2,942,292	271,666	35,337,350	(13,840,890)	21,496,460

*Reportable segment profit of Central China includes dividend income from subsidiaries in Eastern China, Southern China and Western China regions of RMB 13,690,877,000 for the six months ended 30 June 2020.

(3) Revenue and segment reporting (continued)

For the six months ended 30 June 2020 (Unaudited)

	Eastern China	*Central China*	*Southern China*	*Western China*	*Overseas*	*Subtotal*	*Elimination*	*Total*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	8,614	1,141,866	6,859	9,982	6,535	1,173,856	(112,276)	1,061,580
Interest expense	(32,266)	(137,851)	(19,148)	(51,779)	(85,276)	(326,320)	109,717	(216,603)
Depreciation and amortisation for the period	(249,648)	(1,053,652)	(403,253)	(741,509)	(199,825)	(2,647,887)	5,126	(2,642,761)
Reportable segment assets (including interests in associates and joint ventures)	16,340,917	142,586,550	16,970,603	26,937,984	13,665,096	216,501,150	(33,206,582)	183,294,568
Investments in associates and joint ventures	-	1,670,798	-	2,150,990	288,820	4,110,608	-	4,110,608
Additions to non-current segment assets during the period	196,542	2,985,260	391,321	759,549	756,234	5,088,906	-	5,088,906
Reportable segment liabilities	9,639,115	9,665,903	3,701,167	11,039,748	10,020,956	44,066,889	(9,593,542)	34,473,347

(3) Revenue and segment reporting (continued)

For the six months ended 30 June 2019 (Unaudited)

	Eastern China RMB'000	*Central China* RMB'000	*Southern China* RMB'000	*Western China* RMB'000	*Overseas* RMB'000	*Subtotal* RMB'000	*Elimination* RMB'000	*Total* RMB'000
Disaggregated by type of business								
Sales of clinker, cement products and other materials	13,896,301	17,123,457	7,974,898	8,823,257	998,061	48,815,974	-	48,815,974
Trading	7,900,206	7,535,943	1,772,525	5,518,831	3,409	22,730,914	-	22,730,914
Service Income	40,134	40,532	6,642	9,630	-	96,938	-	96,938
Revenue from external customers	**21,836,641**	**24,699,932**	**9,754,065**	**14,351,718**	**1,001,470**	**71,643,826**	**-**	**71,643,826**
Disaggregated by timing of revenue recognition								
Point in time	21,796,507	24,659,400	9,747,423	14,342,088	1,001,470	71,546,888	-	71,546,888
Over time	40,134	40,532	6,642	9,630	-	96,938	-	96,938
Revenue from external customers	**21,836,641**	**24,699,932**	**9,754,065**	**14,351,718**	**1,001,470**	**71,643,826**	**-**	**71,643,826**
Inter-segment revenue	3,781,093	11,411,061	212,908	216,597	74,228	15,695,887	(15,695,887)	-
Reportable segment revenue	25,617,734	36,110,993	9,966,973	14,568,315	1,075,698	87,339,713	(15,695,887)	71,643,826
Reportable segment profit (profit before taxation)	2,512,592	12,606,948*	2,878,369	3,269,877	193,487	21,461,273	(1,102,211)	20,359,062

*Reportable segment profit of Central China includes dividend income from subsidiaries in Eastern China, Southern China and Western China regions of RMB 1,023,349,000 for the six months ended 30 June 2019.

(3) Revenue and segment reporting (continued)

For the six months ended 30 June 2019 (Unaudited)

	Eastern China	*Central China*	*Southern China*	*Western China*	*Overseas*	*Subtotal*	*Elimination*	*Total*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	8,079	979,932	9,130	13,969	2,448	1,013,558	(227,276)	786,282
Interest expense	(11,113)	(136,025)	(148,294)	(55,995)	(117,394)	(468,821)	234,012	(234,809)
Depreciation and amortisation for the period	(247,474)	(1,026,917)	(389,104)	(763,771)	(191,756)	(2,619,022)	16,134	(2,602,888)
Reportable segment assets (including interests in associates and joint ventures)	14,484,286	125,694,770	13,442,199	27,396,093	10,426,358	191,443,706	(39,321,084)	152,122,622
Investments in associates and joint ventures	-	1,509,779	-	1,885,905	154,115	3,549,799	-	3,549,799
Additions to non-current segment assets during the period	220,588	1,224,121	441,732	721,859	476,199	3,084,499	-	3,084,499
Reportable segment liabilities	6,911,132	20,137,391	969,827	9,960,838	8,963,986	46,943,174	(17,827,378)	29,115,796

(3) Revenue and segment reporting (continued)

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

	Six months ended 30 June	
	2020	*2019*
	RMB'000	RMB'000
	(Unaudited)	*(Unaudited)*
Revenue		
Reportable segment revenue	74,006,895	71,643,826
Consolidated revenue	74,006,895	71,643,826
Profit		
Reportable segment profit (profit before taxation)	21,496,460	20,336,000
Differences between CAS and IFRS*	17,882	23,062
	21,514,342	20,359,062

	At 30 June 2020	*At 31 December 2019*
	RMB'000	RMB'000
	(Unaudited)	
Assets		
Reportable segment assets	183,294,568	178,777,182
Consolidated total assets	183,294,568	178,777,182
Liabilities		
Reportable segment liabilities	34,473,347	36,456,734
Difference between CAS and IFRS*	171,792	189,674
Consolidated total liabilities	34,645,139	36,646,408

* The differences mainly arise from the deferred income in respect of certain government grants recognised in profit and loss under IFRS.

(4) Other revenue and other net income

(a) Other revenue

	Six months ended 30 June	
	2020	*2019*
	RMB'000	RMB'000
	(Unaudited)	*(Unaudited)*
Interest income on financial assets measured at amortised cost	1,061,580	786,282
Subsidy income*	833,247	640,030
Investment income on wealth management products issued by banks	388,735	248,398
	2,283,562	1,674,710

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

(b) Other net income

	Six months ended 30 June	
	2020	*2019*
	RMB'000	RMB'000
	(Unaudited)	*(Unaudited)*
Net loss on disposal of property, plant and equipment	(18,206)	(39,845)
Net realised and unrealised loss on derivative financial instruments	(21,273)	(11,236)
Net exchange gain	20,872	84,888
Net gain on disposal of interest in associate	-	99
Others	30,454	33,418
	11,847	67,324

(5) Profit before taxation

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

(a) Finance costs:

	Six months ended 30 June	
	2020	*2019*
	RMB'000	RMB'000
	(Unaudited)	*(Unaudited)*
Interest expense on financial liabilities not at fair value through profit or loss	217,335	233,461
Interest on lease liabilities	1,292	1,348
Less: interest expense capitalised into construction-in-progress*	(2,024)	-
	216,603	234,809

* The borrowing costs have been capitalised at the rate of 2.48% (six months ended 30 June 2019: nil).

(b) Staff costs:

	Six months ended 30 June	
	2020	*2019*
	RMB'000	RMB'000
	(Unaudited)	*(Unaudited)*
Salaries, wages and other benefits	2,699,747	3,034,616
Contributions to defined contribution retirement plans	78,853	276,348
Annuity	130,181	111,058
	2,908,781	3,422,022

(c) Other items:

	Six months ended 30 June	
	2020	*2019*
	RMB'000	RMB'000
	(Unaudited)	*(Unaudited)*
Depreciation of investment property and other property, plant and equipment	2,496,446	2,501,305
Amortisation of intangible assets	146,315	101,583
Cost of inventories*	51,181,403	48,264,693

* Cost of inventories includes RMB3,830,932,000 (six months ended 30 June 2019: RMB4,001,335,000) relating to staff costs and depreciation expenses which amount is also included in the respective total amounts disclosed separately above or in note 4(5)(b) for each of these types of expenses.

(6) Income tax

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2020	*2019*
	RMB'000	RMB'000
	(Unaudited)	*(Unaudited)*
Current tax		
Provision for the period	4,897,062	4,650,307
Under-provision in respect of prior year	29,197	31,568
	4,926,259	4,681,875
Deferred tax		
Origination and reversal of temporary differences	(48,049)	35,647
	4,878,210	4,717,522

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2020 and 2019 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

The corporate income tax rates of the subsidiaries outside mainland China are as following:

Conch International Holding (HK) Co., Ltd., a subsidiary in Hong Kong	16.5%
Luangprabang Conch Cement Co., Ltd. and Vientiane Conch Cement Co., Ltd., subsidiaries in Laos	24%
Conch Cement Volga Limited Liability Company, a subsidiary in Russia	20%
Battambang Conch Cement Co., Ltd. ("Battambang Conch"), a subsidiary in Cambodia (Note (i))	20%
Qarshi Conch Cement Limited Liability Company, a subsidiary in Uzbekistan	7.5%
Conch KT Cement (Phnom Penh) Company Limited, a subsidiary in Cambodia	20%

Note:

(i) Battambang Conch was accredited as a Qualified Investment Project by the Cambodian Development Council in April 2016. According to local investment laws, it can enjoy income tax exemption for 9 years from the year when the company generates its revenue and income tax exemption for 6 years from the year when the company generates its profit, whichever is shorter. According to the policy, the income tax-free period for Battambang Conch is from 2018 to 2024.

(6) Income tax (continued)

Other individual companies within the Group in the mainland China are generally subject to 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. (Note (i)) 黔西南州發展資源開發有限公司	15%
Pingliang Conch Cement Co., Ltd. (Note (i)) 平涼海螺水泥有限責任公司	15%
Dazhou Conch Cement Co., Ltd. (Note (i)) 達州海螺水泥有限責任公司	15%
Guangyuan Conch Cement Co., Ltd. (Note (i)) 廣元海螺水泥有限責任公司	15%
Chongqing Conch Cement Co., Ltd. (Note (i)) 重慶海螺水泥有限責任公司	15%
Liquan Conch Cement Co., Ltd. (Note (i)) 禮泉海螺水泥有限責任公司	15%
Guigyang Conch Panjiang Cement Co., Ltd. (Note (i)) 貴陽海螺盤江水泥有限責任公司	15%
Guiding Conch Panjiang Cement Co., Ltd. (Note (i)) 貴定海螺盤江水泥有限責任公司	15%
Zunyi Conch Panjiang Cement Co., Ltd. (Note (i)) 遵義海螺盤江水泥有限責任公司	15%
Qianyang Conch Cement Co., Ltd. (Note (i)) 千陽海螺水泥有限責任公司	15%
Bazhong Conch Cement Co., Ltd. ((Note (i)) 巴中海螺水泥有限責任公司	15%
Wenshan Conch Cement Co., Ltd. (Note (i)) 文山海螺水泥有限公司	15%
Longan Conch Cement Co., Ltd. (Note (i)) 隆安海螺水泥有限責任公司	15%
Linxia Conch Cement Co., Ltd. (Note (i)) 臨夏海螺水泥有限責任公司	15%
Tongren Conch Panjiang Cement Co., Ltd. (Note (i)) 銅仁海螺盤江水泥有限責任公司	15%
Guizhou Liukuangruian Cement Co., Ltd. (Note (i)) 貴州六礦瑞安水泥有限公司	15%
Qianxian Conch Cement Co., Ltd. (Note (i)) 乾縣海螺水泥有限責任公司	15%

(6) Income tax (continued)

Sichuan Nanwei Cement Co., Ltd. (Note (i)) 四川南威水泥有限公司	15%
Yunnan Zhuangxiang Cement Co., Ltd. (Note (i)) 雲南壯鄉水泥股份有限公司	15%
Liangping Conch Cement Co., Ltd. (Note (i)) 梁平海螺水泥有限責任公司	15%
Baoji Zhongxi Fenghuangshan Cement Co., Ltd. (Note (i)) 寶雞眾喜鳳凰山水泥有限公司	15%
Baoji Zhongxi Jinlinghe Cement Co., Ltd. (Note (i)) 寶雞眾喜金陵河水泥有限公司	15%
Guangxi Lingyun Tonghong Cement Co., Ltd. (Note (i)) 廣西淩雲通鴻水泥有限公司	15%
Baoshan Conch Cement Co., Ltd. (Note (i)) 保山海螺水泥有限責任公司	15%
Ganzhou Conch Cement Co., Ltd. (Note (i)) 贛州海螺水泥有限責任公司	15%
Hami Hongyi Construction Co., Ltd. (Note (i)) 哈密弘毅建材有限責任公司	15%
Yingjiangyunhan Cement Co., Ltd. (Note (i)) 盈江縣允罕水泥有限公司	15%
Kunming Conch Cement Co., Ltd. (Note (i)) 昆明海螺水泥有限公司	15%
Shanxi Tongchuan Fenghuang Construction Co., Ltd. (Note (i)) 陝西銅川鳳凰建材有限公司	15%
Chongqing Material Trading Co., Ltd. (Note (i)) 重慶海螺物資貿易有限責任公司	15%
Anhui Wuhu Conch Construction and Installation Co., Ltd. ("Conch Construction") (Note (ii)) 安徽蕪湖海螺建築安裝工程有限責任公司	15%
Anhui Conch Siam Refractory Material Co., Ltd. ("Refractory Material") (Note (ii)) 安徽海螺暹羅耐火材料有限公司	15%

Notes:

(i) Pursuant to Notice No.4 issued by the State Administration of Taxation of the People's Republic of China ("the PRC") 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 are entitled to a preferential income tax rate of 15% in 2020 (2019: 15%).

(ii) Pursuant to Chapter 28 of the Law of the PRC 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 in 2015 and obtained a renewed certification in 2018. Accordingly, it is entitled to a preferential income tax rate of 15% from 2018 to 2020.

Refractory Material has obtained a high and new technology enterprise certification in 2016 and obtained a renewed certification in 2019. Accordingly, it is entitled to a preferential income tax rate of 15% from 2019 to 2021.

(7) Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2020 is based on the profit attributable to ordinary equity shareholders of the Company of RMB16,086,075,000 (six months ended 30 June 2019: RMB15,281,711,000) and the weighted average number of shares in issue during the six months ended 30 June 2020 of 5,299,303,000 shares (six months ended 30 June 2019: 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 2020 and 2019, therefore, diluted earnings per share is the same as the basic earnings per share.

(8) Business combination

The Group acquired 51% equity interests in Wuhu South Cement from the third party at a cash consideration of RMB412,386,000 on 30 April 2020. The acquired subsidiary is located in the PRC and is principally engaged in the manufacture and sale of clinker and cement related products.

During the period from the acquisition date to 30 June 2020, the acquired subsidiary contributed revenue of RMB276,405,000 and net profit of RMB72,309,000 to the Group's consolidated financial statements. Had the acquisition occurred on 1 January 2020, the management estimates that the consolidated revenue of the Group for the six-month period ended 30 June 2020 would have been RMB74,420,706,000 and the consolidated profit for the period would have been RMB16,676,242,000. In determining these amounts, the management has assumed that the fair value adjustments that arose on the acquisition date would remain the same as if the acquisition had occurred on 1 January 2020. Details of the acquired subsidiary are as follows:

Name of the company	*Voting right/ equity interests*	*Date of acquisition*	*Principal activities*
Wuhu South Cement Co., Ltd.	51%	30 April 2020	Manufacture and sale of clinker and cement products

(8) Business combination (continued)

Summary of net assets acquired in Wuhu South Cement and the goodwill arising at the acquisition date is as follows:

Fair value of identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	1,119,522
Intangible assets	487,829
Deferred tax assets	1,609
Inventories	45,196
Trade receivables, prepayments and other receivables	41,907
Cash and cash equivalents	14,519
Trade payables	(122,489)
Other payables and contract liabilities	(804,054)
Deferred tax liabilities	(96,309)
Total net identifiable assets of the acquiree	687,730

Goodwill

Goodwill has been recognised as a result of the above acquisition as follows:

	RMB'000
Total cash consideration	412,386
Non-controlling interests, based on their proportionate interest in recognised amount of the assets and liabilities of the acquiree	336,988
Fair value of net identifiable assets	(687,730)
Goodwill arising from the above acquisition	61,644

The goodwill arises from the acquisition represents the benefits of expected synergies to be achieved from integrating the business into the Group's existing business, future market development potential and the acquired workforce.

(9) Contingent liabilities

At 30 June 2020, outstanding letters of credit issued by the Group amounted to approximately RMB100,833,000 (31 December 2019: RMB145,297,000).

At 30 June 2020, the Group issued guarantees in relation to banking facilities to its related parties, PT SDIC Papua Cement Indonesia and Myanmar Conch Cement Co., Ltd., amounting to RMB1,026,466,000 in aggregate (31 December 2019: RMB1,061,695,000). These facilities were utilised to the extent of RMB1,026,466,000 as at 30 June 2020 (31 December 2019: RMB1,061,695,000).

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

Wuhu City, Anhui Province, the PRC
21 August 2020

As at the date of this announcement, the Board comprises (i) Mr Gao Dengbang, Mr Wang Jianchao, Mr Wu Bin and Mr Li Qunfeng as executive Directors; (ii) Mr Ding Feng as non-executive Director; (iii) Mr Yang Mianzhi, Mr Leung Tat Kwong Simon and Ms Zhang Yunyan as independent non-executive Directors.