

Huaxin Cement Co., Ltd.

600801

Half Year Report 2018

Important Notice

I. The Board of Directors of the Company and its members, the Board of Supervisors of the Company and its members and Top Management members confirm, to the best of their knowledge, that there is no false or misleading statement or material omission in this report and shall be severally and jointly liable for the truthfulness, accuracy and completeness of its contents.

II. Director Mr. Ian Riley did not attend the Meeting due to the fact that he had other commitments, and he authorized Director Ms. Geraldine Picaud to attend the Meeting and vote by Power of Attorney.

III. This Half Year Report has not been audited.

IV. Chairman of the Company Mr. Xu Yongmo, Legal Representative and CEO Mr. Li Yeqing, person in charge of accounting Ms. Kong Lingling, and Chief of Accounting Department Mr. Wu Xin declare and confirm that the Financial Statements contained in this Half Year Report is true, accurate and complete.

V. Profit distribution proposal for the reporting period reviewed by the Board of Directors

The Company would not conduct profits distribution during this reporting period and no capital reserve would be converted into share capital.

VI. Risk statement of the forward-looking description

Future plan, development strategy and other forward-looking description in this Report are not essential commitments of the Company to its investors. Investors are kindly requested to note the investment risk.

VII. There was no frequent fund occupation by the controlling shareholders or their related parties.

VIII. All the external guarantees provided by the Company were in compliance with the decision-making procedures.

IX. Significant Risk Warning

None

X.Others

Applicable Inapplicable

Chapter 1 Interpretation

In this Report, unless otherwise requires, the below terms have the following meanings:

Interpretation of the common words		
The Company, Company and Huaxin Cement	means	Huaxin Cement Co., Ltd.
Reporting period	means	1 January 2018 – 30 June 2018
Yuan, K Yuan, 10 K Yuan, mio Yuan, 100 mio Yuan	means	RMB, RMB thousand Yuan, RMB 10 thousand Yuan, RMB million Yuan, RMB 100 million Yuan, China's legal currency
NOX	means	Nitrogen oxide
SNCR	means	Selective Non-Catalytic Reduction
SO2	means	Sulfur dioxide

Chapter 2 General and Key Financial Indicators

I. Company Information

Name of the Company in Chinese	华新水泥股份有限公司
Abbreviation in Chinese	华新水泥
Name of the Company in English	Huaxin Cement Co., Ltd.
Abbreviation in English	HUAXINCEM
Legal Representative	Mr. Li Yeqing

II. Liaison Information

	Secretary to the Board	Securities Affairs Representative
Name	Mr. Wang Ximing	Ms. Wang Lu
Liaison Address	Tower B, Huaxin Tower, No.426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province	Tower B, Huaxin Tower, No.426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province
Tel	02787773896	02787773898
Fax	02787773992	02787773992
E-mail	investor@huaxincem.com	investor@huaxincem.com

III. Basic Information

Registered location of the Company	No. 600 East Daqi Avenue, Huangshi City, Hubei Province
Post code of the registered location	435007
Administrative location of the Company	Tower B, Huaxin Tower, No.426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province
Post code of the administrative location	430073
Website of the Company	www.huaxincem.com
E-mail	investor@huaxincem.com
Search index for changes during the reporting period	Huaxin Cement Co., Ltd Announcement on Resolution of the First Extraordinary Shareholders' General Meeting 2018 published on www.sse.com.cn

IV. Information Disclosure and Place Available

Press for Information Disclosure	China Securities Journal, Shanghai Securities News
Annual Report available on the Internet website appointed by CSRC	www.sse.com.cn
Place available	Securities and Investors Relations Department of the Company

V. Company Stock

Company Stock			
Type	Place of listing	Abbreviation	Stock code
A share	Shanghai Stock Exchange	Huaxin Cement	600801
B share	Shanghai Stock Exchange	Huaxin B share	900933

VI. Other Information

Applicable Inapplicable

VII. Financial Statements Summary and Financial Indicators**(I) Financial Statements Summary**

Unit: Yuan

Item	Current reporting period (January-June)	Same period of last year	Change over last year (%)
Sales revenue	11,883,070,271	9,374,349,163	26.76
Net profit attributable to shareholders of the Company	2,067,917,873	727,964,837	184.07
Net profit attributable to shareholders of the Company after extraordinary items	2,050,758,784	684,764,248	199.48
Net cash flow from operating activities	2,689,800,888	1,201,678,889	123.84
	Current period end	At the end of 2017	Change over last year (%)
Net assets attributable to shareholders of the Company	13,546,103,274	11,899,804,274	13.83
Total assets	30,976,669,798	30,499,323,197	1.57

(II) Financial Highlights

Item	Current reporting period (January-June)	Same period of last year	Change over last year (%)
Basic earnings per share (Yuan/share)	1.38	0.49	181.63
Diluted earnings per share (Yuan/share)	1.38	0.49	181.63
Basic earnings per share after extraordinary items (Yuan/share)	1.37	0.46	197.83
Return on net assets, weighted average (%)	16.16	7.05	An increase of 9.11 percentage points
Return on net assets after extraordinary items, weighted average (%)	16.03	6.63	An increase of 9.40 percentage points

Notes on financial statements summary and financial indicators

 Applicable Inapplicable**VIII. Differences between Accounting Data under Overseas Accounting Standard and Accounting Data under Domestic Accounting Standard** Applicable Inapplicable**IX. Non-routine items and Amount**

Unit: Yuan

Non-routine items	Amount	Note (if applicable)
Gains/losses from disposal of non-current assets	-4,431,695	
Government subsidies, excluding regular fixed amount government subsidies	30,578,716	
Negative goodwill	4,489,836	
Reversal of provisions for assets impairment of accounts	3,991,458	
In addition to the above items, other non-operating income and expenses	-5,894,249	
Impacts from minority shareholders' interests	-1,517,171	
Impacts from income tax	-10,057,806	
Total	17,159,089	

X. Others

Applicable Inapplicable

Chapter 3 Brief Introduction on the Company's Businesses

I. the Company's main businesses, operating model and industrial situation during the reporting period

(I) The Company's main businesses

At the beginning of the listing, the Company was engaging in manufacturing and sale of cement, cement technical services, research, manufacturing, installation and maintenance of cement equipment, as well as cement import and export trade. In recent years, through vertical integration, overseas development strategy and the Eco business transformation strategy, the Company expanded its businesses to production and sales of RMX, aggregates, cement kiln co-processing of waste materials, EPC for both domestic and international cement projects, equipment business and project contracting regarding the cement kiln co-processing technology and business in new high technology building materials .

The Company ranks among Chinese Manufacturing Industry Top 500 and Fortune China Top 500. So far, the Company owns over 190 plants of various kinds in Hubei, Hunan, Yunnan, Chongqing, Sichuan, Guizhou, Tibet, Guangdong and Henan provinces as well as in Tajikistan and Cambodia, with total cement capacity of 90 million tons/year, cement equipment manufacturing capacity of 50 k tons/year, commercial concrete capacity of 23,800 k M³/year, aggregate capacity of 21,000 k tons/year, cement packing bag capacity of 400 million/year and wastes disposal capacity of 5.50 million tons/year (including CIPs).

In the first half of 2018, revenue of cement business accounts for 88% of the Company's total revenue, taking the lead in all businesses of the Company.

(II) The Company's operation model

1. Management model

In line with the group management and specialized operation, the Company has set up a framework with Group Headquarters, BUs and subsidiaries, which is efficiently operated with clearly defined rights and responsibilities and strong execution capacity in a group management manner.

2. Production model

The Company's production is determined according to sales. Branches and subsidiaries formulate their annual production and operation plans and organize production based on the local demand.

3. Sales model

Business model of the Company is headquarters' guidance, unified management of BUs and the equal emphasis on direct marketing and distribution. Pursuit of quality is at the

core. Brand promotion and value maintenance is elaborately carried out to continuously improve market competitiveness.

4. Procurement model

The Company has established categorized procurement management system. Through categorized and specialized procurement management, procurement and utilization are separated. Raw materials and fuels, auxiliary materials and spare parts required by subsidiaries shall be collectively purchased through the standardized and procedural bidding platform of the headquarters in an open and transparent manner. Efficiency is improved and procurement cost is reduced.

(III) Industrial situation

Cement is an important and basic building material widely used in national infrastructure construction including railway, highway, airport, port, water conservancy projects and other large infrastructure projects, as well as urban real estate development, new rural infrastructure and civil construction.

Currently, Chinese cement industry is faced with overall over capacity. Supply side reform since 2016 is further implemented, environmental protection supervision of the Government is being strengthened, and measures to restrict cement output including quarry compliance regulation, output limit for eco protection, off peak production are being executed. Some backward capacity was phased out and demand supply balance of cement industry has been improved for this phase. Therefore, cement price rebounds and maintains stable. Prosperity of cement industry keeps picking up.

In a short term, demand supply balance is improved due to measures to limit cement capacity like off peak production. However, actual capacity of cement industry has not been reduced effectively due to lack of policy support and effective measures to phase out backward capacity. Overcapacity has no substantial improvement and de-capacity remains the core task of supply side reform in cement industry.

II. Major assets changes of the Company during the reporting period

Unit: Yuan

Project	The beginning of the period	The end of the period	Change	Percentage	Note
Project in progress	1,248,084,829	1,812,168,843	564,084,014	45%	Investment increase in newly constructed cement production line and eco projects

Overseas investment 2,155,077,479 (Unit: Yuan Currency: RMB), accounting for 7% of total asset.

III. Core Competitiveness

Established in 1907, the Company enjoys a long history and profound culture heritage and it is one of the top 100 large scale Companies listed in “China’s 500 Most Valuable Brands”. By unswervingly taking efforts in management and technological innovation and scientific development, the Company has always been one of the most influential enterprises in the building materials industry with strong comprehensive competitiveness.

During the reporting period, the Company took the opportunity of supply side reform and ecological management reinforcement to continue to expand operation scale. Profitability has been improved significantly and asset structure improved further. Through technological innovation, new businesses like eco, aggregate and new high technology building material are developing, laying a solid foundation for future sustainable development. Core competitiveness has been strengthened and enhanced further.

During the reporting period, the Company ranked 88 in the 2018 (Fifteenth) “China’s 500 Most Valuable Brands” with 45.586 billion Yuan brand worth issued by World Brand Lab in Beijing. The Company moved up 2 places in ranking. The brand value of which increased by 20.39% over the previous year. .

During the reporting period, there was no material change in terms of its core competitiveness.

Chapter 4 Discussion and Analysis on Business Operation

I. Discussion and Analysis on Business Operation

In the first half of 2018, China cement industry was featured with stable demand, price rise year-on-year and significant rise in profit. According to National Bureau of Statistics, in the first half of 2018, national total cement output hit 997 million tons, a decrease of 0.6% over the same period of previous year. Benefited from supply side structural reform and toughen up of environmental protection, market supply and demand was at a dynamic balance due to continuous off peak production. In the first half of 2018, the national average cement price was 419 RMB/t, 79 RMB/t increase over the same period of last year (Data source: Digital Cement).

In the first of half of 2018, the Company overcame impacts of raw materials and fuel price rise, increase of kiln suspension duration due to off peak production, took safety production as the basis, strengthened management in environment protection, permits, quarry compliance and adhered to the bottom line of compliance. Through pushing forward stabilizing price and operation, increasing the disposal amount of various wastes and alternative fuels to lower cost and increase efficiency, the Company gained the best half year performance in history. During the reporting period, sales volume of cement and clinker amounted to 32.16 million tons with a growth rate of 1.13% over the same period of previous year; aggregate sales stood at 6.12 million tons, an increase of 12.37% year on year; kiln processing of wastes amounted to 683.8 thousand tons, a year-on-year growth of 18.4%. Total revenue hit 11.883 billion RMB with a year-on-year growth of 26.76%. Total profit reached 2.797 billion RMB, an increase of 204.55%. Net profit attributable to shareholders of the Parent Company reached 2.068 billion RMB, a year-on-year growth of 184.07% during the reporting period.

During the reporting period, all new projects are in progress in an orderly fashion. In cement business, Tibet Shannan 3rd Phase 3000t/d cement clinker production line is proceeding smoothly and scheduled to be put into operation at the end of August; Yunnan Luquan 4000t/d cement clinker production line and Huangshi 2.85 million t/y cement clinker production line capacity replacement project have kicked off construction; Nepal 2,800 t/d cement clinker production line is scheduled to start construction at the end of this year. Aggregate business grows rapidly with Tibet Shannan, Sichuan Quxian and Yunnan Kaiyuan projects are under construction. In terms of Eco business, Wuhan Changshankou MSW pre-processing project, Lijiang MSW project, Shiyuan Eco project and Zhuzhou hazardous waste project are being executed as the construction plan.

(I) Major Operations

1. Changes of Items in Financial Statement

Unit: Yuan

Item	Current period	Same period of last year	Change (%)
Sales revenue	11,883,070,271	9,374,349,163	26.76
Cost of sales	7,395,846,244	6,924,833,961	6.8
Selling and distribution expenses	773,852,595	633,777,646	22.1
General and administrative expenses	602,585,791	519,371,649	16.02
Financial costs	254,624,384	399,554,360	-36.27
Net cash flows from operating activities	2,689,800,888	1,201,678,889	123.84
Net cash flows from investing activities	-583,382,526	-440,645,126	-32.39
Net cash flows from financing activities	-2,201,784,260	-1,832,499,503	-20.15
R&D expenditures	50,227,969	49,672,921	1.12

Reasons of financial costs change: foreign exchange loss decreased.

Reasons of net cash flows from operating activities change: Main product price rose significantly over last year.

Reasons for net cash flows from investing activities change: Redeemed funds from money market reduced.

2. Others

(1) Significant change in profit structure or profit sources

Applicable Inapplicable

(2) Others

Applicable Inapplicable

(II) Significant profit change due to non-core business

Applicable Inapplicable

(III) Assets and Liabilities

1. Assets and Liabilities

Unit: Yuan

Item	June 30, 2018	% in the total assets	End of last period	% in the total assets	Change over the end of last period (%)	Remarks
Financial Assets valued by fair value and included in current gains and losses	508,827	-	453,990,407	1.49	-99.89	All money market fund was redeemed
Advances to suppliers	397,507,922	1.28	225,637,668	0.74	76.17	Advances of fuel increased
Construction in progress	1,812,168,843	5.85	1,248,084,829	4.09	45.20	Newly constructed cement production line and eco investment increased
Notes payable	0	-	14,450,000	0.05	-100.00	Increase of notes receivable amount, notes issued decreased
Dividends payable	317,731,452	1.03	174,309,238	0.57	82.28	Some of the dividends distributed by the Headquarter has not been paid yet
Current portion of non-current liabilities	2,777,784,084	8.97	1,682,733,582	5.52	65.08	Increase of long term loan due
Debentures payable	2,296,218,553	7.41	3,295,605,346	10.81	-30.32	Debentures due were transferred to due within one year

2. Major restrictions on assets by the period end

At the end of the reporting period, the monetary fund with a book value of 83,392,294 RMB was taken as deposits for the guarantee letters and bills/notes. The notes receivable with a book value of 15,000,000 RMB was provided as guarantees for the financing lease. The buildings and equipment/machines with a book value of 346,138,179 RMB and the land use rights with a book value of 45,668,148 RMB were pledged for bank borrowings.

3. Other explanations

Applicable Inapplicable

(IV) Investments

1. External equity investment

Applicable Inapplicable

Unit: Yuan

Item	Current period	Last period	Change (%)
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Available-for-sale financial assets	64,430,086	71,198,874	-9.51
Long term equity investments	474,563,170	435,003,431	9.09

(1) Major equity investment

Unit: Yuan

Invested party	Main business	Investment proportion (%)
Tibet Gaoxin Building Materials Group Co., Ltd.	Production and sales of cement	43%
Shanghai Wanan Huaxin Cement Co., Ltd.	Production and sales of cement	49%

(2) Major non-equity investmentApplicable Inapplicable**(3) Financial Assets valued by fair value**

Unit: Yuan

Stock investment:

Stock code	Stock abbreviation	Original investment (Yuan)	Equity proportion (%)	Book value at period end (Yuan)	Profits/ losses during the reporting period	Change of owners' equity during the reporting period	Accounting title
601328	Bank of Communication	3,165,725	0.0029%	12,539,920	623,937	-1,026,788	Available-for-sale financial assets
601601	China Pacific Insurance	696,000	0.0066%	19,110,000	480,000	-5,742,000	Available-for-sale financial assets
Total			/	31,649,920	1,103,937	-6,768,788	

(V) Major assets and equity sale
 Applicable Inapplicable

(VI) Major holding and joint stock companies

Unit: Yuan

Company name	Major product and service	Registered capital	Total assets	Net assets	Sales revenue	Net profit
Tibet Gaoxin Building Materials Co., Ltd.	Production and sales of cement	272,760,000	1,180,494,632	831,846,555	112,004,360	334,970,973
Huaxin Cement (Yangxin) Co., Ltd	Production and sales of cement	500,000,000	1,222,920,494	714,971,043	103,151,294	536,135,138
Huaxin Cement (Wuxue) Co., Ltd	Production and sales of cement	300,000,000	910,246,451	510,494,670	99,788,959	599,613,683
Huaxin Cement (Xiangyang) Co., Ltd	Production and sales of cement	140,000,000	755,419,978	342,410,100	91,454,704	459,070,773

(VII) Structural main body changes controlled by the CompanyApplicable Inapplicable**III. Other Information Disclosure****(I) Warning and Explanation on Forecasting Loss or Major Change in Net Profit from the Period Beginning till the Next Period End Compared with the Same Period of Last Year**

Due to vigorous promotion of supply-side structural reform and execution of environmental protection, supply and demand balance improved. Main products including cement and clinker price enjoyed a significant rise year on year; in addition, aggregate, RMX and Eco business profitability also improved substantially. From January to September of 2018, the Company's net profit attributable to the owners of the Parent Company is expected to increase by more than 150% over the same period of last year.

(II) Potential risksApplicable Inapplicable

Potential risks posed to the Company have been elaborated in the Annual Report 2017 Chapter 4 Discussion and Analysis on Business Operation. There was no new potential risk in the reporting period.

(III) Other disclosureApplicable Inapplicable

Chapter 5 Major Events

I. Introduction of Shareholders' General Meetings

Meeting	Date	Appointed website for reference of the Resolution	Disclosure date of the Resolution
Annual Shareholders' General Meeting 2017	April 24, 2018	www.sse.com.cn	April 25, 2018
The First Extraordinary Shareholders' General Meeting 2018	June 12, 2018	www.sse.com.cn	June 13, 2018

Explanation of the Shareholders' General Meetings

Applicable Not applicable

During the reporting period, the Company held 2 Shareholders' General Meetings, including: one Annual Shareholders' General Meeting and one Extraordinary Shareholders' General meeting.

The above two Shareholders' General Meetings were voted by a combination of on-site voting and online voting. The convening and convening procedures, attendance qualifications, share registration and voting procedures of the Meetings were in compliance with the relevant stipulations of the Company Law, the Rules of the Shareholders' Meeting of Listed Companies and the Articles of Association of the Company. The qualifications of the personnel attending the Meetings and the qualification of the convener were legitimate and valid; the voting procedures and voting results of the Meetings were legitimate and valid.

II. Dividends distribution or capital reserve

(I) Plan or proposal of dividend distribution, conversion of capital reserve into share capital in the first half of the year

Dividend distribution, conversion of capital reserve into share capital	None
Bonus share for 10 shares (share)	0
Dividends for 10 shares (Yuan) (incl. tax)	0
Stock split for 10 shares (share)	0
Relevant explanations on dividend distribution, conversion of capital reserve into share capital	Nil

III. Execution of Commitments

Applicable Inapplicable

IV. Appointment or dismissing of Certified Public Accountants

Appointment or dismissing of certified public accountants

Applicable Not applicable

According to the need of strengthening corporate governance and the newly revised "Articles of Association", the Accounting Firm providing audit service for the financial statements of the Company has to be replaced if the continuous appointment reaches 8 to 10 years.

In view of the fact that PricewaterhouseCoopers Zhongtian CPAs LLP has provided audit services for the Company for 13 years, and approved by the First Extraordinary

Shareholders' General Meeting 2018 on June 12, 2018, it agreed to replace and appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP as the accounting firm for 2018 annual financial audit and internal control.

Change of appointment of certified public accountants during the audit period
Applicable Inapplicable

Company's Explanation on "Non-standard Audit Report" issued by the CPAs
Applicable Inapplicable

Company's Explanation on "Non-standard Audit Report" in the Financial Statements of the Annual Report 2016 issued by the CPAs
Applicable Inapplicable

V. Related Issue on Bankruptcy and Reform

Applicable Not applicable

VI. Material Lawsuit or Arbitration

(I) Lawsuits and arbitrations that had been disclosed in extraordinary announcements and had no further progress

Events summary and type	Reference
Huaxin Concrete Xiangyang Co., Ltd. sued Xiangyang Jianshan Technology Co., Ltd about claims and debts dispute	For detailed information, please refer to Item 10 “Material Lawsuit or Arbitration” in the Chapter 5 of Huaxin Cement Co., Ltd. Annual Report 2017 at www.sse.com.cn .
Sales contract dispute between Hubei Guoxin Properties Co., Ltd and Huaxin Concrete (Wuhan) Co., Ltd	For detailed information, please refer to Item 10 “Material Lawsuit or Arbitration” in the Chapter 5 of Huaxin Cement Co., Ltd. Annual Report 2016 at www.sse.com.cn .
The Company sued Tianxing Group Co, Ltd., Yongkang Tianyi Enamelware Co., Ltd., Zhejiang Hengtai Aluminum Industry Co., Ltd., Wuyi Huaou Furniture Co., Ltd., shareholders of Guanghan Sanxingdui Cement Co., Ltd., including Mr. Xu Weiqiang, Mr. Liu Ligu, Mr. Xu Liansheng, Mr. Lin Kuande, Ms. Liu Mingyan, Mr. Cheng Dongqing, Mr. Xu Lianmeng, Mr. Sun Fusong and Mr. Li Yuanhong etc. as well as Mr. Ying Tianxing about shareholding transfer dispute	For detailed information, please refer to Item 8 “Material Lawsuit or Arbitration” in the Chapter 5 of Huaxin Cement Co., Ltd. Annual Report 2015 at www.sse.com.cn .
Jiangsu Huohua Steel Structure Group Co., Ltd. sued Huaxin Cement (Enping) Co., Ltd. about project construction contract dispute	
Huaxin Concrete Xiangyang Co., Ltd. sued Xiangyang Jianshan Technology Co., Ltd about contract dispute	
Xiangyang Jianshan Technology Co., Ltd sued Huaxin Concrete (Wuhan) Co., Ltd, Xiangyang Xingshida Plastics Co., Ltd., Mr. Liu Jianshan and Huaxin Concrete Xiangyang Co., Ltd. about shareholding transfer contract dispute	
Xiangyang Xingshida Plastics Co., Ltd. sued Huaxin Concrete (Wuhan) Co., Ltd, Xiangyang Jianshan Technology Co., Ltd, Mr. Liu Jianshan and Huaxin Concrete Xiangyang Co., Ltd. about shareholding transfer contract dispute	

(II) Lawsuits and arbitrations that were not disclosed in extraordinary announcements or that had further progress

Unit: 0000 Yuan

Plaintiff	Appellee	Type	Basic Information	Amount	Is there any accrued liabilities and the amount	Progress
Northern Heavy Industries Group Co., Ltd	Huaxin Cement (Enping) Co., Ltd.	Civil Action	For detailed information, please refer to Annual Report 2013 of the Company at www.sse.com.cn .	25,850.78	No	In June 2018, Jiangmen Intermediate People's Court made a retrial judgment, and ordered the appellee to pay the plaintiff 159,009,574 Yuan within 30 days from the effective date of the judgment, and to pay the interest and management fee of 10,018,020.68 Yuan to the appellee (This fee was tentatively calculated by August 2013. The interest and management fee arising from September 1, 2013 to the date of required payment of the judgment would be based on the actual amount of the financing fund, calculated separately at an annual interest rate of 10%). The other claims of the plaintiff and the counterclaim of the appellee were rejected. The appellee refused to accept the retrial of the first instance judgment and has filed an appeal.

(III) Other explanations

Applicable Not applicable

VII. Punishment on Directors, Supervisors, Senior Managers, Controlling Shareholder, Actual Controller or purchaser and the rectification

Applicable Not applicable

VIII. Explanation on the credibility and integrity of the Controlling Shareholder and the Actual Controller of the Company in the Reporting period

Applicable Not applicable

IX. Equity Incentive Plan of the Company and its impacts**(I) Events that were disclosed in extraordinary announcements and that had no progress or changes during the further implementation**

Applicable Not applicable

(II) Incentives that were not disclosed in extraordinary announcements and that had progress or changes during the further implementation

Equity incentive

 Applicable Not applicable

Others

 Applicable Not applicable

Employee holding shares plan

 Applicable Not applicable

Other incentive measures:

 Applicable Not applicable

Long-term Incentive Plan of the Company for Top Management 2017-2019 was reviewed and approved by the Board Meeting on December 2, 2016 and Shareholder's General Meeting on April 20, 2017 respectively.

On June 29, 2018, the Third Meeting of the Ninth Board of Directors of the Company reviewed and adopted the "Proposal on the Grant Date, Price and Number of "Phantom Performance Stock (PPS)" 2018 for the Top Management Team". Board of Directors, authorized by the Shareholders' General Meeting, defined the grant date and price of the "Phantom Performance Stock (PPS)" 2018, as well as amount and number for the Top Management for 2018.

X. Important Related Transactions**(I) Related Transactions in Connection with Daily Operation****1. Events that have been disclosed in extraordinary announcements and that had no progress or changes during the further implementation** Applicable Not applicable**2. Events that were disclosed in extraordinary announcements but had progress or changes during the further implementation** Applicable Not applicable

Related party	Transaction	Transaction amount
LafargeHolcim Energy Solutions S.A.S.	Fuel procurement	10,304,888 USD

3. Events that have not been disclosed in extraordinary announcements Applicable Not applicable

Unit: Yuan

Related party	Relation	Type	Content	Pricing	Transaction Price	Amount	% in the amount of the similar transactions	Settlement	Market price	Reasons for the difference between the transaction price and the market price
LAFARGE CEMENTS DISTRIBUTION	Other related party	Purchase goods	Procurement of concrete	Negotiation		1,474,027	100	Cash		

			premises							
Hubei Huaxin Real Estate Co., Ltd.	Other related party	Rent and lease	Rent office building	Negotiation		5,678,829	100	Cash		
Total				/	/	7,152,856		/	/	/

(II) Related Transactions involve Purchasing or Selling Assets or Share Equity

1. Events that were disclosed in extraordinary announcements and that had no progress or changes during the further implementation

Applicable Not applicable

2. Events that were disclosed in extraordinary announcements but had progress or changes during the further implementation

Applicable Not applicable

On March 22, 2018, the Twenty Ninth Meeting of the Eighth Board of Directors reviewed and approved the *Proposal on Affiliated Party Transaction of 100% Equity Interest Transfer in Chongqing Lafarge Shui On Cantian Cement Co., Ltd. by and between Lafarge China Cement Limited and the Company.*

During the reporting period, the Company has completed the equity transfer of Chongqing Lafarge Shui On Cantian Cement Co., Ltd., and began to merge its financial statements in the second quarter.

3. Items that were not disclosed in extraordinary announcements

Applicable Not applicable

4. If the Company has performance commitment, it should disclose the performance fulfilment in the reporting period

Applicable Not applicable

(III) Significant related transactions of joint investment

1. Items that were disclosed in extraordinary announcements and had no progress or changes during the implementation

Applicable Not applicable

2. Items that were disclosed in extraordinary announcements but had progress or changes during the implementation

Applicable Not applicable

3. Items that were not disclosed in extraordinary announcements

Applicable Not applicable

(IV) Related Claims and Debts

1. Items that were disclosed in extraordinary announcements and had no progress or changes during the implementation

Applicable Not applicable

2. Items that were disclosed in extraordinary announcements but had progress or changes during the implementation

Applicable Not applicable

3. Items that were not disclosed in extraordinary announcements

Applicable Not applicable

(V) Other significant related transactions

Applicable Not applicable

(VI) Others

Applicable Not applicable

XI. Major Contracts and Implementation

1. Entrustment, Contract and Leasing

Applicable Not applicable

2. Guarantee

Unit: CNY

Guarantee provided by the Company (excluding guarantee for its subsidiaries)													
Guarantor	Relationship with the Listed Company	Be guaranteed	Guarantee amount	Guarantee date (signing date)	Starting date	Maturity date	Guarantee type	Has the guarantee been completed	Is the guarantee overdue	Amount overdue	Is there a counter-guarantee	Is the guarantee provided for related party	Relation
Huaxin Cement (Tibet) Co., Ltd.	Controlling subsidiary	Tibet Shigatse High-tech Snow Lotus Cement Ltd.	90,850,000	Feb 28, 2014	Feb 28, 2014	Feb 27, 2022	Joint liability guarantee	No	No	0	Yes	Yes	Other related party
Total guarantee amount during the reporting period (excluding guarantee for subsidiaries)										-11,850,000			
Guarantee amount left at the reporting period end (A) (excluding guarantee for subsidiaries)										90,850,000			
Guarantee provided by the Company for its controlling subsidiaries													
Guarantee amount for subsidiaries occurred during the reporting period										-398,052,448			
Guarantee amount for subsidiaries left at the reporting period end (B)										1,967,548,321			
Total guarantee amount (including guarantee for its subsidiaries)													
Total guarantee amount (A+B)										2,058,398,321			
% in net assets of the Company										15.2			
Including:													
Guarantee amount provided to the shareholders, actual controller and its related parties (C)										0			
Debt guarantee amount provided directly or indirectly to subjects whose debt ratio is over 70% (D)										844,076,160			
Guarantee amount exceeded 50% of the net assets (E)										0			
Total guarantee amount of the above three (C+D+E)										844,076,160			

3. Other Major Contracts

Applicable Not applicable

XII. Poverty alleviation work of the listed Company

1. Targeted poverty alleviation plan

To comprehensively implement the Central Government's guidance of poverty alleviation through development and fulfill the corporate social responsibility, the Company made targeted poverty alleviation plan:

Firstly, according to the principle of "government lead, society involved, self-relied and poverty alleviation through development", the Company made efforts in environment improvement constructions, and mainly on road hardening, dilapidated house renovation, water conservancy facilities construction and mine rehabilitation to help rural infrastructure construction.

Secondly, the Company adapted itself to the local situation and guaranteed low price cement supply to the relocation project as part of the targeted poverty alleviation program.

Thirdly, the Company partnered with villages and families to help the impoverished disabled people, orphans and stay-at home children.

Fourthly, the Company helped education development and human resources in poverty area.

Fifthly, the Company conducted transfer employment; branches and subsidiaries took in poverty subjects in the plants to receive occupational training.

Sixthly, the Company promoted the work on "save the people in emergency and difficulty" and temporary special activities for helping poor families caused by illness, disaster and disability.

2. Outline of targeted poverty alleviation of the reporting period

In the first half of 2018, the Company invested 5.4175 million RMB in targeted poverty relief, among which cash is 3.4964 million RMB, 1.9211 million RMB worth of materials and helped 528 government-recognized poor people get rid of poverty.

Based on the overall arrangement of subsidiaries at different locations, the targeted poverty alleviation of the Company focuses on industry development, employment transfer, relocation, education, eco protection, basic living guarantee and social poverty relief to effectively carry out the work on poverty alleviation. Huaxin Cement (Tibet) Company donated 2.5 million RMB for Shannan area Sangri County Rongxiang Village poverty relief; 230 tons cement for infrastructure construction in Jiacha County; Tibet Shigatse High-tech Snow Lotus Cement Ltd actively responded to the call of "100 companies help 100 villages", helping 5 villages in Saga County (Sadang village, Danga village, Dazi village, Chimu village, Laya village); Huaxin Cement (Zigui) Ltd. helped Wenjiayan village and poverty people following the arrangement of Zigui County Poverty Relief Task Force.

3. Targeted property alleviation situation statistic table of the listed Company in the reporting period

Unit: 0000 Yuan

Indicators	Number and situation
I. the overall situation	
include: 1. funds	349.64
2. material discount	192.11
3. help to build the file for poor people out of poverty (person)	528
II. sub-investment	
1. Industry development poverty alleviation	
include: 1.1 industry poverty alleviation project type	√Agriculture and Forestry Industry Poverty Alleviation <input type="checkbox"/> tourism poverty alleviation <input type="checkbox"/> E-commerce Poverty Alleviation <input type="checkbox"/> asset income poverty alleviation <input type="checkbox"/> science and technology poverty alleviation <input checked="" type="checkbox"/> other
1.2 Number of industrial poverty alleviation projects (unit)	7
1.3 Amount of investment in poverty alleviation projects	63.15
1.4 help to build the file for poor people out of poverty (person)	71
2. Transfer employment	
2.1 Amount of investment of vocational skills training	0.30
2.2 Number of vocational skills training (person / time)	32
2.3 help to build the file for poor people out of poverty by employment(person)	74
3.Relocation poverty alleviation	
include: 3.1 number of relocated poor people employment (person)	65
4. Educational poverty alleviation	
Include:4.1 Amount of investment of helping poor students	2.39
4.2 Number of poverty students (person)	90
4.3 Amount of investment in improving educational resources in poor areas	4.47
5.Heatly poverty alleviation	
Include 5.1 Amount of investment in medical resources	
6. Ecological protection Poverty alleviation	
Include: 6.1 Project name	√ carry out ecological protection and construction <input type="checkbox"/> Establishment of compensation for ecological protection <input type="checkbox"/> set up ecological public welfare positions <input checked="" type="checkbox"/> others
6.2 Amount invested	
7. Basic living security	
7.1 investment for helping “children, seniors and	0.20

women left behind”	
7.2 Number of “children, seniors and women left behind”	5
7.3 Investment for helping poor people with disabilities	4.35
7.4 Number of poor people with disabilities	156
8. Social poverty alleviation	
8.1 Investment in coordinated cooperation of east and west	0
8.2 Investment in fixed-point poverty alleviation work	62.09
8.3 Poverty alleviation fund	9
9. Other projects	
9.1 Number of projects	11
9.2. Amount invested	377.80
9.3 Number of people who are in the file of poverty population	383
9.4 Other projects	
III. Awards received (Title, level)	
Tibet Shigatse High-tech Snow Lotus Cement Ltd working group stationed in the village was awarded with 2017 “Excellent Working Group Stationed in Village in Autonomous Region” by Tibetan Government	

4. Follow-up targeted poverty alleviation

During the reporting period, the responsibility fulfilled on targeted poverty relief is as followed:

1. At the beginning of the year, the Company issued the “Notice on Conducting Targeted Poverty Alleviation within the Company” in the Group, requiring domestic cement plants to actively carry out targeted poverty alleviation work.
2. Each business unit and plant has set up a leading organization for targeted poverty alleviation, identified responsible persons and contacts to be responsible for the organization and implementation of targeted poverty alleviation work.
3. By donating cement and other materials for the construction of roads, facilities of the poverty-stricken villages, flood control, agriculture and forestry industry bases, relocation, centralized construction for vulnerable groups, and housing maintenance and renovation of poor households.
4. Invested a large amount of special funds for poverty alleviation to implement targeted poverty alleviation and realize poverty alleviation by creating industry.
5. Paired with village and household to guarantee basic living of the disabled, rural orphans and left-behind children and other poverty people.
6. By advancing the work of “saving people in emergency and difficulty”, the Company provided special assistance to families in need due to special causes such as illness, disasters, and disability, to help them tide over the difficulties.
7. Actively carried out vocational skills training for poor households, helped the targeted subjects to transfer employment, update production and life concepts, and improve production skills and quality of life.

5. Follow-up targeted poverty alleviation

Firstly, we must attach great importance to and earnestly strengthen leadership. Put emphasis on current targeted poverty alleviation, fully realize the importance, urgency and arduousness of the Company's targeted poverty alleviation activities, take the initiative to implement it, and jointly implement the effectiveness.

Secondly, pay close attention to the implementation of responsibility. In-depth analysis of the reasons for each weak link and existing problems, conscientiously study and formulate specific rectification measures, refine tasks, assign responsibilities to a certain person, strengthen target assessment, strictly implement the accountability mechanism, and promote the effective implementation of the work.

Thirdly, increase efforts and promote effective work. Strictly follow the requirements of the "Notice on Conducting Targeted Poverty Alleviation within the Company", effectively strengthen the work, identify gaps and strengthen measures to ensure the full implementation of the annual targeted poverty alleviation tasks.

XIII. Convertible Corporate Bond

Applicable Not applicable

XIV. Environmental information

(I) Description on Environmental Protection of Listed Companies and Their Subsidiaries in Heavy Polluting Industries Provided by National Environmental Protection Departments

Applicable Not applicable

1. Pollution discharge information

Applicable Not applicable

In the first half of 2018, pollution discharge status of the Company's key emission units is detailed in the following table:

No.	Name	Name of the major pollutants and characteristic pollutants	Emission manner	Quantity of the emission outlet	Distribution of the emission outlet	Emission concentration (mg/m ³)	Emission standard (mg/m ³)	Total emission amount (t)	Verified emission (t)	Excess emission
1	Huaxin Cement (Yangxin) Ltd.	SO ₂	Organized	2	Kiln inlet	<200	200	190.19	580.60	No
		NO _x	Organized	2	Kiln inlet	<400	400	629.97	3557.40	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	68.95	441.45	No
2	Huaxin Cement (Wuxue) Ltd.	SO ₂	Organized	2	Kiln inlet	<200	200	92.58	409.20	No
		NO _x	Organized	2	Kiln inlet	<400	400	1260.56	3682.80	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	79.46	457.00	No
3	Huaxin Cement (Daye)	SO ₂	Organized	2	Kiln inlet	<200	200	49.00	1058.75	No
		NO _x	Organized	2	Kiln inlet	<400	400	331.00	2117.50	No

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	Ltd.	Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	22.71	270.33	No
4	Huaxin Cement (Xiangyang) Ltd.	SO2	Organized	2	Kiln inlet	<200	200	14.78	120.00	No
		NOX	Organized	2	Kiln inlet	<400	400	515.62	2420.00	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	23.81	341.80	No
5	Huaxin Cement (Xinyang) Ltd.	SO2	Organized	1	Kiln inlet	<100	100	33.56	120.00	No
		NOX	Organized	1	Kiln inlet	<320	320	288.83	1100.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<20	20	28.90	154.70	No
6	Huaxin Jinlong Cement (Yunxian) Ltd.	SO2	Organized	2	Kiln inlet	<200	200	7.14	100.00	No
		NOX	Organized	2	Kiln inlet	<400	400	393.24	1285.00	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	25.14	275.05	No
7	Huaxin Cement (Fangxian) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	12.97	120.00	No
		NOX	Organized	1	Kiln inlet	<400	400	139.22	687.50	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	11.28	88.69	No
8	Huaxin Cement (Yichang) Ltd.	SO2	Organized	2	Kiln inlet	<200	200	26.39	1138.50	No
		NOX	Organized	2	Kiln inlet	<400	400	537.07	2277.00	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	51.27	182.60	No
9	Huaxin Cement (Zigui) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	43.16	682.00	No
		NOX	Organized	1	Kiln inlet	<400	400	645.33	1327.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	53.09	191.10	No
10	Huaxin Cement (Enshi) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	3.95	80.00	No
		NOX	Organized	1	Kiln inlet	<400	400	203.99	508.75	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	8.88	78.75	No
11	Huaxin Cement (Changyang) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	28.90	756.26	No
		NOX	Organized	1	Kiln inlet	<400	400	219.10	1512.50	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	10.80	219.95	No
12	Huaxin Cement Co., Ltd. Huangshi Branch	SO2	Organized	2	Kiln inlet	<200	200	89.00	260.00	No
		NOX	Organized	2	Kiln inlet	<400	400	799.00	1650.00	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	68.00	212.85	On September 5, #1 Kiln dust collector failure caused the exceeded amount
13	Huaxin Cement (Hefeng) Minzu Building Materials Ltd.	SO2	Organized	1	Kiln inlet	<200	200	5.24	41.00	No
		NOX	Organized	1	Kiln inlet	<400	400	95.67	275.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	8.44	42.57	No

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14	Huaxin Cement (Zhuzhou) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	66.82	620.09	No
		NOX	Organized	1	Kiln inlet	<400	400	438.64	1996.50	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	25.96	165.17	No
15	Huaxin Cement (Chenzhou) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	3.35	248.34	No
		NOX	Organized	1	Kiln inlet	<400	400	423.85	1200.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	14.91	191.57	No
16	Huaxin Cement (Daoxian) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	47.84	167.40	No
		NOX	Organized	1	Kiln inlet	<400	400	349.27	992.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	13.56	159.96	No
17	Huaxin Cement (Lengshuijiang) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	39.23	225.00	No
		NOX	Organized	1	Kiln inlet	<400	400	311.45	1296.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	13.28	247.75	No
18	Huaxin Cement (Sangzhi) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	3.10	331.25	No
		NOX	Organized	1	Kiln inlet	<400	400	243.08	662.50	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	15.31	85.47	No
19	Huaxin Cement (Chibi) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	48.68	130.00	No
		NOX	Organized	1	Kiln inlet	<400	400	205.19	1452.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	15.18	180.18	No
20	Huaxin Cement (Enping) Ltd.	SO2	Organized	1	Kiln inlet	<100	100	41.56	211.10	No
		NOX	Organized	1	Kiln inlet	<320	320	341.88	992.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<20	20	23.80	112.84	No
21	Huaxin Cement (Quxian) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	32.28	137.53	No
		NOX	Organized	1	Kiln inlet	<400	400	362.01	1280.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	21.62	165.12	No
22	Huaxin Cement Chongqing Fuling Ltd.	SO2	Organized	1	Kiln inlet	<200	200	35.55	784.30	No
		NOX	Organized	1	Kiln inlet	<400	350	395.22	1372.50	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	4.71	194.60	No
23	Huaxin Cement (Wanyuan) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	5.19	68.60	No
		NOX	Organized	1	Kiln inlet	<400	400	223.47	559.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	11.05	95.55	No
24	Huaxin Cement (Tibet) Ltd.	SO2	Organized	2	Kiln inlet	<200	200	20.10	40.00	No
		NOX	Organized	2	Kiln inlet	<400	400	269.40	711.00	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	24.74	131.58	No
25	Chongqing Huaxin Diwei	SO2	Organized	1	Kiln inlet	<200	200	57.67	426.25	No
		NOX	Organized	1	Kiln inlet	<350	350	189.51	745.94	No

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	Cement Ltd.	Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	10.67	105.79	No
26	Chongqing Huaxin Yanjing Cement Ltd.	SO2	Organized	1	Kiln inlet	<200	200	50.29	545.60	No
		NOX	Organized	1	Kiln inlet	<350	350	291.59	954.80	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	22.60	131.04	No
27	Huaxin Guizhou Dingxiao Special Cement Ltd.	SO2	Organized	1	Kiln inlet	<200	200	1.22	160.00	No
		NOX	Organized	1	Kiln inlet	<400	400	112.96	320.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	11.03	41.28	No
28	Guizhou Shuicheng Shui On Cement Ltd.	SO2	Organized	1	Kiln inlet	<200	200	9.33	79.00	No
		NOX	Organized	1	Kiln inlet	<400	400	274.70	825.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	13.75	106.43	No
29	Yunnan Huaxin Dongjun Cement Ltd.	SO2	Organized	1	Kiln inlet	<200	200	23.85	140.00	No
		NOX	Organized	1	Kiln inlet	<400	400	615.22	1240.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	26.69	106.43	No
30	Huaxin Cement (Fumin) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	7.95	91.08	No
		NOX	Organized	1	Kiln inlet	<400	400	325.14	695.81	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	20.43	99.98	No
31	Huaxin Cement (Honghe) Ltd.	SO2	Organized	2	Kiln inlet	<200	200	29.14	59.67	No
		NOX	Organized	2	Kiln inlet	<400	400	563.07	1220.00	No
		Particulate matters	Organized	2	Kiln inlet Kiln outlet	<30	30	25.84	112.98	No
32	Huaxin Cement (Zhaotong) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	12.69	120.00	No
		NOX	Organized	1	Kiln inlet	<400	400	506.59	1200.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	32.60	119.86	No
33	Huaxin Cement (Kunming Dongchuan) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	3.09	72.06	No
		NOX	Organized	1	Kiln inlet	<400	400	282.42	600.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	16.82	77.40	No
34	Huaxin Cement (Diqing) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	2.90	22.00	No
		NOX	Organized	1	Kiln inlet	<400	400	332.50	655.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	15.12	90.23	No
35	Huaxin Hongta Cement (Jinghong) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	5.07	130.69	No
		NOX	Organized	1	Kiln inlet	<400	400	277.69	620.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	18.14	99.98	No
36	Huaxin Cement (Yunlong) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	2.36	63.24	No
		NOX	Organized	1	Kiln inlet	<400	400	187.32	720.94	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	8.38	96.75	No
37	Huaxin	SO2	Organized	1	Kiln inlet	<200	200	10.48	45.31	No

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	Cement (Jianchuan) Ltd.	SO2	Organized	1	Kiln inlet	<400	400	159.16	740.35	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	22.99	96.75	No
38	Huaxin Cement (Lijiang) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	5.00	63.54	No
		NOX	Organized	1	Kiln inlet	<400	400	295.33	620.00	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	14.50	79.98	No
39	Huaxin Cement (Lincang) Ltd.	SO2	Organized	1	Kiln inlet	<200	200	4.93	82.63	No
		NOX	Organized	1	Kiln inlet	<400	400	257.98	638.60	No
		Particulate matters	Organized	1	Kiln inlet Kiln outlet	<30	30	21.90	81.38	No
40	Chongqing Huaxin Cantian Cement Co., Ltd.	SO2	Organized	1	Kiln inlet	<200	200	120.90	790.00	No
		NOX	Organized	1	Kiln inlet	<350	350	401.69	1395.67	No
		Particulate matters	Organized	1	Kiln inlet	<30	30	22.26	205.76	No
41	Wuhan Wugang Huaxin Cement Limited Liability	SO2	Organized	1	Hot-blast furnace	<400	400	128.49	341.00	No
		NOX	Organized	1	Hot-blast furnace	<300	300	122.57	255.75	No
		Particulate matters	Organized	1	Hot-blast furnace	<20	20	9.09	22.00	No
42	Hunan Huaxin Xianggang Cement Ltd.	SO2	Organized	1	Hot-blast furnace	<600	600	0.91	Not included in the total control for emission permit of Hunan Province	No
		NOX	Organized	1	Hot-blast furnace	<400	400	53.74		No
		Particulate matters	Organized	1	Hot-blast furnace	<30	30	4.53		No
43	Hunan Huaxiang Environmental Protection Industry Development Co., Ltd.	SO2	Organized	1	Hot-blast furnace	<600	600	1.49	Not included in the total control for emission permit of Hunan Province	No
		NOX	Organized	1	Hot-blast furnace	<400	400	78.54		No
		Particulate matters	Organized	1	Hot-blast furnace	<30	30	4.98		No
44	Huaxin Cement (Ezhou) Ltd.	Particulate matters	Organized	3	Cement grinding mill	<20	20	6.70	Implement concentration control without quotas	No
45	Huaxin Cement (Xiantao) Ltd.	Particulate matters	Organized	2	Cement grinding mill	<20	20	1.06	Implement concentration control without quotas	No
46	Huaxin Cement (Suizhou) Ltd.	Particulate matters	Organized	1	Cement grinding mill	<20	20	0.46	Implement concentration control without quotas	No
47	Huaxin Cement (Jingzhou) Ltd.	Particulate matters	Organized	1	Cement grinding mill	<20	20	0.37	Implement concentration control without quotas	No

48	Huaxin Cement (Xiangcheng) Ltd.	Particulate matters	Organized	1	Cement grinding mill	<20	20	3.93	Implement concentration control without quotas	No
49	Huaxin Cement (Panzhuhua) Ltd.	Particulate matters	Organized	1	Cement grinding mill	<20	20	3.04	Implement concentration control without quotas	No
50	Huaxin Cement (Chuxiong) Ltd.	SO2	Organized	1	Furnace in fluid bed	<600	600	2.79	Implement concentration control without quotas	No
		NOX	Organized	1	Furnace in fluid bed	<400	400	2.69		No
		Particulate matters	Organized	3	Furnace in fluid bed Cement grinding mill	<20	20	0.92		No
51	Huaxin Cement (Chenggong) Ltd.	Particulate matters	Organized	1	Cement grinding mill	<20	20	2.41	Implement concentration control without quotas	No
52	Huaxin Cement (Yueyang) Ltd.	Particulate matters	Organized	2	Cement grinding mill	<20	20	2.54	Implement concentration control without quotas	No
53	Huaxin Cement (Gejiu) Ltd.	Particulate matters	Organized	1	Cement grinding mill	<20	20	2.00	Implement concentration control without quotas	No
54	Huaxin Environmental Ezhou Co., Ltd.	NH3	Organized	1	Biological filter	<35kg/h	35 kg/h	-	Implement emission rate control without performing total accounting	No
		H2S	Organized	1	Biological filter	<2.3kg/h	2.3 kg/h	-		No

2. Construction and operation of pollution prevention facilities

During the reporting period, the Company strictly abided by the requirements of national and local environmental protection laws and regulations, enhanced pollution control investment, strengthened environmental management, and implemented NOX emission reduction program of “low nitrogen combustion reform + process optimization + SNCR system optimization” to achieve continuous and stable NOX emission. Dust collectors were upgraded and maintained during the annual repair to ensure that the dust collectors were in optimal operation and to achieve continuous and stable emission of particulate matters at each outlet. By using low-sulfur coal and controlling the SO2 content in the raw materials, SO2 was controlled from the source. By using new technology of water aqua complex desulfurization and optimizing wet desulfurization to further reduce the impacts on the environment.

3. Environmental impact assessment on construction projects and other environmental protection administrative licenses

During the reporting period, CIPs of the Company were implemented in accordance with the requirements of the EIA Law, carried out the “Environmental Protection Three Simultaneous System”, and implemented clean production audit in strict accordance with the requirements of the Clean Production Law and the Competent Departments of clean production.

4. Emergency plan for emergent environmental incidents

During the reporting period, all subsidiaries of the Company strictly implemented the emergency plans and drills according to the requirements of the Law of PRC on Response to Emergencies and the Interim Administrative Measures for Emergency Management of Environmental Emergencies and on the basis of the requirements of the emergency plan for environmental emergencies, to ensure that the Company can respond quickly and in a timely manner after a sudden environmental incident, and to prevent environmental events from affecting the environment and the public.

5. Plan of environment self-monitoring

During the reporting period, branches and subsidiaries carried out self-monitoring in strict accordance with the requirements of national environmental monitoring technical specifications and environmental monitoring and management regulations. Self-monitoring projects included smoke, sulfur dioxide, nitrogen oxides, etc. The self-monitoring method was combined with automatic monitoring and manual monitoring. The automatic monitoring equipment used has passed the acceptance test of the environmental protection department, and the smoke and gas comparison monitoring was carried out regularly to ensure the normal operation of the equipment and the normal transmission of data. Manual monitoring was entrusted with a qualified third-party monitoring company to truly reflect the level of pollutant emissions.

6. Other environmental information that should be disclosed

During the reporting period, the Company's subsidiaries, in accordance with the requirements of the national and local governments on off-peak production and heavy pollution weather emergency to fight the Blue Sky Battle. They suspended production or restricted production to minimize the impact of heavy pollution on the environment. In accordance with the requirements of the environmental protection department, each branch and subsidiary regularly published emission data on the environmental monitoring information release platforms of various provinces and cities and accepts public supervision.

(II) Description on environmental protection of other subsidiaries besides the key pollutant discharge units

Applicable Not applicable

The subsidiaries of the Company that are not included in the list of the national key pollutant discharge units strictly implemented the environmental self-monitoring system in accordance with the relevant requirements of national laws and regulations, and continuously optimized and improved pollution control facilities to achieve continuous and stable discharge of pollutants.

(III) Explanation on reasons for non-disclosure of environmental information of other subsidiaries besides the key pollutant discharge units

Applicable Not applicable

(IV) Explanation on the follow-up progress or changes of the disclosure of environmental information during the reporting period

Applicable Not applicable

XV. Remarks on Other Major Events

(I) Reasons and Impact on Changes in Account Policies, Account Estimation or Accounting Methods

Applicable Not applicable

(II) Reasons and Impact on Correction of Significant Accounting Errors

Applicable Not applicable

(III) Others

Applicable Not applicable

Chapter 6 Changes in Share Capital and Shareholders

I. Changes in Share Capital

(I) Changes in Shares

1. Changes in Shares

There was no change of total shares or share capital structure during the reporting period.

2. Notes on changes in shares

Applicable Not applicable

3. Impact of changes in share capital on financial indicators such as earnings per share and net assets per share during July 1 to the disclosure date of this Half Year Report (if any)

Applicable Not applicable

4. Additional Information that the Company believed it necessary to disclose or that securities regulatory authorities required to disclose

Applicable Not applicable

(II) Changes of Shares Subject to Conditional Sales

Applicable Not applicable

II. Shareholders

(I) Total number of shareholders

Total number of shareholders at the end of reporting period	50,183
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(II) Top Ten Shareholders and Top Ten Holders of Listed Shares (not subject to conditional sales)

Unit: share

Top ten shareholders							
Full Names of Shareholders	Change during the reporting period	Shares amount at the end of the period	%	The amount of shares subject to conditional sales	Mortgage or frozen		Shareholder type
					Status	Amount	
HOLCHIN B.V.	0	596,817,018	39.85	0	nil		Foreign corporation
Huaxin Group Co., Ltd.	0	239,685,714	16.01	0	nil		State owned corporation
HOLPAC LIMITED	0	29,779,888	1.99	0	nil		Foreign corporation
Central Huijin Investment Ltd	0	21,768,700	1.45	0	nil		Unknown
UBS AG	20,957,599	20,957,599	1.40	0	nil		Unknown
FTIF-TEMPLETON ASIAN SMALLER COMPANIES FUND	0	13,235,738	0.88	0	nil		Unknown
Gao Hua—HSBC—GOLDMAN, SACHS & CO.LLC	10,988,905	10,988,905	0.73	0	nil		Unknown
TEMPLETON GLOBAL INVESTMENT TRUST-TEMPLETON EMERGING MARKETS SMALL CAP FUND	0	9,955,953	0.66	0	nil		Unknown
FTIF-TEMPLETON EMERGING MKT SMALLER COMPANIES FUND	0	9,084,567	0.60	0	nil		Unknown
Huang Jianjun	1,023,885	8,341,891	0.56	0	nil		Unknown
Top ten holders of shares not subject to conditional sales							
Names of Shareholders	The amount of shares	Shares type and amount					
		Type	Amount				
HOLCHIN B.V.	596,817,018	RMB ordinary shares	322,380,858				
		Domestic listed foreign investment shares	274,436,160				
Huaxin Group Co., Ltd.	239,685,714	RMB ordinary shares	239,685,714				

HOLPAC LIMITED	29,779,888	Domestic listed foreign investment shares	29,779,888
Central Huijin Investment Ltd	21,768,700	RMB ordinary shares	21,768,700
UBS AG	20,957,599	RMB ordinary shares	20,957,599
FTIF-TEMPLETON ASIAN SMALLER COMPANIES FUND	13,235,738	Domestic listed foreign investment shares	13,235,738
Gao Hua—HSBC—GOLDMAN, SACHS & CO.LLC	10,988,905	RMB ordinary shares	10,988,905
TEMPLETON GLOBAL INVESTMENT TRUST-TEMPLETON EMERGING MARKETS SMALL CAP FUND	9,955,953	Domestic listed foreign investment shares	9,955,953
FTIF-TEMPLETON EMERGING MKT SMALLER COMPANIES FUND	9,084,567	Domestic listed foreign investment shares	9,084,567
Huang Jianjun	8,341,891	RMB ordinary shares	8,341,891
Remarks on relationship or concerted actions of the above shareholders	1. Holpac Limited is the party act in concert with Holchin B.V. 2. It is unknown to the Company whether there is any relationship among the shareholders or any concerted persons referred in the "Administrative Measures of Disclosing Changes in Shareholding for Listed Companies".		

The number of shares held by the top ten holders of shares not subject to conditional sales and the conditions for sale

Applicable Not applicable

(III) Strategic investors or common Legal Corporation become the top ten shareholders due to new share placement

Applicable Not applicable

III. Change of the Largest Shareholder or the Actual Controller

Applicable Not applicable

Chapter 7 Preferred Stock

Applicable Not applicable

Chapter 8 Directors, Supervisors and Senior Management

I. Shareholding Changes

(I) Shareholding change of Directors, Supervisors and Senior Management

Applicable Not applicable

(II) Stock Option Incentive Granted to Director, Supervisor and Senior Management

Applicable Not applicable

II. Changes of Directors, Supervisor or Senior Management

Applicable Inapplicable

Name	Position	Change
Daniel Bach	Director	Leave
Martin Kriegner	Director	Leave
Roland Koehler	Director	Election
Geraldine Picaud	Director	Election
Xu Gang	Vice President	Appointment
Hu Zhenwu	Vice President	Leave

Notes on changes of the Directors, Supervisors and Senior Management of the Company

Applicable Not applicable

Due to the expiration of the Eighth Board and election for the Ninth Board, Mr. Daniel Bach and Mr. Martin Kriegner left their posts at the expiration of their term of office. Mr. Roland Koehler and Ms. Geraldine Picaud were newly elected as Directors of the Ninth Board of Directors of the Company.

Due to expiration of the office term, Mr. Xu Gang was newly appointed as a Vice President of the Company. After the expiration of his term of office, Mr. Hu Zhenwu no longer served as Vice President.

III. Other illustrations

Applicable Not applicable

Chapter 9 Corporate Bonds

I. Basic information of the corporate bonds

Unit: 100 million Yuan

Name	Abbreviation	Code	Issuing date	Date of expiry	Bond balance	Coupon rate	Principal and interest payment	Trading place
Huaxin Cement Co., Ltd. 2012 Corporate Bonds (tranche 1) (7 years)	12 Huaxin 02	122147	May 17, 2012	May 17, 2019	10.00	5.65%	Adopt annually counted simple interest rather than compound interest. The interest shall be paid once per year, and the principal of the bonds shall be repaid in one time when matured. The last tranche of interests shall be paid together with the principal as the principal matured.	Shanghai Stock Exchange
Huaxin Cement Co., Ltd. 2012 Corporate Bonds (tranche 2) (7 years)	12 Huaxin 03	122188	Nov 9, 2012	Nov 9, 2019	11.00	5.9%	Ditto	Shanghai Stock Exchange
Huaxin Cement Co., Ltd. 2016 Corporate Bonds (tranche 1) (5 years)	16 Huaxin 01	136647	Aug. 19, 2016	Aug. 22, 2021	12.00	4.79%	Ditto	Shanghai Stock Exchange

Corporate bond redemption and interest payment

Applicable Not applicable

On May 17, 2018, the Company paid in time the interest for 2012 Huaxin Corporate Bond tranche 1 (Please refer to the related announcements at the website of SSE - www.sse.com.cn released on May 10, 2018).

Other information about the corporate bonds

1. The Maturity of 12 Huaxin 02 is 7 years, with options of coupon rate adjusting by the issuer and put provision by investors at the end of fifth year since issuance.
2. The Maturity of 12 Huaxin 03 is 7 years, with options of coupon rate adjusting by the issuer and put provision by investors at the end of fifth year since issuance.
3. The Maturity of 16 Huaxin 01 is 5 years.

II. Contact information of the corporate bond trustee and credit rating organization

Corporate bond trustee	Name	CITIC Securities Co., Ltd.
	Address	22 nd Floor, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
	Contacts	Song Yilan
	Number	010-60833626
Corporate bond trustee	Name	Essence Securities Co., Ltd.
	Address	A02 at the 35 th floor and 28 th floor of Anlian Tower, Jintian Road 4018#, Futian District, Shenzhen
	Contacts	Xiao Jun
	Number	010-83321292
Credit rating organization	Name	China ChengXin Rating Co., Ltd.
	Address	8 th floor, Anji Tower, No. 760 Xizang South Road, Huangpu District, Shanghai

Corporate bond trustee for 12 Huaxin 02 and 12 Huaxin 03 is CITIC Securities Co., Ltd., Corporate bond trustee for 16 Huaxin 01 is Essence Securities Co., Ltd.

III. Use of the raised funds from the corporate bonds

Applicable Not applicable

Issuance amount of 2012 first tranche of corporate bonds totaled 2 billion Yuan, the Company has used the raised funds in accordance with the stipulations contained in the Prospectus, and the raise funds from 2012 first tranche of corporate bonds have been used up. Issuance amount of 2012 second tranche of corporate bonds totaled 1.1 billion Yuan, the Company has used the raised funds in accordance with the stipulations contained in the Prospectus, and the raise funds from 2012 second tranche of corporate bonds have been used up. Issuance amount of 2016 first tranche of corporate bonds totaled 1.2 billion Yuan, the Company has used the raised funds in accordance with the stipulations contained in the Prospectus, and the raise funds from 2016 first tranche of corporate bonds have been used up.

IV. Information of the credit rating

Applicable Not applicable

On April 24, 2018, the credit rating organization (China ChengXin Rating Co., Ltd.) issued "Huaxin Cement Co., Ltd. 2012 Corporate Bonds (the first tranche) Tracking Rating Report" and "Huaxin Cement Co., Ltd. 2012 Corporate Bonds (the second tranche) Tracking Rating Report". Both main credit rating and bond credit rating of the Company were raised to AAA.

On April 24, 2018, the credit rating organization (China ChengXin Rating Co., Ltd.) issued "Huaxin Cement Co., Ltd. 2016 Corporate Bonds (the first tranche) Tracking Rating Report". Both main credit rating and bond credit rating of the Company were raised to AAA.

The periodic tracking rating report is issued once a year, and the results of the rating and

the report are released within two months after the disclosure of the Company's annual report. The sustained tracking rating result is announced at the website of the rating organization (<http://www.ccxr.com.cn/index.asp>) within 10 working days after the rating report is issued.

V. Credit updating mechanism for the corporate bonds, the repayment plan and other relevant information during the reporting period

Applicable Not applicable

During the reporting period, there is no change on the credit updating mechanism for the corporate bonds, the repayment plan and other safeguards for the repayments. In order to sufficiently and effectively safeguard the interests of the bondholders, the Company has made a series of arrangements for the timely and full repayment to the bonds, including the appointing specialized departments and personnel, arranging funds for the repayment, establishing and strictly implementing the fund management plan.

VI. Meeting held for the bondholders

Applicable Not applicable

VII. Performance of duties of the corporate bond trustee

Applicable Not applicable

The bond trustee of 2012 corporate bonds (the first tranche) and 2012 corporate bonds (the second tranche) was CITIC Securities Co., Ltd., it had disclosed "Huaxin Cement Co., Ltd. 2012 Corporate Bonds (the first tranche) Trustee's Report (2017)" and "Huaxin Cement Co., Ltd. 2012 Corporate Bonds (the second tranche) Trustee's Report (2017)" on the website of Shanghai Stock Exchange on April 26, 2018. Profiles of two tranches of corporate bonds, annual operations and financial condition of the issuer in 2017, use of the raised funds, interest repayment and meetings for the holders were disclosed.

The bond trustee of 2016 corporate bonds (the first tranche) was Essence Securities Co., Ltd., it had disclosed "Huaxin Cement Co., Ltd. 2016 Corporate Bonds (the first tranche) Trustee's Report (2017)" on the website of Shanghai Stock Exchange on April 28, 2018. Profiles of corporate bonds, annual operations and financial condition of the issuer in 2017, use of the raised funds, interest repayment and meetings for the holders were disclosed.

VIII. Financial highlights for the reporting period end and last year end (or the reporting period and the same period of last year)

Unit: Yuan

Item	Reporting period end	Last year end	Change over last year (%)	Reason for the change
Liquid ratio	0.87	0.95	-8.42	
Quick ratio	0.70	0.77	-9.09	
Asset-liability ratio	52	57	-500%	
Loan repayment rate	100	100	-	
	Reporting period (Jan-Jun)	Same period of last year	Change over same period of last year (%)	Reason for the change
EBITDA Interest Protection Multiples	16.11	8.89	81.21	
Interest repayment rate	100	100	-	

IX. Remarks on the overdue debts

Applicable Not applicable

X. Interest repayment of other bonds and debt financing instruments

Applicable Not applicable

On May 17, 2018, the Company repaid the interest payable for 2012 corporate bonds (the first tranche). For detailed information, please refer to the related announcement published on the website of Shanghai Stock Exchange (www.sse.com.cn) on May 10, 2018.

XI. Bank credit of the Company during the reporting period

Applicable Not applicable

By the reporting period end, bank credit amount of the Company was 15.328 billion CNY, and the usable credit amount was 5.916 billion CNY. The Company has timely and sufficiently repaid both principal and interest of the bank loans in the first half of 2018.

XII. Execution of the relevant stipulations or commitments in the Prospectus of Corporate Bonds during the reporting period

Applicable Not applicable

During the reporting period, the Company strictly fulfilled the relevant contents in the Prospectus of Corporate Bonds, used the raised funds compliantly, timely repaid the interest, and there was no harm to the interests of bond investors.

XIII. Major issues and the impact on operations and repayment ability of the Company

Applicable Not applicable

Chapter 10 Financial Report

I. Audit Report

Applicable Inapplicable

II. Financial Statements

HUAXIN CEMENT CO., LTD. CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2018

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2018 Consolidated	December 31 2017 Consolidated
Current assets			
Cash at bank and in hand	VII(1)	3,528,326,320	3,606,246,276
Financial assets at fair value through profit or loss	VII(2)	508,827	453,990,407
Notes receivable	VII(3)	1,773,135,239	1,711,160,593
Accounts receivable	VII(4)	826,654,727	642,210,893
Advances to suppliers	VII(5)	397,507,922	225,637,668
Dividends receivables		1,103,937	
Other receivables	VII(6)	375,484,477	379,786,691
Inventories	VII(7)	1,787,047,346	1,621,482,745
Current portion of non-current assets		3,600,000	3,600,000
Other current assets	VII(8)	145,982,415	122,926,210
Total current assets		8,839,351,210	8,767,041,483
Non-current assets			
Available-for-sale financial assets	VII(9)	64,430,086	71,198,874
Long-term receivables		30,629,258	31,124,087
Long-term equity investments	VII(10)	474,563,170	435,003,431
Fixed assets	VII(11)	15,486,824,497	15,756,941,609
Construction in progress	VII(12)	1,812,168,843	1,248,084,829
Construction materials	VII(13)	66,654,435	54,877,711
Fixed assets pending for disposal		4,408,703	1,721,313
Intangible assets	VII(14)	3,162,060,776	3,026,753,484
Goodwill	VII(15)	447,472,492	447,472,492
Long-term prepaid expenses	VII(16)	262,749,423	281,061,433
Deferred tax assets	VII(17)	325,356,905	378,042,451
Total non-current assets		22,137,318,588	21,732,281,714
TOTAL ASSETS		30,976,669,798	30,499,323,197
Current liabilities			
Short-term borrowings	VII(19)	837,500,000	1,141,500,000
Notes payable			14,450,000
Accounts payable	VII(20)	3,790,385,073	4,139,575,215
Advances from customers	VII(21)	638,737,522	562,705,382
Employee benefits payable	VII(22)	340,670,325	281,087,404
Taxes payable	VII(23)	572,554,217	507,945,221
Interests payable	VII(24)	104,798,871	113,171,188
Dividends payable	VII(25)	317,731,452	174,309,238

Other payables	VII(26)	734,854,253	622,919,230
Current portion of non-current liabilities	VII(27)	2,777,784,084	1,682,733,582
Total current liabilities		10,115,015,797	9,240,396,460
Non-current liabilities			
Long-term borrowings	VII(28)	2,908,338,489	4,058,959,121
Debentures Payable	VII(29)	2,296,218,553	3,295,605,346
Long-term payables	VII(30)	84,996,735	99,385,421
Long-term employee benefits payable	VII(31)	92,906,843	96,353,657
Provisions	VII(32)	166,751,819	162,893,548
Deferred income	VII(33)	248,898,049	252,146,422
Deferred tax liabilities	VII(17)	142,013,641	138,012,090
Total non-current liabilities		5,940,124,129	8,103,355,605
Total liabilities		16,055,139,926	17,343,752,065
SHAREHOLDERS' EQUITY			
Paid-in capital	VII(34)	1,497,571,325	1,497,571,325
Capital surplus	VII(35)	2,510,252,020	2,510,252,020
Other comprehensive income	VII(36)	-22,352,649	-20,053,747
Surplus reserves	VII(37)	761,464,902	761,464,902
Undistributed profits	VII(38)	8,799,167,676	7,150,569,774
Total equity attributable to shareholders of the Company		13,546,103,274	11,899,804,274
Minority interests		1,375,426,598	1,255,766,858
Total shareholders' equity		14,921,529,872	13,155,571,132
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		30,976,669,798	30,499,323,197

The accompanying notes form an integral part of these financial statements.

Legal representative: Mr. Li Yeqing

Principal in charge of accounting:
Ms. Kong Lingling

Head of accounting
department: Mr. Wu Xin

HUAXIN CEMENT CO., LTD.
COMPANY BALANCE SHEET
AS AT 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2018 Company	December 31 2017 Company
Current assets			
Cash at bank and on hand		1,725,966,171	2,452,643,578
Financial assets at fair value through profit or loss		508,827	453,990,407
Notes receivable		219,317,785	446,551,919
Accounts receivable	XV(1)	363,929,509	342,023,268
Advances to suppliers		216,932,363	106,287,105
Dividends receivable		62,073,937	20,000,000
Other receivables	XV(2)	6,022,873,242	5,408,951,612
Inventories		50,316,112	44,099,137
Current portion of non-current assets		4,855,490	4,855,490
Other current assets		39,109,866	12,828,851
Total current assets		8,705,883,302	9,292,231,367
Non-current assets			
Available-for-sale financial assets		43,374,586	50,143,374
Long-term receivables		19,951,545	19,239,519
Long-term equity investments	XV(3)	9,997,828,762	9,674,396,153
Fixed assets		317,150,306	336,047,804
Construction in progress		50,466,972	13,211,609
Construction materials		68,082	84,573
Fixed assets pending for disposal		-1,392,040	
Intangible assets		48,124,091	49,881,743
Long-term prepaid expenses			881,758
Deferred tax assets		40,719,021	39,026,824
Total non-current assets		10,516,291,325	10,182,913,357
TOTAL ASSETS		19,222,174,627	19,475,144,724
Current liabilities			
Short-term borrowing		120,000,000	220,000,000
Accounts payable		140,758,518	280,018,627
Advances from customers		34,588,195	21,027,466
Employee benefits payable		27,174,998	29,714,834
Taxes payable		30,441,951	39,351,347
Interests payable		100,879,823	109,814,961
Dividends payable		129,702,994	29,581,523
Other payables		1,994,122,282	1,826,220,501
Current portion of non-current liabilities		2,230,613,760	1,117,508,420
Total current liabilities		4,808,282,521	3,673,237,679
Non-current liabilities			
Long-term borrowings		1,992,196,200	2,854,573,061
Debentures Payable		2,296,218,553	3,295,605,346
Long-term employee benefits payable		16,036,904	19,236,904
Provisions		7,551,106	7,551,106
Deferred income		14,589,167	16,035,000

HUAXIN CEMENT CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR JANUARY-JUNE 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Current period Consolidated	Prior period Consolidated
Revenue	VII(39)	11,883,070,271	9,374,349,163
Cost		9,238,288,506	8,598,006,897
Less: Cost of sales	VII(39)	7,395,846,244	6,924,833,961
Taxes and surcharges	VII(40)	222,945,449	130,460,878
Selling and distribution expenses	VII(41)	773,852,595	633,777,646
General and administrative expenses	VII(42)	602,585,791	519,371,649
Financial expenses - net	VII(43)	254,624,384	399,554,360
Asset impairment losses	VII(44)	-11,565,957	-9,991,597
Changes in fair value recognized in profit or loss		-3,474,322	4,359,795
Add: Investment income	VII(45)	53,980,568	60,046,220
Including: Investment income from associates and joint ventures		39,559,739	58,231,676
Gains on disposals of assets (loss presented with "-")	VII(47)	798,111	
Other income	VII(48)	106,795,223	42,106,950
Operating profit		2,802,881,345	882,855,231
Add: Non-operating income	VII(49)	7,621,530	54,922,543
Including: Gains on disposal of non-current assets		814,121	
Less: Non-operating expenses	VII(50)	13,457,637	19,344,443
Including: Losses on disposal of non-current assets		5,245,816	
Total profit		2,797,045,238	918,433,331
Less: Income tax expenses	VII(51)	533,656,240	173,093,713
Net profit		2,263,388,998	745,339,618
Including: Attributable to shareholders of the Company		2,067,917,873	727,964,837
Minority interests		195,471,125	17,374,781
Other comprehensive income - net of tax		-621,828	-32,420,911
Attributable to shareholders of the Company, net of tax		-2,298,902	-12,791,093
Items which will be reclassified subsequently to profit or loss		-2,298,902	-12,791,093
Changes in fair value of available-for-sale financial assets (losses presented with "-")		-5,076,591	3,384,012
Differences on translation of foreign currency financial statements		2,777,689	-16,175,105
Attributable to minority interest, net of tax		1,677,074	-19,629,818
Total comprehensive income		2,262,767,170	712,918,707
Attributable to shareholders of the Company		2,065,618,971	715,173,744
Attributable to minority interest		197,148,199	-2,255,037
Earnings per share			
Basic earnings per share (RMB Yuan)		1.38	0.49
Diluted earnings per share (RMB Yuan)		1.38	0.49

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:
 Mr. Li Yeqing Ms. Kong Lingling Mr. Wu Xin

**HUAXIN CEMENT CO., LTD.
 COMPANY INCOME STATEMENT
 FOR JANUARY-JUNE 2018**

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Current period Company	Prior period Company
Revenue	XV(4)	941,067,411	497,775,763
Less: Cost of sales	XV(4)	652,108,164	350,947,453
Taxes and surcharges		8,923,760	5,681,566
Selling and distribution expenses		25,956,399	22,170,410
General and administrative expenses		109,623,870	73,798,278
Financial expenses - net		39,262,377	82,351,990
Asset impairment loss (reversal presented with "-")		-938,430	-831,384
Changes in fair value recognized in profit or loss		-3,474,322	4,359,795
Add: Investment income	XV(5)	795,561,126	579,004,546
Including: Investment income from associates and joint ventures		40,132,609	58,039,561
Gains on disposals of assets (loss presented with "-")		40,003	
Other income		6,130,833	
Operating profit		904,388,911	547,021,791
Add: Non-operating income		134,055	5,964,396
Including: Gains on disposal of non-current assets		2,705	
Less: Non-operating expenses		1,731,856	731,856
Including: Losses on disposal of non-current assets		1,238,781	
Total profit		902,791,110	552,254,331
Less: Income tax expenses			-6,687,554
Net profit		902,791,110	558,941,885
Other comprehensive income (losses presented with "-")		-5,076,591	3,384,012
Items which will be reclassified subsequently to profit or loss		-5,076,591	3,384,012
Changes in fair value of available-for-sale financial assets		-5,076,591	3,384,012
Total comprehensive income		897,714,519	562,325,897

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:
 Mr. Li Yeqing Ms. Kong Lingling Mr. Wu Xin

HUAXIN CEMENT CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
FOR JANUARY-JUNE 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Current period Consolidated	Prior period Consolidated
Cash flows from operating activities			
Cash received from sales of goods or rendering of		13,515,517,307	10,384,712,620
Refund of taxes and surcharges		79,737,344	47,364,155
Cash received relating to other operating activities	VII(53)(1)	147,447,368	97,520,363
Sub-total of cash inflows		13,742,702,019	10,529,597,138
Cash paid for goods and services		8,167,869,064	7,169,451,930
Cash paid to and on behalf of employees		1,093,287,197	974,694,659
Payments of taxes and surcharges		1,513,463,576	920,159,763
Cash paid relating to other operating activities	VII(53)(2)	278,281,294	263,611,897
Sub-total of cash outflows		11,052,901,131	9,327,918,249
Net cash flows from operating activities		2,689,800,888	1,201,678,889
Cash flows from investing activities			
Cash received from disposal of investments		1,200,000,000	800,000,000
Cash received from returns on investments		13,377,821	7,001,626
Net cash received from disposal of fixed assets and intangible assets		73,701,504	6,176,386
Cash received relating to other investing activities	VII(53)(3)	4,388,236	
Sub-total of cash inflows		1,291,467,561	813,178,012
Cash paid to acquire fixed assets, intangible assets		950,842,266	460,338,830
Cash paid to acquire investments		750,000,000	77,886
Net cash paid to acquire subsidiaries	VII(54)(2)	174,007,821	793,406,422
Sub-total of cash outflows		1,874,850,087	1,253,823,138
Net cash flows from investing activities		-583,382,526	-440,645,126
Cash flows from financing activities			
Cash received from capital contributions		10,500,000	
Cash received from borrowings		364,000,000	1,833,000,000
Cash received relating to other financing activities	VII(53)(4)	17,891,045	21,276,418
Sub-total of cash inflows		392,391,045	1,854,276,418
Cash repayments of borrowings		1,801,840,440	2,789,320,623
Cash payments for interest expenses and distribution		627,706,322	436,441,501
Cash payments relating to other financing activities	VII(53)(5)	164,628,543	461,013,797
Sub-total of cash outflows		2,594,175,305	3,686,775,921
Net cash flows from financing activities		-2,201,784,260	-1,832,499,503
Effect of foreign exchange rate changes on cash		7,991,029	-13,150,670
Net increase in cash (decrease presented with "-")	VII(54)(1)	-87,374,869	-1,084,616,410
Add: Cash at beginning of the period		3,532,308,895	3,642,286,117
Cash at end of the period	VII(54)(3)	3,444,934,026	2,557,669,707

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting:
Mr. Li Yeqing Ms. Kong Lingling

Head of accounting department:
Mr. Wu Xin

HUAXIN CEMENT CO., LTD.
COMPANY CASH FLOW STATEMENT
FOR JANUARY-JUNE 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Current period Company	Prior period Company
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		647,571,288	512,725,813
Refund of taxes and surcharges			
Cash received relating to other operating activities		309,347,538	851,992,282
Sub-total of cash inflows		956,918,826	1,364,718,095
Cash paid for goods and services		1,076,720,803	570,143,110
Cash paid to and on behalf of employees		221,259,442	217,021,303
Payments of taxes and surcharges		65,353,483	35,568,210
Cash paid relating to other operating activities		231,226,970	634,616,488
Sub-total of cash outflows		1,594,560,698	1,457,349,111
Net cash flows from operating activities		-637,641,872	-92,631,016
Cash flows from investing activities			
Cash received from disposal of investments		1,200,000,000	800,000,000
Cash received from returns on investments		755,278,668	289,905,971
Net cash received from disposal of fixed assets and intangible assets		2,601,964	551,217
Sub-total of cash inflows		1,957,880,632	1,090,457,188
Cash paid to acquire fixed assets, intangible assets and other long-term assets		36,531,223	8,364,059
Cash paid to acquire investments		750,000,000	78,729
Net cash paid to acquire subsidiaries		281,300,000	1,143,000,000
Cash paid relating to other investing activities			981,000,000
Sub-total of cash outflows		1,067,831,223	2,132,442,788
Net cash flows from investing activities		890,049,409	-1,041,985,600
Cash flows from financing activities			
Cash received from borrowings		184,000,000	1,177,000,000
Cash received from other financing activities		3,691,483,258	2,525,189,059
Sub-total of cash inflows		3,875,483,258	3,702,189,059
Cash repayments of borrowings		1,033,355,790	1,207,560,000
Cash payments for interest expenses and distribution of dividends		378,131,151	231,380,249
Cash payments relating to other financing activities		3,433,477,895	2,557,721,971
Sub-total of cash outflows		4,844,964,836	3,996,662,220
Net cash flows from financing activities		-969,481,578	-294,473,161
Effect of foreign exchange rate changes on cash		288,755	-2,445,120
Net increase in cash (decrease presented with "-")		-716,785,286	-1,431,534,897
Add: Cash at beginning of year		2,435,487,407	2,450,928,764
Cash at end of period		1,718,702,121	1,019,393,867

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting:
 Mr. Li Yeqing Ms. Kong Lingling

Head of accounting department:
 Mr. Wu Xin

HUAXIN CEMENT CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR JANUARY-JUNE 2018
 (All amounts in RMB Yuan unless otherwise stated)

Item	JAN TO JUN 2018						
	Attributable to shareholders of the company					Minority interests	Total shareholders' equity
	Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits		
1. As at 31 December 2017	1,497,571,325	2,510,252,020	-20,053,747	761,464,902	7,150,569,774	1,255,766,858	13,155,571,132
2. As at 1 January 2018	1,497,571,325	2,510,252,020	-20,053,747	761,464,902	7,150,569,774	1,255,766,858	13,155,571,132
3. Movements for the period	-	-	-2,298,902	-	1,648,597,902	119,659,740	1,765,958,740
(1) Total comprehensive income	-	-	-2,298,902	-	2,067,917,873	197,148,199	2,262,767,170
(2) Capital contribution and withdrawal by shareholders	-	-	-	-	-	10,500,000	10,500,000
Capital contribution by shareholders	-	-	-	-	-	10,500,000	10,500,000
Capital contribution by other equity instrument owners	-	-	-	-	-	-	-
Share-based payment included in shareholders' equity	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-419,319,971	-87,988,459	-507,308,430
Appropriation to surplus reserves	-	-	-	-	-	-	-
General risk provision	-	-	-	-	-	-	-
Profit distribution to shareholders	-	-	-	-	-419,319,971	-87,988,459	-507,308,430
Others	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-
(5) Others	-	-	-	-	-	-	-
4. As at 30 June 2018	1,497,571,325	2,510,252,020	-22,352,649	761,464,902	8,799,167,676	1,375,426,598	14,921,529,872

HUAXIN CEMENT CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR JANUARY-JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	JAN TO JUN 2017						
	Attributable to shareholders of the company					Minority interests	Total shareholders' equity
	Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits		
1. As at 31 December 2016	1,497,571,325	2,509,753,457	2,889,647	588,645,153	5,396,004,651	1,378,833,194	11,373,697,427
2. As at 1 January 2017	1,497,571,325	2,509,753,457	2,889,647	588,645,153	5,396,004,651	1,378,833,194	11,373,697,427
3. Movements for the period	-	1,449,509	-12,791,093	-	578,207,704	-132,533,406	434,332,714
(1) Total comprehensive income	-	-	-12,791,093	-	727,964,837	-2,255,037	712,918,707
(2) Capital contribution and withdrawal by shareholders	-	1,449,509	-	-	-	-48,686,078	-47,236,569
Capital contribution by shareholders	-	-	-	-	-	10,387,120	10,387,120
Capital contribution by other equity instrument owners							
Share-based payment included in shareholders' equity	-	-	-	-	-	-	-
Others	-	1,449,509	-	-	-	-59,073,198	-57,623,689
(3) Profit distribution	-	-	-	-	-149,757,133	-81,592,291	-231,349,424
Appropriation to surplus reserves							
General risk provision							
Profit distribution to shareholders	-	-	-	-	-149,757,133	-81,592,291	-231,349,424
Others	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity							
(5) Others	-	-	-	-	-	-	-
4. As at 30 June 2017	1,497,571,325	2,511,202,966	-9,901,446	588,645,153	5,974,212,355	1,246,299,788	11,808,030,141

The accompanying notes form an integral part of these financial statements.

Legal representative: Mr. Li Yeqing
Principal in charge of accounting: Ms. Kong Lingling

Head of accounting department: Mr. Wu Xin

HUAXIN CEMENT CO., LTD.
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR JANUARY-JUNE 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
1. As at 31 December 2017	1,497,571,325	2,908,595,304	25,917,737	761,464,902	4,415,356,360	9,608,905,628
2. As at 1 January 2018	1,497,571,325	2,908,595,304	25,917,737	761,464,902	4,415,356,360	9,608,905,628
3. Movements for the period	-	-	-5,076,591	-	483,471,139	478,394,548
(1) Total comprehensive income			-5,076,591		902,791,110	897,714,519
(2) Capital contribution and withdrawal by shareholders						
Others						
(3) Profit distribution	-	-	-	-	-419,319,971	-419,319,971
Appropriation to surplus reserves						
Profit distribution to shareholders	-	-	-	-	-419,319,971	-419,319,971
Others						
(4) Transfer within shareholders' equity						
(5) Appropriative reserve						
(6) Others						
4. As at 30 June 2018	1,497,571,325	2,908,595,304	20,841,146	761,464,902	4,898,827,499	10,087,300,176

HUAXIN CEMENT CO., LTD.
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR JANUARY-JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

Item	Paid-in capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
1. As at 31 December 2016	1,497,571,325	2,908,595,304	19,054,301	588,645,153	3,009,735,757	8,023,601,840
2. As at 1 January 2017	1,497,571,325	2,908,595,304	19,054,301	588,645,153	3,009,735,757	8,023,601,840
3. Movements for the period	-	-	3,384,012	-	409,184,752	412,568,764
(1) Total comprehensive income	-	-	3,384,012	-	558,941,885	562,325,897
(2) Capital contribution and withdrawal by shareholders	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-149,757,133	-149,757,133
Appropriation to surplus reserves	-	-	-	-	-	-
Profit distribution to shareholders	-	-	-	-	-149,757,133	-149,757,133
Others	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-
(5) Appropriative reserve	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-
4. As at 30 June 2017	1,497,571,325	2,908,595,304	22,438,313	588,645,153	3,418,920,509	8,436,170,604

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting:
Mr. Li Yeqing Ms. Kong Lingling

Head of accounting department:
Mr. Wu Xin

III. General information of the Company

1. General information

Huaxin Cement Co., Ltd. (the “Company”) is a limited liability company incorporated in the People's Republic of China (the “PRC”). In 1994, as approved by Hubei Provincial People’s Government, the Company’s shares were listed on the Shanghai Stock Exchange. In 2006, as approved by the Ministry of Commerce of the PRC, the legal status of Company was changed to a Sino-foreign joint stock limited company. In May 2011, based on its total share capital of 403,600,000 shares at the end of 2010, the Company allotted shares from its capital surplus at 10 shares for every 10 shares, amounting to RMB 403,600,000. As a result, the share capital of the Company increased from 403,600,000 shares to 807,200,000 shares. On 4 November 2011, a private placement in A share was completed in which additional 128,099,928 shares were issued to designated investors. As a result, the total shares of the Company increased to 935,299,928. In June 2014, based on its total share capital of 935,299,928 shares at the end of 2013, the Company allotted shares from its capital surplus at 6 shares for every 10 shares, amounting to RMB 561,179,957. As a result, the total shares of the Company increased to 1,496,479,885. In July 2015, 1,091,440 stock options were exercised at RMB 9.06 for Phase I stock option in the Company’s equity incentive plan. As a result, the total shares of the Company changed to 1,497,571,325, including 972,771,325 A shares and 524,800,000 B shares.

The Company and its subsidiaries (together, the “Group”) are principally engaged in manufacturing and sales of cement. The Group’s revenue is mainly generated in the PRC. The address of the Company’s registered office is No. 600 East Daqi Avenue, Huangshi City, Hubei Province, and the office address is Tower B, Huaxin Tower, No.426, Gaoxin Avenue, East Lake High-tech Development Zone, Wuhan City, Hubei Province.

2. Scope of consolidation in financial statements

Principal subsidiaries included in the scope of consolidation are listed in Note VIII.

These financial statements were authorized for issue by the Company’s Board of Directors on 22 August 2018.

IV. The basis of preparation of the financial statements

1. The basis of the preparation

The Group prepared the financial statements with the Basic Standard of the Accounting Standards for Business Enterprises, accounting policies and other regulations (hereafter referred to as “the Accounting Standard for Business Enterprises” or “CAS”) issued by the Ministry of Finance on and after 15 February 2006, and No. 15 Listing Rules on Disclosure Information for Public Business Entities – preparation of financial statements issued by China Securities Regulatory Commission.

2. Continuous operation

Management of the Company is of the view that the Group will be able to settle its financial obligations as they fall due and carry on its business without a significant curtailment of operations in the twelve months from the balance sheet date, and thus has prepared the consolidated financial statements on a going concern basis.

V. Significant accounting policies and accounting estimates

The Group determines its specific accounting policies and accounting estimates on the basis of the production and operation features, which are mainly represented in the recognition method of provision for bad debts of receivables (Note V(9)), costing of inventories (Note V(10)), criterion for determining impairment of long-term equity investments, fixed assets and goodwill (Note V(16)), depreciation of fixed assets and amortization of intangible assets (Note V(12) and V(15)), timing of revenue recognition (Note V(21)), etc.

Critical judgments in determining significant accounting estimates are detailed in Note V (25).

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company and its financial performance, changes of shareholders' equity, cash flows and other information.

2. Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

3. Recording currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the recording currency'). The financial statements are presented in Renminbi ("RMB").

4. Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss. Other comprehensive income related to the acquiree's previously held equity interests are recognized in profit or loss. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

5. Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases.

In preparing the consolidated financial statements, where the accounting policies of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Restricted cash at bank is excluded from cash and cash equivalents in the cash flow statement.

7. Foreign currency translation

(a) Foreign currency transaction

Foreign currency transactions are translated into the recording currency of each entity of the Group, using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into the recording currency of each entity of the Group, using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

8. Financial Instruments

(a) Financial assets

(i) Classifications of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

The Group's financial assets include financial assets at fair value through profit or loss, receivables and held-to-maturity investments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets which are mainly for the purpose of selling or repurchase in the near future.

Receivables

Receivables, including accounts receivable and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (Note V (9)).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

(ii) Recognition and measurement

Financial assets are recognized at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognized in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognized amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables are measured at amortised cost using the effective interest method.

The profits or losses arising from the change in the fair value of the financial assets at fair value through profit or loss are recognised in the current profits or losses. Interests, cash dividends declared and disposal gain or losses are recognised in profit or loss for the current period.

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised directly into equity are recycled into profit or loss for the current period. The interest of available-for-sale liability instruments, calculated in accordance with the actual interest rate method, and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the current period.

(iii) Impairment of financial assets

Except financial assets at fair value through profit or loss, the Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

The objective evidence proving that the financial asset has been impaired refers to the actually incurred events which, after the financial asset is initially recognized, have an impact on the predicted future cash flow of the said financial asset that can be reliably measured by the Group.

The objective evidence proving that the available-for-sale equity instruments have been impaired includes a significant or prolonged decline in the fair value of an investment in equity instruments. The Group assesses the available-for-sale equity instruments at each balance sheet date. If its fair value at the balance sheet date is lower than its initial investment cost for more than 50% (inclusive) or lower than its initial investment cost for the duration of no less than one year (inclusive), therefore, the impairment loss has occurred. However, if its fair value at the balance sheet date is lower than its initial investment cost for more than 20% (inclusive) but 50%, the Group will take into account other factors, such as price volatility in the judgment of impairment loss.

When an impairment loss on a financial asset carried at amortized cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit or loss.

When an impairment loss on available-for-sale financial assets measured at fair value incurs, the cumulative losses arising from the decline in fair value that had been recognized directly in equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognized, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognized impairment loss is reversed into profit or loss for the current period. For an

investment in an equity instrument classified as available-for-sale on which impairment losses have been recognized, the increase in its fair value in a subsequent period is recognized directly in equity.

When an impairment loss on an available-for-sale financial asset measured at cost incurs, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognized in profit or loss for the current period. The previously recognized impairment loss will not be reversed in subsequent periods.

(iv) Derecognition of financial assets

A financial asset is derecognized when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognized directly in equity, is recognized in profit or loss.

(b) Financial liabilities

Financial liabilities are classified into two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group mainly comprise other financial liabilities, including payables, borrowings and debentures payable

Payables, including accounts payable and other payables, are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Borrowings and debentures payable are recognized initially at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method.

Other financial liabilities with maturities within one year (inclusive) are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year (inclusive) at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognized or partly derecognized when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognized part of the financial liability and the consideration paid is recognized in profit or loss.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. During valuation, the Group uses valuation techniques that are applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. The Group uses unobservable inputs when relevant observable inputs are not applicable or feasible.

9. Receivables

Receivables comprise notes receivable, accounts receivable and other receivables. Accounts receivable arising from sales of goods or rendering of services are initially recognized at fair value of the contractual payments from the buyers or service recipients.

(1) Receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts:

Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made.

The criterion for determining “individually significant” amounts is that any individual amount is more than RMB 3,000,000 for accounts receivable and RMB 2,000,000 for other receivables.

The method of providing for bad debts for those individually significant amounts is as follows: the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

(2) Receivables that are subject to provision for bad debts on the grouping basis

Receivables with amounts that are not individually significant and have not been individually assessed for impairment and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

Basis for grouping is as follows:

Group	Basis
Group 1	Significant and main project receivables
Group 2	Receivables except for significant and main project receivables
Group 3	Deposits, security deposits, advances to staff, reserve funds and transaction amount due from/to who has business relationship
Group 4	Other receivables except for those included in Group 3
Bank acceptance notes	Bank with lower credit risk

Methods of determining provision for bad debts by groupings are as follows:

Group	Basis
Group 1	The provision percentage is zero based on the historical loss ratio of receivables with similar credit risk characteristics
Group 2	Ageing analysis method
Group 3	The provision percentage is zero based on the historical loss ratio of receivables with similar credit risk characteristics
Group 4	Ageing analysis method
Bank acceptance notes	No provision

The provision ratios used under the ageing analysis method are as follows:

	Provision used for accounts receivable and other receivables (%)
1 to 2 years	10%
2 to 3 years	20%

Over 3 years

40%

(3) Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts

Receivables that are not individually significant are subject to separate impairment assessment and a provision for impairment of such receivables is made if there is objective evidence that the Group will not be able to collect the amount under the original terms.

The provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

10. Inventories

(1) Classification

Inventories include raw materials, work in progress, finished goods, spare parts, auxiliary materials, turnover materials, and completed but unsettled construction contracts, and are measured at the lower of cost and net realizable value.

(2) Costing of inventories

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprise raw materials, direct labor and systematically allocated production overhead based on the normal production capacity.

(3) Basis for determining net realizable value of inventories and methods of making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(4) The Group adopts the perpetual inventory system.

(5) Amortization methods of spare parts, auxiliary materials and turnover materials

Turnover materials include low value consumables and packaging materials. Spare parts, auxiliary materials and turnover materials are expensed in full when issued.

(6) Construction contracts

The costs of construction contract are shown as the accumulative cost and recognized accumulative gross profit/(loss), net of settled amount.

If the accumulative cost and recognized accumulative gross profit/(loss) exceed the accumulative settled amount, the difference is presented as “completed but unsettled” under inventories; if the accumulative settled amount exceeds the accumulative cost and recognized accumulative gross profit/(loss), the difference is presented as “settled but uncompleted” under advances from customers.

11. Long-term equity investments

Long-term equity investments comprise the Company’s long-term equity investments in its subsidiaries, and the Group’s long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. An associate is the investee over which the Group has significant influence by participating in the financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

(1) Determination of initial investment cost

For long-term equity investments acquired through a business combination: for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost. If such a business combination is achieved in stages that involve multiple exchange transactions, the cost of long-term equity investment shall be the sum of carrying amount of previously-held equity investment in the acquire and additional investment cost at the acquisition date.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid.

(2) Subsequent measurement and recognition of related profit and loss

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognized as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognizes the investment income according to its share of net profit or loss of the investee. The Group discontinues recognizing its share of the net losses of an investee after the carrying amounts of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognizing the investment losses and the provisions. The changes of the Group's share of the investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, are recognized in the Group's equity and the carrying amounts of the long-term equity investment are adjusted accordingly. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealized profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognized. Any losses resulting from transactions between the Group and its investees attributable to asset impairment losses are not eliminated.

(3) Basis for determining existence of control, jointly control or significant influence over investees

Control is the power to govern an investee and obtain variable returns from participating the investee's activities, and the ability to utilize the power of an investee to affect its returns.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(4) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note II(16)). Once the impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

12. Fixed assets

(1) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, office equipment and motor vehicles.

Fixed assets are recognized when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

(2) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	25 - 40 years	4%	2.4% to 3.8%
Machinery and equipment	5 -18 years	4%	5.3% to 19.2%
Office equipment	5 -10 years	4%	9.6% to 19.2%
Motor vehicles	4 -12 years	4%	8% to 24%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(3) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note V(16)).

(4) Basis for identification of fixed assets held under finance leases and related measurement

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. The leased asset is recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognized finance charge (Note V(24)(3)).

Fixed assets held under a finance lease are depreciated on a basis consistent with the depreciation policy adopted for fixed assets that are self-owned. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over the period of expected use; otherwise, the leased asset is depreciated over the shorter period of the lease term and the period of expected use.

(5) Disposal of fixed assets

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

13. Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalization and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note V(17)).

14. Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalized and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalization of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalization, the amount of borrowing costs eligible for capitalization is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalization period.

For the general borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalization, the amount of borrowing costs eligible for capitalization is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

15. Intangible assets

Intangible assets include land use rights, mining rights, mine restoration fees, trademark use rights, computer software and technical patents, which are recognized at cost.

Intangible assets are amortized using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives are as follows:

	Estimated useful lives
Land use rights	40-50 years
Mining rights and mine restoration fees	5-50 years
Computer software and others	5-10 years

For an intangible asset with a finite useful life, its estimated useful life and amortization method are reviewed at each year-end and adjusted when necessary.

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note V(16)).

16. Impairment of long-term assets

Fixed assets, construction in progress and intangible assets with finite useful lives, and long-term equity investments in subsidiaries and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. A provision for asset impairment is determined and recognized on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that the asset may be impaired. During the test, the carrying value of goodwill is allocated to the related assets or groups of assets that is expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset or groups of assets including the allocated goodwill is lower than their carrying amount, the corresponding impairment loss is recognized. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss mentioned above is recognized, it will not be reversed for the value recovered in the subsequent periods.

17. Long-term prepaid expenses

Long-term prepaid expenses include mine development cost and other expenditures that have been incurred but should be recognized as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortization.

Mine development costs refer to expenditures in connection with infrastructure, exploitation preparation and removal of debris and trees on mines, removal of non-mining raw materials and impurities from ores, after obtaining the right of mining, so as to make it ready for exploitation, and are capitalized in the period in which they are incurred.

18. Employee benefits

Employee benefits are various forms of compensation the Group provide for employees to provide services or terminate labor relations, including short-term employee benefits, pension obligations, termination benefits and other long-term employee benefits.

(1) Short-term employee benefits

Short-term employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labor union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

(2) Pension obligations

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity then the Group has no legal or constructive obligations to pay further contributions. A defined benefit plan is a pension plan that is not a defined contribution plan (Note VII (30)). The current and past service cost of the defined benefit plan, recognized in the income statement in employee benefit expense. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. In the reporting period, the Group's pension obligations mainly include the basic endowment insurance and unemployment insurance; both belong to the defined contribution plan.

Pension insurance

Employees of the Group participate in the social pension insurance organized by the local labor and social security departments. The Group pay pension insurance premium to the pension insurance agency with the local provision of social pension insurance base pay and proportional monthly. When the employee is retired, the local labor and social security departments have the responsibility to pay the basic pension insurance to retired employees.

(3) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates, when the Group can no longer withdraw the offer of those benefits and when the entity recognizes costs related to restructuring.

Termination benefits

The Group provides termination benefits to employees who accept voluntary redundancy in exchange for these benefits. Termination benefits are the payments of wages or salaries and social insurance for the employees who accept termination plan before the normal retire age. The termination benefits plan covers the period from the starting date of termination benefit plan to the normal retire age. When the Group terminates the employment relationship with employees before the end of the employment contract, a provision for termination benefits for the compensation arising from termination of the employment relationship with employees to the retire age is recognized with a corresponding change to profit or loss. The difference from change of actuarial assumptions and adjustment on benefit is recognized in the current profits and losses.

Termination benefits falling due within a year are reclassified as a current liability.

(4) Share-based payment

Share-based payment refers to a transaction in which the Group grants equity instruments or incurs an equity-instrument-based liability in return for employees' services. The share-based payment of the Group is cash-settled share-based payment.

A cash-settled share-based payment

A cash-settled share-based payment shall be measured based on the liability incurred by the Group that is calculated and determined on the basis of the shares or other equity instruments. For a cash-settled share-based payment, if the right may not be exercised until the vesting period ends, or until the specified performance conditions are met. On each balance sheet date within the vesting period, the services acquired in the current period shall, on the basis of the best estimate of the information about the exercisable right, be recorded as current profit or losses and the corresponding liabilities at the fair value of the liability incurred by

the Group. The fair value shall be re-measured each balanced sheet date prior to the relevant liability settlement and each settlement date, and the changes are recognised in the current profits and losses.

19. Provisions

Litigation and mine restoration are recognized when the Group has a present obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency such as the risks, uncertainties and the time value of money are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate. The provision required to be paid within one year started from the balance sheet date is presented as current liability.

(a) Mine restoration

Pursuant to relevant government regulations, the Group is required to remediate the area that it mines. The Group estimates the remediation obligation on the basis of expected future payment on the remediation efforts and recognized a liability accordingly.

20. Profit distribution

Cash dividends distribution is recognized as a liability in the period in which the dividends are approved by the shareholders' meeting.

21. Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and returns.

Revenue is recognized when the economic benefits associated with the transaction will flow to the Group, the relevant revenue can be reliably measured and specific revenue recognition criteria have been met for each of the Group's activities as described below:

(1) Sales of goods

The Group is engaged in manufacturing and sales of cement. Revenue from sales of goods is recognized when the goods and confirmed documents are delivered, significant risks and rewards of ownership of the goods are transferred to the customers, the Group retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold, relevant consideration or the documents which grant the right to receive the relevant consideration has been received, and related costs can be measured reliably.

(2) Service income

Service income is recognized when related service is rendered to customers.

(3) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

(4) Construction contract revenue

When the outcome of a construction contract can be estimated reliably, the contract revenue and contract costs are recognized over the period of the contract by reference to the stage of completion. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied: (1) The total contract revenue can be measured reliably; (2) it is probable that the economic benefits associated with the contract will flow to the entity; (3) The contract costs attributable to the contract can be clearly identified and measured reliably ; and (4) both the contract costs to complete the contract and stage of contract completion at the end of the reporting period can be measured reliably .

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. When the contract costs incurred are not recoverable, the contract cost is recognized as an expense immediately. The contract revenue and contract cost is recognized over the period of the contract by reference to the stage of completion when the uncertainties on stage of completions ceased.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The contract revenue and cost in the current year are recognized as differences between the accumulated revenue and cost recognized by reference to completion stage and the accumulated revenue and cost recognized in prior periods.

22. Government grants

Government grants are the monetary asset that the Group receives from the government for free, including tax refund, financial subsidies, etc.

A government grant is recognized when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at fair value. If the fair value cannot be obtained reliably, it shall be measured at the nominal amount.

The government grants pertinent to assets mean the government assets that are obtained by enterprises used for purchase or construction or forming the long-term assets by other ways.

A government grant related to an asset is used to offset against the book value of the underlying assets or is recognized as deferred income, and amortized to profit or loss in a reasonable and systematic manner over the useful life of the related asset.

The government grants pertinent to income refer to all the government grants except those pertinent to assets.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grant is recognized as deferred income, and included in profit or loss or is used to offset the relevant costs over the periods in which the related costs are recognized; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognized immediately in profit or loss or is used to offset the relevant costs for the current period. The same kind of government grants are listed in the same way. Grants related to the daily business activities are included in the operating profits, and grants which are not related to the daily activities are included in the non-operating income and expenses.

Finance discount received by the Group are deducted in borrowing expenses.

23. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax base of assets and liabilities and their carrying amount (temporary differences). Deferred tax asset is recognized for the tax losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax law. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets are only recognized for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, tax losses and tax credits can be utilized.

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries and associates, unless the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognized.

Deferred tax assets and liabilities are offset when:

- The deferred taxes are relate to the same tax payer within the Group and the same taxation authority, and;
- That tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

24. Leases

(1) A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

(2) Operating lease

Lease payments under an operating lease are recognized on a straight-line basis over the period of the lease, and are either capitalized as part of the cost of related assets, or charged as an expense for the current period.

(3) Finance lease

The leased asset is recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognized finance charge and is amortized using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognized finance charge.

25. Critical accounting estimates and assumptions

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(1) Estimation on impairment of goodwill

The Group assesses goodwill impairment annually. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note VII (16)).

If management revises the gross margin that is used in the calculation of the future cash flows of asset groups and groups of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognize further impairment against goodwill, and property, plant and equipment.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognize further impairment against goodwill and property, plant and equipment.

If the actual gross margin/pre-tax discount rate is higher/lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

(2) Estimated impairment of fixed assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of fixed assets have been determined based on value-in-use calculations. These calculation and valuations require the use of judgment and estimates, such as gross margin, sales, growth rate and discount rate.

If the Group revises the gross margin, sales growth rate or discount rate that is used in the calculation of the future cash flows of fixed assets, and the revised factor is lower/higher than the one currently used, the Group would need to recognize further impairment against fixed assets. If the actual gross margin, sale growth rate or discount rate is higher/lower than management's estimates, the impairment loss of fixed assets previously provided for is not allowed to be reversed by the Group.

(3) Depreciation and amortization

Fixed assets (exclude the estimated residual values); intangible assets and long-term prepaid expenses are depreciated or amortized on the straight-line basis or the exploitation basis over their estimated useful lives. Management estimated useful lives of fixed assets based on the experience and expected technical innovations periodically to determine the related depreciation and amortization expenses for the reporting period. When the previous estimate changes significantly, the depreciation and amortization expenses would be adjusted in future periods.

(4) Income taxes

The Group is subject to income taxes in different jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the management in determining the provision for income taxes in each of these jurisdictions. The Group recognizes income taxes in each jurisdiction based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(5) Deferred taxation

Deferred tax assets arising from the unutilized tax losses and other deductible temporary differences have been recognized at balance sheet date. Realization of the deferred tax assets depends on whether there is sufficient taxable profit in future. If actual future profit is less than what is expected, deferred tax assets may have been impaired. The provision of deferred tax assets will be charged to income statement when deferred tax assets are impaired.

26. Change of significant accounting policies and accounting estimates

Applicable Not applicable

27. Others**Segment information**

The Group identifies operating segments based on the internal organization structure, management requirements and the internal reporting system, and discloses segment information of reportable segments determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics, and satisfy certain conditions, they are aggregated into a single operating segment.

VI. Tax**1. The types and rates of taxes applicable to the Group**

Type	Tax Rate	Tax Base
Value added tax	17%, 16%, 11%, 6%, 5%, 3%, 10% or 18%	Taxable value added amount (tax payable represents output VAT calculated using the taxable sales amount multiplied by the effective tax rate less deductible input VAT)
Corporate income tax	14%, 15%, 20% or 25%	Taxable income

2. Tax preferences

Huaxin Cement (Tibet) Co., Ltd. and Tibet Huaxin Construction Materials Co., Ltd are manufacturing enterprises established in western development zone of the PRC. Pursuant to the circular issued by local authority in 2011, the applicable corporate income tax rate for above entities is 15% from 2011 to 2020. Pursuant to the circular issued by local authority in 2014, 40% of income tax which belong to local authority will be exempted for enterprises established in Tibet.

Huaxin Cement Chongqing Fuling Co., Ltd., Huaxin Cement (Enshi) Co., Ltd., Huaxin Cement (Quxian) Co., Ltd., and Huaxin Cement (Wanyuan) Co., Ltd. Yunan Huaxin Dongjun Cement Co., Ltd, Yunan Guozi Cement Kunming Co., Ltd, Chongqing Lafarge Phoenix Concrete Co., Ltd, and Chongqing Huaxin Tiancheng Concrete Co., Ltd are manufacturing enterprises established in western development zone of the PRC. Pursuant to circulars issued by respective local municipal authorities in 2011, the applicable corporate income tax rate of these companies from 2011 to 2020 is reduced to 15%.

Huaxin Gayur Cement LLC and Huaxin Gayur (Sogd) Cement LLC are located in Tajikistan. The newly manufacturing company is exempted for income tax from the second to fifth year since it established according to local tax laws. Accordingly, Huaxin Gayur Cement LLC enjoyed tax exemption from September 2011 to September 2016, while Huaxin Gayur (Sogd) Cement LLC enjoyed tax exemption from June 2014 to June 2019. Huaxin Gayur Cement LLC, from September 16, 2016, paid corporate income tax at its applicable rate of 14. According to taxation regulations in Tajikistan, Huaxin Gayur Cement LLC and Huaxin Gayur (Sogd) Cement LLC need to pay dividend income tax for the income attributable to overseas companies based on tax rate of 12%.

Cambodian Cement Chakrey Ting Factory Co., Ltd. is located in Cambodia. According to local tax laws, the company with government-encouraged investing project is exempted for income tax in its 3 years' start-up

period which lasts from obtaining its registration certificate to gaining revenue or making profit. Afterwards, company could also enjoy an additional 2-5 years' tax exemption period according to its invested industries. In regard of the investing industry and scale, Cambodian Cement Chakrey Ting Factory Co., Ltd. enjoys an additional 3 years' tax exemption period, indicating it is income-tax exempted from 2013 to 2021.

Pursuant to the article 27, item 3 of Corporate Income Tax Law of the PRC, several environment engineering companies under the Group fulfilled the requirement of environment protection and energy and water conservation, the corporate income tax will be exempted in the first three year starting from gaining its revenue, and followed by a 50% reduction from the fourth year to the sixth year.

VII. Notes to the significant items in the consolidated financial statements

(All amounts in RMB Yuan unless otherwise stated)

1. Cash at bank and in hand

Item	30 June 2018	31 December 2017
Cash in hand	1,631,483	2,581,513
Cash at bank	3,443,302,543	3,529,727,382
Restricted Cash	83,392,294	73,937,381
Total	3,528,326,320	3,606,246,276
Includes: Cash deposited overseas	124,307,897	215,923,859

As June 30 2018, restricted cash includes bank deposits of RMB 25,984,165 that have been pledged to banks as letters of guarantee, RMB 18,185,336 that have been pledged as bank acceptance notes and letters of credit, RMB 24,439,321 of quarry reclamation guarantee, RMB 11,703,043 carbon emission permit trading and other RMB 3,080,429, total is RMB 83,392,294(December 31, 2017: 73,937,381 RMB). The restricted cash is not regarded as cash and cash equivalents when preparing the cash flow statements.

2. Financial assets at fair value through profit or loss

Item	30 June 2018	31 December 2017
Monetary fund	-	453,513,045
Others	508,827	477,362
Total	508,827	453,990,407

3. Notes receivable

(1) Classification of notes receivable

Item	30 June 2018	31 December 2017
Bank acceptance notes	1,773,135,239	1,711,160,593
Total	1,773,135,239	1,711,160,593

(2) By the end of the period, the pledged notes receivable are as follows:

Item	Amount
Bank acceptance notes	15,000,000
Total	15,000,000

Notes receivable RMB 15,000,000 is guarantee for the subsidiary's payable for government loan without interest.

(3) Notes receivable that has been endorsed or discounted but has not yet expired in the Group are as follows:

Item	Derecognized	Not derecognized
Bank acceptance note	1,590,658,702	-
Total	1,590,658,702	-

4. Accounts receivable

Item	30 June 2018	31 December 2017
Accounts receivable	952,396,080	767,089,683
Less: bad debt provision	-125,741,353	-124,878,790
Total	826,654,727	642,210,893

(1) Accounts receivable aging analysis is as below:

Aging	30 June 2018	31 December 2017
Within 1 year	682,752,925	540,181,543
Between 1 and 2 years	83,239,992	45,377,782
Between 2 and 3 years	29,664,578	47,377,101
Over 3 years	156,738,585	134,153,257
Total	952,396,080	767,089,683

(2) Accounts receivable classified by nature

Type	30 June 2018					31 December 2017				
	Carrying amount		Bad debt provision		Book Value	Carrying amount		Bad debt provision		Book value
	Amount	%	Amount	% of provision		Amount	%	Amount	% of provision	
Debts with significant balance	58,286,781	6	46,756,242	80	11,530,539	57,532,471	8	47,438,589	82	10,093,882
Debts grouped by credit risk	774,847,493	81	8,089,905	1	766,757,588	586,287,124	76	10,823,086	2	575,464,038
Group 1	462,600,270	49	-	-	462,600,270	327,840,822	42	-	-	327,840,822
Group 2	312,247,223	33	8,089,905	3	304,157,318	258,446,302	34	10,823,086	4	247,623,216
Others with insignificant balance but assessed individually	119,261,806	13	70,895,206	59	48,366,600	123,270,088	16	66,617,115	54	56,652,973
Total	952,396,080	/	125,741,353	/	826,654,727	767,089,683	/	124,878,790	/	642,210,893

As at 30 June 2018, accounts receivable that are individually significant and the related provision for bad debts is provided on the individual basis are analyzed as follows:

Accounts Receivable (per unit)	30 June 2018			
	Accounts receivable	Bad debt provision	% of provision	Reason
Client A	12,453,750	12,453,750	100%	Doubts on recovery due to long ageing
Client B	8,974,092	8,974,092	100%	Doubts on recovery due to long ageing
Client C	7,891,018	537,600	7%	Doubts on recovery due to long ageing
Client D	6,346,094	6,346,094	100%	Doubts on recovery due to long ageing
Client E	6,322,012	6,322,012	100%	Doubts on recovery due to long ageing
Others	16,299,815	12,122,694	74%	Doubts on recovery due to long ageing
Total	58,286,781	46,756,242	/	/

Account receivable assessed in groups and bad debt provision assessed by aging analysis is as following:

Unit: Yuan

Aging	30 June 2018		
	Accounts receivable	Bad debt provision	% of provision
Within 1 year	269,009,445	-	-
Between 1 and 2 years	23,566,992	2,356,699	10%
Between 2 and 3 years	10,675,540	2,135,108	20%
Over 3 years	8,995,246	3,598,098	40%
Total	312,247,223	8,089,905	3%
Aging	31 December 2017		
	Accounts receivable	Bad debt provision	% of provision
Within 1 year	205,726,020	-	-
Between 1 and 2 years	20,146,760	2,014,676	10%
Between 2 and 3 years	21,104,998	4,221,000	20%
Over 3 years	11,468,524	4,587,410	40%
Total	258,446,302	10,823,086	4%

(3) The provision of bad debt made in the current period was RMB 2,090,773. The provision collected or reversed in the current period was RMB 3,473,137.

(4) Accounts Receivable be written off in the period

Item	Written off amount
Accounts Receivable be written off	6,616

(5) Due from top five customers in total

	Amount	Bad Debt Provision	% of total balance
Due from top five customers in total	188,030,371		20%

5. Advances to suppliers

(1) Advances to suppliers aging analysis are as follows:

Aging	30 June 2018		31 December 2017	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	373,107,072	94	220,351,543	98
Between 1 and 2 years	21,909,637	6	4,447,395	2
Between 2 and 3 years	2,013,706	1	415,093	-
Over 3 years	477,507	-	423,637	-
Total	397,507,922	100	225,637,668	100

As at 30 June 2018, advance to suppliers with aging over one year amounted to RMB 24,400,850 (31 December 2017: RMB 5,286,125), mainly the prepayments for raw materials for which the Group is still reconciling the balances with the suppliers.

(2) As at 30 June 2018, the top five advances to supplier's analysis are as below:

	Amounts	% of Total Balance
Total amounts of top five advances to suppliers	189,079,745	48%

6. Other receivables

(1) Other receivables aging analysis are as follows:

Type	30 June 2018					31 December 2017				
	Carrying Amount		Bad Debt Provisions		Net book value	Carrying Amount		Bad Debt Provisions		Net book value
	Amount	%	Amount	% of provision		Amount	%	Amount	% of provision	
Debtors with significant balance	50,242,308	12	45,462,308	90	4,780,000	55,477,758	13	48,113,758	87	7,364,000
Debtors grouped by credit risk	350,574,529	80	3,234,726	1	347,339,803	351,762,973	79	3,173,531	1	348,589,442
Group 3	326,123,282	77	-	-	326,123,282	321,612,460	72	-	-	321,612,460
Group 4	24,451,247	4	3,234,726	20	21,216,521	30,150,513	7	3,173,531	11	26,976,982
Others with insignificant balance but assessed individually	34,777,557	8	11,412,883	33	23,364,674	35,506,837	8	11,673,588	33	23,833,249
Total	435,594,394	/	60,109,917	/	375,484,477	442,747,568	/	62,960,877	/	379,786,691

Accounts receivable with amounts that are individually significant and the related provision for bad debts is provided on the individual basis are analysed as follows:

Accounts Receivable (per unit)	30 June 2018			
	Accounts receivable	Bad debt provision	% of provision	Reason
Client F	27,027,341	27,027,341	100	Doubts on recovery due to long ageing
Client G	15,514,967	15,514,967	100	Doubts on recovery due to long ageing
Client H	7,700,000	2,920,000	38	Doubts on recovery due to long aging

Total	50,242,308	45,462,308	/	Doubts on recovery due to long aging
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Account receivable accessed in groups and bad debt provision assessed by aging analysis is as following:

Aging	At 30 June 2018		
	Accounts receivable	Bad debt provision	% of provision
Within 1 year	14,390,519	-	-
Between 1 and 2 years	1,571,040	157,104	10
Between 2 and 3 years	1,591,266	318,253	20
Over 3 years	6,898,422	2,759,369	40
Total	24,451,247	3,234,726	
Aging	31 December 2017		
	Accounts receivable	Bad debt provision	% of provision
Within 1 year	19,566,069	-	-
Between 1 and 2 years	3,141,644	314,164	10
Between 2 and 3 years	588,765	117,753	20
Over 3 years	6,854,035	2,741,614	40
Total	30,150,513	3,173,531	11

(2) Provision, collection or reversed provision of bad debt preparation

The provision of bad debt prepared in the current period is RMB 143,987. The amount of collected or reversed provision in the current period is RMB 2,753,081. Collected or reversed provision in bad debt for major individual items is RMB 2,611,450.

Amount of collected or reversed provision in bad debt for the reporting period:

Applicable Inapplicable

Company name	Amount collected or reversed	Manner of collection
Client I	1,696,000	Bank deposit and acceptance draft
Total	1,696,000	/

(3) Amount of other receivables write-off in the reporting period.

item	amount
Other receivables write-off	241,865

Important other receivables write-off:

Applicable Inapplicable

(4) Other receivables classified by nature

Type	30 June 2018	31 December 2017
Deposits	313,234,224	325,439,358
Advances to third-party companies	69,325,638	74,574,250
Advances to staff	12,427,526	6,926,409
Others	40,607,006	35,807,551
Less: bad debt provision	-60,109,917	-62,960,877
Total	375,484,477	379,786,691

(5) As at 30 June 2018, the top five debtor analysis is as below:

Company	Type	Amount	Aging	% of total balance	Bad debt provision
Client J	Advances to third-party companies	38,927,223	Within 1 year	9	

Client K	Deposits	31,166,591	Within 1 year and above 3 years	7	-
Client L	Deposits	27,711,764	Above 3 years	6	-
Client M	Advances to third-party companies	27,027,341	Above 2 years	6	27,027,341
Client N	Advances to third-party companies	15,514,967	Above 3 years	4	15,514,967
Total	/	140,347,886	/	32	42,542,308

7. Inventories

(1) Inventories classified by nature:

Item	30 June 2018			31 December 2017		
	Book value	Provision For write-down	Net book value	Book value	Provision For write-down	Net book value
Raw materials	617,304,719	3,170,694	614,134,025	559,959,938	2,426,954	557,532,984
Work in progress	352,979,331	165,122	352,814,209	308,187,595	165,122	308,022,473
Finished goods	412,714,919	-	412,714,919	377,050,927	-	377,050,927
Revolving materials	69,015,475	172,442	68,843,033	51,066,002	-	51,066,002
Auxiliary materials	148,760,439	14,016,360	134,744,079	130,667,075	14,242,570	116,424,505
Spare parts	238,114,528	34,317,447	203,797,081	244,105,111	32,719,257	211,385,854
Total	1,838,889,411	51,842,065	1,787,047,346	1,671,036,648	49,553,903	1,621,482,745

(2) Provisions for write-down of inventories are analysed as below:

Item	31 December 2017	Increase		Decrease		30 June 2018
		Provision for write-down	Other	Write-back or write-off	Other	
Raw materials	2,426,954	743,740	-	-	-	3,170,694
Work in progress	165,122	-	-	-	-	165,122
Finished goods	-	-	-	-	-	-
Revolving materials	-	172,442	-	-	-	172,442
Auxiliary materials	14,242,570	575,400	-	801,610	-	14,016,360
Spare parts	32,719,257	2,293,166	-	694,976	-	34,317,447
Total	49,553,903	3,784,748	-	1,496,586	-	51,842,065

8. Other current assets

Item	30 June 2018	31 December 2017
Deductible value-added-tax	120,971,087	99,241,327
Prepayment of income tax	24,086,949	15,392,058
Other taxes	924,379	8,292,825
Total	145,982,415	122,926,210

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	30 June 2018			31 December 2017		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Available-for-sale liability instruments	21,055,500	-	21,055,500	21,055,500	-	21,055,500
Available-for-sale equity instruments	46,150,186	2,775,600	43,374,586	52,918,974	2,775,600	50,143,374
measured at fair value	31,649,920	-	31,649,920	38,418,708	-	38,418,708
measured at cost	14,500,266	2,775,600	11,724,666	14,500,266	2,775,600	11,724,666
Cost	67,205,686	2,775,600	64,430,086	73,974,474	2,775,600	71,198,874

(2) Available-for-sale financial assets measured at fair value:

Available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale liability instruments	Total
Cost	3,861,725	21,055,500	24,917,225
Fair value	31,649,920	21,055,500	52,705,420
Accumulative other comprehensive Income	27,788,195		27,788,195
Accumulative provision	-	-	-

(3) Available-for-sale financial assets measured at cost:

	Carrying amount		Provision		Share proportion in investment	Dividend
	31 December 2017	30 June 2018	31 December 2017	30 June 2018		
Invested company						
— A	11,724,466	11,724,466	-	-	1.4988	-
—Others	2,775,800	2,775,800	2,775,600	2,775,600	-	-
	14,500,266	14,500,266	2,775,600	2,775,600	/	-

(4) The information related to available-for-sale financial assets' provision is as following:

	Available-for-sale equity instruments	Available-for-sale liability instruments	Total
31 December 2017	2,775,600	-	2,775,600
Increase	-	-	-
Decrease	-	-	-
30 June 2018	2,775,600	-	2,775,600

The available-for-sale financial asset measured at cost are mainly unlisted equity investments held by the Group. These investments have no active market quotation, and the fair value fair estimates have a large range of changes, and various types are used to determine the fair value estimates. The probability cannot be reasonably determined, so its fair value cannot be reliably measured. The Group has no plans to dispose of these investments. The available-for-sale liability instruments are the liability instruments that the Group invests in five companies to receive investment income at a fixed rate of return.

10. Long-term equity investments

(1) Associates

	31 December 2017	Share of profits or (losses)	30 June 2018	Impairment balance
Tibet High-Tech Building Materials Co., Ltd	269,473,964	40,666,720	310,140,684	-
Wanan Huaxin Cement Co., Ltd.	162,618,952	-534,111	162,084,841	-
Zhangjiajie Tianzi Concrete Co., Ltd.	2,910,515	-572,870	2,337,645	-
subtotal	435,003,431	39,559,739	474,563,170	-
	<u>435,003,431</u>	<u>39,559,739</u>	<u>474,563,170</u>	<u>-</u>

Please refer to Note IX (3) for related information on the equity of associates.

11. Fixed assets

(1) Fixed assets

Item	Buildings	Machinery and equipment	Office equipment and fixtures	Motor vehicles	Total
1. Original book value					
31 December 2017	11,927,315,767	14,690,132,326	316,235,870	542,981,697	27,476,665,660
Addition	253,488,482	500,817,713	9,555,095	8,334,686	772,195,976
Purchase	23,847,832	17,965,096	3,166,995	3,207,584	48,187,507
Transferred from construction in progress	44,636,393	27,774,144	867,972	2,629,079	75,907,588
Increased from consolidated companies	185,004,257	455,078,473	5,520,128	2,498,023	648,100,881
Reduction	36,349,612	18,814,702	23,551,559	16,555,142	95,271,015
Disposal	25,100,789	13,447,453	23,570,758	16,236,969	78,355,969
Currency translation differences	11,248,823	5,367,249	-19,199	318,173	16,915,046
30 June 2018	12,144,454,637	15,172,135,337	302,239,406	534,761,241	28,153,590,621
2. Accumulated depreciation					
31 December 2017	2,960,107,736	7,832,992,389	233,369,684	440,847,438	11,467,317,247
Addition	249,361,425	712,882,789	15,539,224	19,318,235	997,101,673
Provision	195,869,775	484,342,234	10,939,327	17,384,352	708,535,688
Increase from acquisition	53,491,650	228,540,555	4,599,897	1,933,883	288,565,985
Reduction	6,882,939	11,302,688	22,447,656	15,224,392	55,857,675
Disposal	6,022,704	9,937,762	22,440,901	15,064,199	53,465,566
Currency translation differences	860,235	1,364,926	6,755	160,193	2,392,109
30 June 2018	3,202,586,222	8,534,572,490	226,461,252	444,941,281	12,408,561,245
3. Provision for impairment losses					
31 December 2017	113,598,062	138,735,194	73,548	-	252,406,804
Addition	-	6,844,681	4,082	109,598	6,958,361
Provision	-	5,056	4,082	109,598	118,736
Increase from acquisition	-	6,839,625	-	-	6,839,625
Reduction	444,514	705,857	9,915	-	1,160,286
Disposal	444,514	705,857	9,915	-	1,160,286
30 June 2018	113,153,548	144,874,018	67,715	109,598	258,204,879
4. Net book value					
30 June 2018	8,828,714,867	6,492,688,829	75,710,439	89,710,362	15,486,824,497
31 December 2017	8,853,609,969	6,718,404,743	82,792,638	102,134,259	15,756,941,609

As at 30 June 2018, buildings and equipment with net book value of RMB 346,138,179 (original cost of RMB 784,902,059) (31 December 2017: net book value of RMB 450,978,811 original cost of RMB 1,087,108,133), have been pledged as guarantee for bank loan (Note VII (19) and (28)).

Depreciation charges for the period ended 30 June 2018 recognised in the following items of the consolidated income statements:

	30 June 2018	31 December 2017
Cost of sales	644,807,271	752,076,969
General and administrative expenses	30,003,799	28,405,512
Selling and distribution expenses	33,724,618	34,632,620
	<u>708,535,688</u>	<u>815,115,101</u>

The transfer from construction in progress to fixed assets amounted to RMB 75,907,588 (2017: RMB 490,448,609).

(2) Temporarily idle fixed assets

Applicable Inapplicable

(3) Fixed assets held under finance lease

Project	Original book value	Accumulated depreciation	Provision for impairment losses	Book value
Machinery equipment (June 30, 2018)	300,000,000	84,028,589	37,757,945	178,213,466
Machinery equipment (December 31, 2017)	300,000,000	46,791,465	37,757,945	215,450,590

(4) Fixed assets rented out through finance lease

 Applicable Inapplicable

(5) Fixed assets with pending ownership certificate:

Item	Book value	reason
Houses, construction buildings	928,160,627	In progress

12. Construction in progress

(1) Construction in progress

Project	30 June 2018			31 December 2017		
	Book value	Provision for impairment	Net book value	Book value	Provision for impairment	Net book value
Huaxin Environmental Engineering Co., Ltd. a series of projects	781,253,110	-	781,253,110	679,409,200	-	679,409,200
Huaxin Cement (Tibet) Co., Ltd-3000TPD Tibet 3 rd phase cement project	367,777,543	-	367,777,543	89,240,326	-	89,240,326
Huaxin Cement (Huangshi) Co., Ltd cement clinker production line	60,958,491	-	60,958,491	342,940	-	342,940
Huaxin Narayani Cement Co., Ltd 2800TPD clinker cement production line project	38,972,127	-	38,972,127	41,206,235	-	41,206,235
Huaxin New Building Material (Changyang) Co. Ltd-6 million t/y aggregate line	31,253,245	-	31,253,245	-	-	-
Huaxin RMX station a series of projects	25,853,409	8,341,290	17,512,119	24,993,612	8,341,290	16,652,322
Huaxin Cement (Zigui) Co., Ltd. -Raw mill technology upgrading project	24,594,543	-	24,594,543	21,725,082	-	21,725,082
Huaxin Cement (Zhaotong) Co., Ltd. -Raw mill changed into rolling machine project	24,339,987	-	24,339,987	26,137,928	-	26,137,928
Huaxin Cement (Zhaotong) Co., Ltd. -Raw mill changed into rolling machine project	22,797,217	-	22,797,217	24,500,000	-	24,500,000
Kunming Chongde Cement Co., Ltd 4000TPD Luquan 2 nd line project	14,860,791	-	14,860,791	11,753,981	-	11,753,981
Huaxin Cement (Chibi) Co., Ltd -Raw mill changed into rolling machine project	-	-	-	24,850,000	-	24,850,000
Huaxin Cement (Yichang) Co., Ltd. - Limestone homogenizing enclosure project	-	-	-	13,627,630	-	13,627,630
Others	428,825,614	975,944	427,849,670	299,635,204	996,019	298,639,185
Total	1,821,486,077	9,317,234	1,812,168,843	1,257,422,138	9,337,309	1,248,084,829

(2) Movement of significant construction in progress:

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Project name	Budget	31 December 2017	Addition	Transferred into fixed assets	Reduction	30 June 2018	Cost incurred out of budget(%)	Construction progress(%)	Accumulated capitalized borrowing cost	Include: borrowing cost capitalized in the reporting period	Weighted average interest rate	Financed by
Huaxin Environmental Engineering Co., Ltd. a series of projects	1,393,703,685	679,409,200	103,205,564	-1,361,654	-	781,253,110	84	84	56,729,353	2,724,098		Working capital and borrowings
Huaxin Cement (Tibet) Co., Ltd-3000TPD Tibet 3 rd phase cement project	460,000,000	89,240,326	278,537,217	-	-	367,777,543	80	80	-	-	-	Working capital
Huaxin Cement (Huangshi) Co., Ltd-clinker line	1,847,573,900	342,940	60,615,551	-	-	60,958,491	3	3	-	-	-	Working capital
Huaxin Narayani Cement Co., Ltd 2800TPD clinker project	135,180,000	41,206,235	-	-	-2,234,108	38,972,127	29	29	-	-	-	Working capital
Huaxin New Building Material (Changyang) Co. Ltd-6 million t/y aggregate line	230,000,000	-	31,421,022	-167,777	-	31,253,245	14	14	-	-	-	Working capital
Huaxin RMX station a series of projects	634,808,200	24,993,612	5,088,217	-4,203,587	-24,833	25,853,409	77	77	-	-	-	Working capital

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Huaxin Cement (Zigui) Co., Ltd. —Raw mill technology upgrading project	29,000,000	21,725,082	2,869,461	-	-	24,594,543	85	85	-	-	-	Working capital
Huaxin Cement (Zhaotong) Co., Ltd. —Raw mill changed into rolling machine project	30,500,000	26,137,928	-	-	-1,797,941	24,339,987	80	80	-	-	-	Working capital
Huaxin Cement (Zhaotong) Co., Ltd. —Raw mill changed into rolling machine project	29,000,000	24,500,000	-	-	-1,702,783	22,797,217	79	79	-	-	-	Working capital /
Kunming Chongde Cement Co., Ltd 4000TPD Luquan 2 nd line project	750,150,000	11,753,981	3,106,810	-	-	14,860,791	2	2	-	-	-	Working capital
Huaxin Cement (Chibi) Co., Ltd - Raw mill changed into rolling machine project	25,000,000	24,850,000	-	-21,645,495	-3,204,505	-	87	87	-	-	-	Working capital
Huaxin Cement (Yichang) Co., Ltd. -Limestone homogenizing enclosure project	19,500,000	13,627,630	3,153,154	-16,780,784	-	-	86	86	-	-	-	Working capital
Others total	-	299,635,204	160,938,702	-31,748,292	-	428,825,614			-	-	-	
Total	5,584,415,785	1,257,422,138	648,935,698	-75,907,589	-8,964,170	1,821,486,077	/	/	56,729,353	2,724,098	/	

(3) Impairment provision for construction in progress

Project	31 December 2017	Increase	Decrease	30 June 2018	Provision reason
Huaxin RMX station-Chenzhou, Lengshuijiang projects	8,341,290	-	-	8,341,290	The Management Team decided to terminate the project.
Others	996,019	-	20,075	975,944	The Management Team decided to terminate the project.
Total	9,337,309	-	20,075	9,317,234	/

13. Construction materials

	30 June 2018	31 December 2017
Special equipment	66,654,435	54,877,711
Total	<u>66,654,435</u>	<u>54,877,711</u>

14. Intangible assets

Items	Land use rights	Mining rights	Mine restoration fees	Software	Total
1. Original cost					
31 December 2017	2,535,877,919	756,321,053	186,734,009	221,938,528	3,700,871,509
Addition	190,719,012	52,473,944	-	3,255,044	246,448,000
Purchase	30,072,146	572,240	-	2,256,212	32,900,598
R&D	-	-	-	-	-
Consolidation	160,646,866	51,901,704	-	998,832	213,547,402
Reduction	-	-	-	-	-
Disposal	-	-	-	-	-
30 June 2018	2,726,596,931	808,794,997	186,734,009	225,193,572	3,947,319,509
2. Accumulated amortization					
31 December 2017	318,310,076	139,532,456	52,426,953	163,848,540	674,118,025
Addition	69,522,238	29,405,902	2,616,520	9,596,048	111,140,708
Provision	26,878,339	20,811,593	2,616,520	8,688,691	58,995,143
Consolidation	42,643,899	8,594,309	-	907,357	52,145,565
Reduction	-	-	-	-	-
Disposal others	-	-	-	-	-
30 June 2018	387,832,314	168,938,358	55,043,473	173,444,588	785,258,733
3. Provision for Impairment					
31 December 2017	-	-	-	-	-
Addition	-	-	-	-	-
Reduction	-	-	-	-	-
30 June 2018	-	-	-	-	-
4. Net book value					
30 June 2018	2,338,764,617	639,856,639	131,690,536	51,748,984	3,162,060,776
31 December 2017	2,217,567,843	616,788,597	134,307,056	58,089,988	3,026,753,484

Other explanation:

As at 30 June 2018, land use rights with net book value of RMB 45,668,148 (original cost of RMB73,473,512) (31 December 2017: net book value of RMB 15,816,767, original cost of RMB31,471,127) have been pledged as security for bank borrowings (Note VII (19) (28)).

15. Goodwill

(1) Original book value of Goodwill

31 December 2017	Increase	Decrease	30 June 2018
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Huaxin Cement (Daye) Co., Ltd	189,057,605	-	-	189,057,605
Huaxin Jinlong (Yunxian) Cement Co., Ltd.	101,685,698	-	-	101,685,698
Shide Jingying Cement (Hong Kong) Co., Ltd and its subsidiaries	69,557,768	-	-	69,557,768
Huaxin Cement (E'zhou) Co., Ltd.	21,492,135	-	-	21,492,135
.Huaxin Cement (Nantong) Co., Ltd.	9,469,146	-	-	9,469,146
Cambodia Chakrey Ting Cement Co. , Ltd.	125,767,908	-	-	125,767,908
	<u>517,030,260</u>	-	-	<u>517,030,260</u>

(2) Provision for impairment of Goodwill

	31 December 2017	Increase	Decrease	30 June 2018
Shide Jingying Cement (Hong Kong) Co., Ltd and its subsidiaries	69,557,768	-	-	69,557,768
Total	69,557,768	-	-	69,557,768

The recoverable amounts are calculated using the estimated cash flows determined according to the five-year budgets approved by management. The cash flows beyond the five-year period are calculated based on the following estimated growth rates.

16. Long-term prepaid expenses

	31 December 2017	Addition	Amortization	30 June 2018
Explore fee for mines	268,514,332	9,000,000	33,774,060	243,740,272
Others	12,547,101	8,702,703	2,240,653	19,009,151
Total	<u>281,061,433</u>	<u>17,702,703</u>	<u>36,014,713</u>	<u>262,749,423</u>

17. Deferred tax assets and liabilities

(1) Deferred tax assets without taking into consideration the offsetting of balances

	30 June 2018		31 December 2017	
	Deductible temporary differences and tax losses	Deferred tax assets	Deductible temporary differences and tax losses	Deferred tax assets
Provision for assets impairment	92,378,598	22,263,870	97,002,639	23,142,335
Unrealized profit arising from elimination of inter-company transactions	215,089,774	53,772,444	217,934,712	54,483,678
Tax losses	473,422,644	97,100,665	461,916,599	100,865,201
Difference between fair value of net identifiable assets and tax base in business combination	411,061,119	82,209,629	581,922,794	118,306,293
Accrued expenses	385,957,045	92,735,821	323,579,396	77,486,642
Provision for employee benefits	69,097,784	16,301,567	96,503,042	21,718,305
Others	880,788	132,118	1,722,340	258,351
Total	<u>1,478,365,018</u>	<u>341,530,393</u>	<u>1,780,581,522</u>	<u>396,260,805</u>

(2) Deferred tax liabilities without taking into consideration of the offsetting of balances

	30 June 2018		31 December 2017	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Capitalization of borrowing cost	59,943,307	14,985,827	65,684,060	16,421,015
Change in fair value of available-for-sale financial assets	28,950,265	7,237,566	34,556,983	8,639,246
Withholding income tax of overseas subsidiaries of the Company	475,789,575	79,925,297	480,215,853	80,348,143
Appreciation of assets from business combination involving entities not under common control	191,646,608	45,929,909	210,217,626	50,459,243
Others	54,883,549	10,108,530	1,451,184	362,797
	<u>811,213,304</u>	<u>158,187,129</u>	<u>792,125,706</u>	<u>156,230,444</u>

(3) Net amounts of deferred tax assets and liabilities taking into consideration the offsetting of balances are set out as follows:

	30 June 2018		31 December 2017	
	Netting amount	Deferred tax assets or liabilities, net	Netting amount	Deferred tax assets or liabilities, net
Deferred tax assets, net	16,173,488	325,356,905	18,218,354	378,042,451
Deferred tax liabilities, net	16,173,488	142,013,641	18,218,354	138,012,090

(4) Deductible temporary differences and tax losses that are not recognised as deferred tax assets are analysed as below:

	30 June 2018	31 December 2017
Deductible temporary differences	2,759,642,829	2,795,021,106
Deductible losses	1,010,618,361	1,017,662,564
	<u>3,770,261,190</u>	<u>3,812,683,670</u>

(5) The tax losses for which deferred tax assets are not recognised will expire in the following years:

	30 June 2018	31 December 2017
2018	32,448,712	76,137,894
2019	181,854,488	191,489,655
2020	345,253,683	269,468,083
2021	295,392,025	291,735,251
2022	131,423,113	188,831,681
2023	24,246,340	-
	<u>1,010,618,361</u>	<u>1,017,662,564</u>

18. Provision for impairment of assets

Item	31 December 2017	Increase		Decrease			30 June 2018
		Consolidation	Accrual	Write back	Write off	Others	
Bad debt provision	187,839,667	2,251,543	2,234,760	6,226,218	248,482	-	185,851,270
-Accounts receivable	124,878,790	2,251,543	2,090,773	3,473,137	6,616	-	125,741,353
-Other receivables	62,960,877	-	143,987	2,753,081	241,866	-	60,109,917
Write-down of inventories	49,553,903	-	3,784,748	1,496,586	-	-	51,842,065
Impairment provision for available-for-sale financial assets	2,775,600	-	-	-	-	-	2,775,600
Impairment provision for projects in progress	9,337,309	-	-	-	-	20,075	9,317,234
Impairment provision for fixed assets	252,406,804	6,839,625	118,736	-	1,160,286	-	258,204,879
Impairment for goodwill	69,557,768	-	-	-	-	-	69,557,768
Total	571,471,051	9,091,168	6,138,244	7,722,804	1,408,768	20,075	577,548,816

19. Short-term borrowings

(1) Short-term borrowings classified by nature

	Currency	30 June 2018	31 December 2017
Pledged bank borrowings (Note (i))	RMB	51,000,000	81,000,000
Unsecured bank borrowings (Note (iii))	RMB	50,000,000	110,000,000
Guaranteed bank borrowings (Note (ii))	RMB	736,500,000	950,500,000
		<u>837,500,000</u>	<u>1,141,500,000</u>

(i) As at 30 June 2018, bank borrowings of RMB 51,000,000 (31 December 2017: RMB 81,000,000) were pledged by certain buildings, equipment (Note VII(11)), and land use rights (Note VII(14)).

(ii) As at 30 June 2018, 30% and 70% of guaranteed bank borrowings of RMB 50,000,000 (31 December 2017: RMB 110,000,000) were guaranteed by Wuhan Huayu Building Materials Group Co., Ltd. and the Company respectively.

(iii) As at 30 June 2018, guarantee bank borrowings include the loans guaranteed for subsidiaries of RMB 438,000,000 (31 December 2017: 492,000,000).

(iv) As at 30 June 2018, the interest rate of short-term borrowings was 4.35% (31 December 2017: from 4.30% to 4.79%)

20. Accounts payable

(1) Accounts payable

	30 June 2018	31 December 2017
Payables for raw materials	2,764,643,754	2,720,640,435
Payables for construction and equipment	705,335,871	1,033,498,258

Payables for transportation costs	174,786,157	199,782,333
Payables for utility charges	46,076,761	72,781,671
Others	99,542,530	112,872,518
	3,790,385,073	4,139,575,215

(2) Important accounts payable with ageing over 1 year

Item	30 June 2018	Reason for not paid or carry-over
Project and equipment payables and project guarantee money	605,645,614	Part of the main project have not finished the acceptance, settlement and the amount has to be settled
Total	605,645,614	/

21. Advances from customers

(1) Advances from customers

	30 June 2018	31 December 2017
Advances for sales of goods	632,990,368	556,730,942
Construction contract	5,747,154	5,974,440
	638,737,522	562,705,382

(2) Important advances from customers with ageing over 1 year

item	30 June 2018	31 December 2017	Reason for not paid or carry-over
Advances for cement products	27,885,861	25,561,949	goods delivery has not finished, the amount has not been settled
total	27,885,861	25,561,949	/

(3) Balance from construction contract

Item	Amount
Accumulated cost incurred	488,077,171
Accumulated gross margin recognised	24,671,219
Less: predicted loss	-
Settled amount	518,495,544
Advanced payment from customers	5,747,154

22. Employee benefits payable

(1) Employee benefits payable

Item	31 December 2018	Increase	Decrease	30 June 2018
Short-term employee benefits payable	257,049,545	1,008,848,656	990,022,233	275,875,968
Defined contribution plans payable	6,235,758	173,674,935	128,827,902	51,082,791
Welfare for dismiss	13,053,736	8,305,504	13,053,736	8,305,504
Other welfare due in 1 year	-	-	-	-
Payable for defined benefit plans payable	4,748,365	5,406,062	4,748,365	5,406,062
Total	281,087,404	1,196,235,157	1,136,652,236	340,670,325

(2) Short-term employee benefits

	31 December 2017	Increase	Decrease	30 June 2018
Salaries, bonuses and allowances	224,570,063	715,979,600	761,858,219	178,691,444
Staff welfare	2,979,986	94,022,745	66,483,734	30,518,997
Social insurance	7,237,968	81,202,036	66,128,724	22,311,280
-Medical insurance	5,718,476	71,320,507	56,951,375	20,087,608
-Employment injury insurance	1,084,997	7,023,363	6,542,911	1,565,449
-Maternity insurance	434,495	2,858,166	2,634,438	658,223
Housing fund	11,031,704	83,821,862	83,835,175	11,018,391
Labour union funds and employee education fee	11,229,824	33,822,413	11,716,381	33,335,856
	<u>257,049,545</u>	<u>1,008,848,656</u>	<u>990,022,233</u>	<u>275,875,968</u>

(3) Defined contribution plans

	31 December 2017	Increase	Decrease	30 June 2018
Pension	4,102,991	168,526,457	123,896,275	48,733,173

Unemployment insurance	2,132,767	5,148,478	4,931,627	2,349,618
	6,235,758	173,674,935	128,827,902	51,082,791

23. Taxes and other levies payable

	30 June 2018	31 December 2017
Corporate income tax payable	319,740,822	240,690,380
Value-added-tax payable	155,111,832	197,828,619
Flood prevention fee payable	18,507,211	18,517,288
Resource tax	11,135,140	8,078,067
Others	68,059,212	42,830,867
	572,554,217	507,945,221

24. Interests payable

	30 June 2018	31 December 2017
Interest for corporate bonds	97,121,670	105,342,960
Interest for long-term borrowings	6,679,085	6,363,814
Interest for short-term borrowings	998,116	1,464,414
	104,798,871	113,171,188

25. Dividends payable

	30 June 2018	31 December 2017
Ordinary shares dividends	129,702,994	29,581,522
- Tibet Changsheng Road & Bridge Construction Co., Ltd	117,518,955	75,518,957
- Hunan Zhangjiajie Tianzi Industry Limited Liability Company.	8,000,000	-
Gayur Liability Limited Company	62,509,503	63,208,759
	317,731,452	174,309,238

Other notes, the reason for important dividends payables over 1 year. Ordinary shares dividends payable is RMB 119,271,837 paid to Holchin B. V. and RMB 576,325 paid to other shareholders. Due to payment procedure yet to be improved and failure to provide contact information, it cannot be paid so far.

26. Other payables

(1) Other payables classified by nature

	30 June 2018	31 December 2017
Payables for acquisition of equity interests(Note(a))	259,661,014	259,792,200
Amounts due to minority shareholders	136,045,261	131,175,859
Deposits	144,628,151	111,557,555
Collected or paid for others	39,493,263	30,274,096

Amounts due to government	21,300,000	10,474,167
Others	133,726,564	79,645,353
	<u>734,854,253</u>	<u>622,919,230</u>

(2) Other payables with aging over one year

Item	30 June 2018	31 December 2017	Reason for not paid or carry-over
Minority shareholders and the balance of long aging will be settled when the invoices or bill notes are provided	488,263,619	417,316,403	Contract has not finished, so has not paid
Total	488,263,619	417,316,403	/

27. Current portion of non-current liabilities

	30 June 2018	31 December 2017
Current portion of long-term borrowings	1,741,750,727	700,032,324
Current portion of corporate bonds payable	1,000,000,000	799,866,667
Current portion of long-term payables	36,033,357	182,834,591
	<u>2,777,784,084</u>	<u>1,682,733,582</u>

28. Long-term borrowings

(1) Classification of Long-term borrowings

	Currency	30 June 2018	31 December 2017
Pledged bank borrowing(Note (i))	RMB	158,000,000	160,500,000
Guaranteed bank borrowings (Note (ii))	DKK	4,128,540	4,914,604
Unsecured bank borrowings (Note (iii))	RMB	3,098,061,420	3,050,610,210
Unsecured bank borrowings (Note (iv))	USD	797,399,256	930,466,631
Mortgaged bank borrowings (Note (iv))	RMB	592,500,000	612,500,000
Reduce: long-term borrowings mature in one year			
Pledged bank borrowing (Note (i))	RMB	<u>-93,000,000</u>	<u>-53,500,000</u>
Guaranteed bank borrowings (Note (ii))	DKK	<u>-1,376,180</u>	<u>-1,404,173</u>
Unsecured bank borrowings (Note (ii))	RMB	<u>-1,260,403,136</u>	<u>-328,867,580</u>
Unsecured bank borrowings (Note (iv))	USD	<u>-318,471,411</u>	<u>-227,260,571</u>

Mortgaged bank borrowings (Note (iv))	RMB	-68,500,000	-89,000,000
Total		<u>2,908,338,489</u>	<u>4,058,959,121</u>

Notes for long-term borrowings classification:

(i) As at 30 June 2018, long-term bank borrowings of RMB 158,000,000 (31 December 2017: RMB 160,500,000) were secured by pledge of certain buildings, equipment (Note VII(11)), and land use rights (Note VII(14)).

(ii) As at 30 June 2018, long-term bank borrowings denominated in Denmark Kroner of RMB 4,128,540 (31 December 2017: RMB 4,914,604) were jointly guaranteed by Hubei Construction Bank and Hubei Government, of which the principal is to be repaid by instalment in the period from 2018 to 2021.

(iii) As at 30 June 2018, long-term unsecured borrowings of RMB 473,010,241, denominated in USD of RMB 797,399,255 (31 December 2017: RMB,495,810,000 denominated in USD of RMB 930,466,631) of the subsidiaries of the Group were guaranteed by the Company, of which the principals are to be repaid by instalment in the period from 2018 to 2027.

(iv) As at 30 June 2018, long-term mortgaged bank borrowings of RMB592,500,000 (31 December 2017: RMB 612,500,000) were mortgaged by the equity interest of subsidiaries of the Group, of which the principals are to be repaid in the period from 2018 to 2024.

As at 30 June 2018, the interest rate of long-term borrowings ranges from 4.65% to 5.65% (31 December 2017: from 2.64% to 6.64%)

29. Bonds Payable

(1) Bonds Payable

	30 June 2018	31 December 2017
Corporate bonds (tranche 1) issued in 2012 (Note (a))		1,000,000,000
Corporate bonds (tranche 2) issued in 2012 (Note (a))	1,100,000,000	1,100,000,000
Private placement bonds (tranche 1) matured in 2015	-	
Corporate bonds (tranche 1) issued in 2016	1,196,218,553	1,195,605,346
Total (Note (b))	<u>2,296,218,553</u>	<u>3,295,605,346</u>

(2) Changes of the bonds payable

	Nominal value	Issuance date	Period	Issuance Amount	31 December 2017	Amortization of premium and discount	Payment amount	Reclassified to current portion	30 June 2018	Accrued interest at par
Corporate bonds (batch 1) issued in 2012	100	17 May 2012	7years	1,000,000,000	1,000,000,000			1,000,000,000		56,500,000
Corporate bonds (batch 2) issued in 2012	100	09 November 2012	7 years	1,100,000,000	1,100,000,000	-		-	1,100,000,000	64,900,000
Private raised bonds (batch 1) issued in 2015	100	12 February 2015	3years	800,000,000		-	800,000,000		-	
Corporate bonds (batch 1) issued in 2016	100	19 August 2016	5years	1,200,000,000	1,195,605,346	613,208		-	1,196,218,553	57,480,000
Total				<u>4,100,000,000</u>	<u>3,295,605,346</u>	<u>613,208</u>	800,000,000	1,000,000,000	<u>2,296,218,553</u>	<u>178,880,000</u>

Pursuant to the relevant approval No. [2012]615 document from China Securities Regulatory Commission, the Company issued two corporate bonds on 17 May 2012 and 9 November 2012 respectively.

The Company issued 5.35% interest, five-year tenure corporate bonds with principal of RMB1,000,000,000 (“2012 Issued Corporate Bonds I”). The bond holders have an early redemption option and the issuer has an option to increase interest rate at the end of the third year. The Company redeemed part of bonds of RMB61,000,000 on 17 May 2015. The remaining balance of RMB939,000,000 was paid off on 15 May 2017.

The Company issued another 5.65% interest, seven-year tenure corporate bonds with principal of RMB1,000,000,000 (“2012 Issued Corporate Bonds I”). The bond holders have an early redemption option and the issuer has an option to increase interest rate at the end of the fifth year. It was reclassified to current liabilities in 2016 due to early redemption option. On 5 May 2017, no bond holder executed the redemption option and the bond has been reclassified to non-current liabilities. The bond will be paid off on 17 May 2019. It was adjusted as due within one year in May 2018.

The Company issued 5.90% interest, seven-year tenure corporate bonds with principal of RMB1,100,000,000 (“2012 Issued Corporate Bonds II”). The bond holders have an early redemption option and the issuer has an option to increase interest rate at the end of the fifth year. It was reclassified to current liabilities in 2016 due to the early redemption option. On 9 November 2017, no investors executed the early redemption option and the bond has been reclassified to non-current liabilities. The bond will be paid off on 9 November 2019. It was adjusted as bond payable from non-current liabilities.

Pursuant to the relevant approval ([2013] PPN201) from China National Association of Financial Market Institutional Investors (NAFMII), the Company issued private bonds (batch 1) amounted to RMB800,000,000 on 12 February 2015, which is with three-year tenure and 5.80% interest rate, the simple interest would be settled annually. The bond has been reclassified as current liabilities because it is mature and to be paid back on 12 February 2018.

Pursuant to the relevant approval ([2016] 1255) from China Securities Regulatory Commission(CSRC), the Company issued RMB1,200,000,000 corporate bonds (batch 1) on 19 August 2016, which is with five-year tenure and 4.79% interest rate, the interest would be settled annually.

30. Long-term payables

	30 June 2018	31 December 2017
Payable for the finance lease	118,725,085	280,718,912
others	2,305,007	1,501,100
Less: current portion of payable for the finance lease	36,033,357	182,834,591
	<u>84,996,735</u>	<u>99,385,421</u>

Notes:

Payables for finance lease represents the minimum lease payments less unrecognized

finance charges (Note XIV).

31. Long-term employee benefits payable

	30 June 2018	31 December 2017
Retired staff subsidy payable	45,723,627	45,970,441
Termination benefit payable	37,218,474	37,218,474
Other long term benefit payable		
Long term incentive	9,964,742	13,164,742
	<u>92,906,843</u>	<u>96,353,657</u>

32. Provisions

	30 June 2018	31 December 2017	Reason
Reclamation for mines	162,371,748	166,230,019	Obligation of reclamation
Pending litigation	521,800	521,800	Expected compensation
Others	-	-	
	<u>162,893,548</u>	<u>166,751,819</u>	

33. Deferred income

	31 December 2017	Increase	Decrease	30 June 2018	Causes
Government Grant	252,146,422	7,505,390	10,753,763	248,898,049	Government grants related to assets
Total	<u>252,146,422</u>	<u>7,505,390</u>	<u>10,753,763</u>	<u>248,898,049</u>	/

	31 December 2017	Addition	The amount recognised as non-operating income	30 June 2018	Related to assets/ earnings
Government Grants Project					
Cement kiln line infrastructure	158,678,821	6,994,190	5,547,762	160,125,249	Related to assets
Energy saving technological transformation	93,467,601	511,200	5,206,001	88,772,800	Related to assets
	<u>252,146,422</u>	<u>7,505,390</u>	<u>10,753,763</u>	<u>248,898,049</u>	

34. Share capital

	31 December 2017	Increase/decrease in the year					30 June 2018
		Issuance	Dividend	Transfer from reserve	Others	Subtotal	
Total share capital	1,497,571,325	-	-	-	-	-	1,497,571,325

35. Capital surplus

	31 December 2017	Increase	Decrease	30 June 2018
Share premium	2,410,355,433		-	2,410,355,433
Other capital surplus			-	
-Share option	4,146,565	-	-	4,146,565
-Transfer of capital surplus recognized under the previous accounting system	45,377,303	-	-	45,377,303
-Compensation from government for plant relocation	7,553,919	-	-	7,553,919
-Government grants	42,818,800	-	-	42,818,800
	<u>2,510,252,020</u>			<u>2,510,252,020</u>

36. Other comprehensive income

	31 December 2017	Amount for the year before tax	Less: Income tax expense	Attributable to the Company after tax	Attributable to the minority interest after tax	30 June 2018
Items that may not be subsequently reclassified to profit or loss	-	-	-	-	-	-
Items that may be subsequently reclassified to profit or loss	-20,053,747	-2,314,026	-1,692,197	-2,298,902	1,677,074	-22,352,649
Change in value of available-for-sale financial assets	25,917,737	-6,768,788	-1,692,197	-5,076,591		20,841,146
Difference from translation of foreign currency financial statements	-45,971,484	4,454,762		2,777,689	1,677,074	-43,193,795
Total	-20,053,747	-2,314,026	-1,692,197	-2,298,902	1,677,074	-22,352,649

37. Surplus reserve

	31 December 2017	Increase	Decrease	31 June 2018
Statutory surplus reserve	697,884,573	-	-	697,884,573
Discretionary surplus reserve	63,580,329			63,580,329
Total	<u>761,464,902</u>	<u>-</u>	<u>-</u>	<u>761,464,902</u>

38. Retained earnings

	Current Period	Prior Period
Opening balance of retained earnings (before restated)	7,150,569,774	5,396,004,651
Opening balance of retained earnings (after restated)	7,150,569,774	5,396,004,651
Add: Net profit attributable to the shareholders of the Company	2,067,917,873	727,964,837
Less: Appropriation of statutory surplus reserve	-	-
Dividends	419,319,971	149,757,133

Ending balance of retained earnings	<u>8,799,167,676</u>	<u>5,974,212,355</u>
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39. Sales and cost of sales

	Current period		Prior period	
	Income	Expense	Income	Expense
Main operations	11,829,531,978	7,370,301,851	9,323,756,902	6,898,003,458
Other operations	53,538,293	25,544,393	50,592,261	26,830,503
Total	<u>11,883,070,271</u>	<u>7,395,846,244</u>	<u>9,374,349,163</u>	<u>6,924,833,961</u>

(1) Revenue of main operations

Revenue and cost of main operations analysed by product are set out below:

	Current Period		Prior Period	
	Revenue from main operations	Cost of main operations	Revenue from main operations	Cost of main operations
Sales of cement	9,966,605,892	6,060,772,881	8,016,147,563	5,899,303,915
Sales of clinker	476,079,505	350,705,807	374,221,311	331,882,051
Sales of concrete	538,774,665	413,241,776	416,971,955	340,674,283
Sales of aggregate	339,342,859	123,767,241	219,671,949	122,368,723
Others	508,729,057	421,814,146	296,744,124	203,774,486
Total	<u>11,829,531,978</u>	<u>7,370,301,851</u>	<u>9,323,756,902</u>	<u>6,898,003,458</u>

(2) Other operating income and expenses

	Current Period		Prior Period	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Sales of materials	25,783,022	10,245,219	13,994,844	8,471,009
Rental income	14,360,749	6,712,061	7,930,161	3,767,552
Others	13,394,522	8,587,113	28,667,256	14,591,942
	<u>53,538,293</u>	<u>25,544,393</u>	<u>50,592,261</u>	<u>26,830,503</u>

40. Taxes and surcharges

	Current period	Prior period
Civil infrastructure maintenance and construction fee	40,547,980	24,578,101
Education fee	23,960,748	14,322,338
Resource tax	55,273,668	36,785,588
Property tax	15,578,057	14,908,994
Land use tax	25,502,940	24,518,393
Environmental protection tax	37,684,577	-
Local education fee	12,080,226	6,899,599
Others	12,317,253	8,447,865
Total	<u>222,945,449</u>	<u>130,460,878</u>

41. Selling and distribution expenses

	Current period	Prior period
Transportation, carriage and outsourced labour expenses	251,386,804	174,876,429
Material cost	191,901,108	176,763,062
Staff costs	167,893,047	136,471,410
Depreciation and amortisation expenses	34,623,015	35,285,379
Power costs	33,500,757	28,293,855
Entertainment expenses	17,201,134	15,667,715
Traveling expenses	18,559,699	9,265,919
Rental expenses	3,024,657	2,922,024
Others	55,762,374	54,231,853
Total	<u>773,852,595</u>	<u>633,777,646</u>

42. General and administrative expenses

	Current period	Prior period
Staff costs	351,548,110	278,523,539
Depreciation and amortisation	54,013,355	52,978,933
Entertainment expenses	21,146,177	15,805,813
Office & meeting expenses	18,800,209	11,154,623
Outsourced labor expenses	18,634,980	14,878,798
Traveling expenses	16,406,338	13,667,424
Rental expenses	14,974,085	5,672,801
Water and electricity expenses	10,024,450	9,887,814
Advisory and audit fees	23,542,171	5,945,779
Transportation	7,854,508	10,139,317
Environmental protection fees	7,533,075	36,560,237
Communication expenses	5,973,654	5,338,675
Property insurance expenses	5,182,720	5,223,909
Fire security expenses	3,791,684	707,004
Services fee charged by Huaxin Group Co., Ltd.	3,113,208	3,113,208
Others	40,047,067	49,773,775
Total	<u>602,585,791</u>	<u>519,371,649</u>

43. Financial expenses

	Current period	Prior period
Interest expenses	239,773,280	276,720,122
Less: interest income	-19,411,139	-18,428,736
Exchange losses	28,775,357	130,215,087
Other financial expenses	5,486,886	11,047,887
Total	<u>254,624,384</u>	<u>399,554,360</u>

44. Asset impairment losses

Current period	Prior period
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Provision for bad debts	-13,761,706	-11,976,055
Provision of write-down of inventory	2,077,013	1,984,458
Provision of impairment on fixed assets	118,736	-
Total	<u>-11,565,957</u>	<u>-9,991,597</u>

45. Changes in fair value recognised in profit or loss

	Current period	Last period
Financial assets at fair value through profit or loss		
Monetary fund	-3,513,045	4,667,758
Others	38,723	-307,963
	<u>-3,474,322</u>	<u>4,359,795</u>

46. Investment income

	Current period	Last period
Share of profits in associated companies and joint ventures	39,559,739	58,231,676
Income from disposal of financial asset at fair value through profit or loss	13,316,891	921,410
Income from available-for-sale financial assets	1,103,938	893,134
	<u>53,980,568</u>	<u>60,046,220</u>

47. Losses on disposal of assets

	Current period	Last period
Losses on disposal of fixed assets	-1,508,218	-
Losses on disposal of intangible assets	2,306,329	-
	<u>798,111</u>	<u>-</u>

48. Other income

	Current period	Last period	Related to assets/ income
Tax refunds from sales of goods having utilized waste natural materials	76,216,507	42,106,950	Related to income
Amortisation of deferred income	10,753,763	-	Related to assets
Others	19,824,953	-	Related to income
	<u>106,795,223</u>	<u>42,106,950</u>	

Other income in non-routine items amounted to RMB30,578,716 in current period.

49. Non-operating income

	Current period	Last period	Non-routine items
Government grants	-	34,170,256	-
Negative goodwill	4,489,836	-	4,489,836
Others	3,131,694	20,752,287	3,131,694
	<u>7,621,530</u>	<u>54,922,543</u>	<u>7,621,530</u>

Government grants

	Current period	Last period	
Subsidies from government	-	17,268,514	Related to earnings
Amortization of deferred income	-	11,987,158	Related to assets
Others	-	4,914,584	Related to earnings
	<u>-</u>	<u>34,170,256</u>	

50. Non-operating expenses

	Current period	Last period	Non-routine items
Losses on disposal of non-current	5,245,816	9,706,383	5,245,816
Includes: Losses on disposal of fixed assets	5,245,816	9,706,383	5,245,816
Donations	2,638,134	2,456,626	2,638,134
Others	5,573,687	7,181,434	5,573,687
	<u>13,457,637</u>	<u>19,344,443</u>	<u>13,457,637</u>

51. Income tax expenses

(1) Income tax expenses

	Current period	Prior period
Current income tax	485,398,712	178,575,401
Deferred income tax	48,257,528	-5,481,688
	<u>533,656,240</u>	<u>173,093,713</u>

(2) The reconciliation from income tax calculated based on applicable tax rates and total profits presented in the consolidated financial statements to the income tax expenses is as follows:

Item	Current period
Profit before tax	2,797,045,238
Income tax calculated at applicable tax rates	629,324,492
Effect of different tax rates applicable to subsidiaries	-12,273,533
Profits not subject to tax	-13,638,359
Negative goodwill	-1,122,459
Tax exemption	-5,074,970
Expenses not deductible for tax purposes	10,495,046

Effect of the tax losses derived from unrecognized deductible deferred tax assets	-80,794,882
Effect of the temporary differences derived from unrecognized deductible deferred tax assets	6,740,905
Income tax expenses	533,656,240

52. Other comprehensive income

Please refer to Note VII (36).

53. Notes to consolidated cash flow statement

(1) Cash received relating to other operating activities

	Current period	Last period
Receipt of deposits	71,283,120	41,440,177
Government grants	19,824,953	22,158,174
Interest income	19,411,139	18,428,736
Others	36,928,156	15,493,276
	<u>147,447,368</u>	<u>97,520,363</u>

(2) Cash paid relating to other operating activities

	Current period	Last period
Selling and traveling expenses	59,810,079	55,051,506
Deposits	30,811,423	38,179,135
Drainage expenses	7,533,075	36,560,237
Entertainment expenses	38,347,310	31,473,527
Rental fees	19,532,069	8,679,960
Office expenses	7,819,776	5,156,600
Propaganda and education, afforestation, security guard and fire-fighting expenses	5,449,470	5,438,258
Insurance expenses	7,425,052	7,527,974
Third party personnel fees	19,149,324	7,790,779
CSR	19,667,547	9,398,109
Advisory fees	20,772,329	7,061,281
Others	41,963,840	51,294,531
	<u>278,281,294</u>	<u>263,611,897</u>

(3) Cash received relating to other investing activities

	Current period	Prior period
Withdrawal of project deposit	2,288,236	-
Government grants related to construction projects	2,100,000	-
	<u>4,388,236</u>	<u>-</u>

(4) Cash paid relating to other investing activities

Applicable Not applicable

(5) Cash received from other financing activities

	Current period	Prior period
Advances from non-financial enterprises	15,995,449	21,276,418
Other monetary fund adjustment	1,895,596	-
	<u>17,891,045</u>	<u>21,276,418</u>

(6) Cash payments relating to other financing activities

	Current period	Prior period
Commission charge of bank remittance	3,228,543	4,818,219
Repayments to loans of non-financial business	-	416,751,852
Repayments for principal of finance lease	161,400,000	20,344,894
Other monetary adjustment	-	19,098,832
	<u>164,628,543</u>	<u>461,013,797</u>

54. Supplementary information of cash flow statements

(1) Supplementary information of cash flow statements

Reconciliation of net profit to cash flows from operating activities:

	Current period	Last period
Net profit	2,263,388,998	745,339,618
Add: Provision for asset impairment	-11,565,957	-9,991,597
Depreciation of fixed assets	708,535,688	814,604,294
Amortisation of intangible assets	58,995,143	53,528,822
Amortisation of long-term prepaid expenses	36,014,713	40,687,036
Losses on disposal of fixed assets	3,633,584	8,616,409
Changes in fair value recognised in loss	3,474,322	-4,359,795
Finance expenses	274,035,523	418,033,097
Investment gains	-53,980,568	-60,046,220
Decrease/(Increase) Deferred income tax asset	54,377,743	25,961,715
(Decrease)/Increase Deferred income tax liability	-6,120,214	-31,443,403
Decrease/(Increase) in inventories	-167,852,761	39,644,326
Decrease/(Increase) in operating receivables	-652,617,862	-396,267,238
(Decrease)/Increase in operating payables	190,236,299	-430,641,018
Others	-10,753,763	-11,987,157
Net cash flows from operating activities	<u>2,689,800,888</u>	<u>1,201,678,889</u>

	Current period	Last period
Net change in cash		
Ending balance of cash	3,444,934,026	2,557,669,707
Less: beginning balance of cash	3,532,308,895	3,642,286,117
Increase/(Decrease) in cash and cash equivalent	<u>-87,374,869</u>	<u>-1,084,616,410</u>

(2) Acquisition of subsidiaries

	Amount
Cash and cash equivalents paid for business combination in this period	253,300,000
Including: Chongqing Lafarge Shui On Cantian Cement Co., Ltd.	253,300,000
Less: Cash and cash equivalents held by the company at the date of acquisition	79,599,708
Including: Chongqing Lafarge Shui On Cantian Cement Co., Ltd.	79,599,708
Add: Cash and cash equivalents paid for previous years business Combination	307,529
Including: Hubei Zhushen Building Materials Co., Ltd.	307,529
Net cash paid for acquisition of subsidiaries	<u>174,007,821</u>

(3) Cash

	30 June 2018	31 December 2017
Cash	3,444,934,026	3,532,308,895
Including: Cash in hand	1,631,483	2,581,513
Cash at bank without restriction	3,443,302,543	3,529,727,382
Cash equivalents	-	-
Cash and cash equivalents balance in period end	<u>3,444,934,026</u>	<u>3,532,308,895</u>

55. Assets with restricted ownership or use rights

Item	Book value at period end	Reason for the restriction
Cash at bank and in hand	83,392,294	Cash deposit, Letter of Guarantee
Note receivable	15,000,000	Mortgage
Fixed assets	346,138,179	Mortgage for the loan

Intangible assets	45,668,148	Mortgage for the loan
Total	490,198,621	/

56. Foreign currency monetary items

Item	Foreign currency balance at period end	Exchange rate	RMB balance
Cash at bank and in hand			
USD	39,071,350	6.6166	258,519,493
EUR	132,485	7.6515	1,013,712
Somoni	29,120,036	0.7234	21,065,434
Nepalese Rupee	58,756,819	0.0597	3,507,783
Accounts receivable			
USD	323,901	6.6166	2,143,123
Other receivables			
USD	923,199	6.6166	6,108,438
Accounts payable			
USD	3,099,587	6.6166	20,508,727
Somoni	33,704,508	0.7234	24,381,841
Other payables			
USD	192,036	6.6166	1,270,622
Somoni	10,205,943	0.7234	7,382,979
HKD	137,295,722	0.8431	115,754,023
Long-term borrowings			
USD	72,382,771	6.6166	478,927,844
DKK	2,680,000	1.0270	2,752,360
Long-term borrowings due within 1 year			
USD	48,132,184	6.6166	318,471,411
DKK	1,340,000	1.0270	1,376,180
Interests payable			
USD	277,243	6.6166	1,834,405

57. Government subsidies

(1) Basic information of the government subsidies

Type	Amount	Item	Amount recognized in the current profits and losses
Government subsidies related to assets	248,898,049	Deferred income	10,753,763
Government subsidies related to daily business activities	96,041,460	Other income	96,041,460

(2) Return of government subsidies

Applicable Not applicable

VIII. Changing scope of consolidation

1. Business combinations involving enterprises not under common control

(1) Business combinations involving enterprises not under common control in this period

Acquiree	Obtaining date	Acquisition cost	Interest % acquired	Payment type	Acquisition date	Basis of acquisition date	Income of acquiree's from acquisition date till period end	Net profit of acquiree's from acquisition date till year end
Chongqing Lafarge Shui On Cantian Cement Co., Ltd.	Apr 1, 2018	253,300,000	100%	Cash at bank	Apr 1, 2018	Control turnover	172,835,586	82,226,606

(2) Cost of combination and goodwill

Cost of combination- Cash at bank	Chongqing Lafarge Shui On Cantian Cement Co., Ltd.	253,300,000
Fair value of acquirer's previously held equity interest in acquiree at acquisition date		-
Total: Cost of combination		253,300,000
Less: Fair value of acquiree's identifiable net assets at acquisition date		257,789,836
Goodwill		<u>-4,489,836</u>

(3) Acquiree's assets and liabilities at acquisition date

	Chongqing Lafarge Shui On Cantian Cement Co., Ltd.	
	Fair value at acquisition date	Book value at acquisition date
Assets:	684,486,007	1,176,940,402
Cash at bank and in hand	79,599,708	79,599,708
Notes receivable	28,326,416	28,326,416
Accounts receivable	11,761,089	11,761,089
Advances to suppliers	15,964,742	15,964,742
Other receivables	10,947,096	10,947,096
Inventories	22,773,219	22,773,219
Fixed assets	352,695,271	642,349,471
Construction in progress	1,016,629	1,486,149
Intangible assets	161,401,837	363,732,512
Liabilities:	426,696,172	457,593,225
Short-term borrowings	214,641,246	214,641,246
Accounts payable	142,611,374	142,611,374
Advances from customers	21,449,502	21,449,502
Employee benefits payable	2,247,375	2,247,375
Taxes payable	11,413,176	11,413,176
Interests payable	4,473,707	4,473,707
Other payables	17,221,932	17,221,932
Provisions	2,516,095	2,516,095
Deferred tax liabilities	10,121,765	4,669,344
Deferred income	-	36,349,474
Net assets	257,789,835	719,347,177
Less: minority interests	-	-
Net assets obtained	257,789,835	719,347,177

The Group applied valuation techniques to determine the fair value of asset acquired and liabilities assumed. The valuation method of major asset and key assumptions are as below:

The valuation method of fixed asset is replacement cost method: the asset's fair value will be its replacement cost at the moment deducting all other loss of value, the basic calculation formula equals to replacement full price multiply by the residual ratio;

Intangible assets mainly include land use rights and mining rights. Fair value of land use rights is determined by using benchmark land price method. To determine the prices of land use rights, the benchmark land price set by local governments is adjusted by considering land usage period, regional factors, company specific factors and marketable factors. Fair value of mining rights is determined by discount cash flow method. To determine the present value of future cash flow, management estimated the selling price and exploitation cost of mining resources, operating expenses and applicable discount rate of the forecast period.

2. Business combination under the same control

Applicable Not applicable

3. Changing scope of consolidation for other reasons

Applicable Not applicable

IX. Equity interests in other entities

1. Equity interests in subsidiaries

(1) Components of the Group

Significant subsidiaries	Place of business	Place of registration	Principal activities	% of ownership interest		Acquisition mode
				Directly	Indirectly	
Huaxin Cement (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sale of cement	100		Set up/Invest
Huaxin Cement (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sale of cement	100		Set up/Invest
Huaxin Cement (Chibi) Co., Ltd.	Chibi	Chibi	Production and sale of cement	100		Set up/Invest
Huaxin Cement (Nantong) Co., Ltd.	Nantong	Nantong	Production and sale of cement	85		Set up/Invest
Huaxin Cement (Macheng) Co., Ltd.	Macheng	Macheng	Production and sale of cement	100		Set up/Invest
Wuhan Wugang Huaxin Cement Co., Ltd. (Note (i))	Wuhan	Wuhan	Production and sale of cement and scoria	50		Set up/Invest
Huaxin Cement (Xiangyang) Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	100		Set up/Invest
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	Xiangyang	Xiangyang	Production and sale of cement	100		Set up/Invest
Huaxin Cement (Henan Xinyang) Co., Ltd.	Xinyang	Xinyang	Production and sale of cement	100		Set up/Invest
Huaxin Cement (Yichang) Co., Ltd.	Yichang	Yichang	Production and sale of cement	100		Set up/Invest
Huaxin Cement (Enshi) Co., Ltd.	Enshi	Enshi	Production and sale of cement	67	33	Set up/Invest
Huaxin Cement (Zigui) Co., Ltd.	Zigui	Zigui	Production and sale of cement	100		Set up/Invest
Huaxin Cement (Sangzhi) Co., Ltd.	Zhangjiajie	Zhangjiajie	Production and sale of cement	80		Set up/Invest
Huaxin Cement (Zhuzhou) Co., Ltd.	Zhuzhou	Zhuzhou	Production and sale of cement	100		Set up/Invest
Huaxin Cement (Chenzhou) Co., Ltd.	Chenzhou	Chenzhou	Production and sale of cement	100		Set up/Invest
Huaxin Cement (Daoxian) Co., Ltd.	Daoxian	Daoxian	Production and sale of cement	100		Set up/Invest
Hunan Huaxin Xianggang Cement Co., Ltd.	Xiangtan	Xiangtan	Production and sale of cement	60		Set up/Invest
	Leng	Leng		90		
Huaxin Cement (Lengshuijiang) Co., Ltd.	shuijiang	shuijiang	Production and sale of cement			Set up/Invest
Huaxin Cement (Quxian) Co., Ltd.	Quxian	Quxian	Production and sale of cement	100		Set up/Invest
Huaxin Cement (Wanyuan) Co., Ltd.	Wanyuan	Wanyuan	Production and sale of cement	100		Set up/Invest
Huaxin Cement Chongqing Fuling Co., Ltd.	Fuling	Fuling	Production and sale of cement	100		Set up/Invest
Huaxin Cement (Zhaotong) Co., Ltd.	Zhaotong	Zhaotong	Production and sale of cement	60	40	Set up/Invest
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	Kunming	Kunming	Production and sale of cement	100		Set up/Invest
Huaxin Cement (Tibet) Co., Ltd.	Tibet	Tibet	Production and sale of cement	79		Set up/Invest
Hunan Huaxiang Environmental Protection Industry Development Co., Ltd.	Xiangtan	Xiangtan	Production and sale of mineral powder	0	60	Set up/Invest
Huaxin Aggregate (Yangxin) Co., Ltd.	Yangxin	Yangxin	Production and sale of aggregate		100	Set up/Invest
Huaxin Aggregate (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sale of aggregate		100	Set up/Invest
Huaxin Cement (Huangshi) Equipment Manufacturing Co., Ltd.	Huangshi	Huangshi	Manufacturing, maintenance and installation of mechanical & electrical tools			Set up/Invest
Huaxin Cement Technology Management (Wuhan) Co., Ltd.	Wuhan	Wuhan	R&D and consulting service	100		Set up/Invest
Huaxin (Hong Kong) International Holdings Limited	Hongkong	Hongkong	Investment in construction materials	100		Set up/Invest

			engineering and designing of cement project			
Huaxin Environment Engineering Co., Ltd.	Wuhan	Wuhan	Production and sale of cement additives and tune coagulant	100		Set up/Invest
Huaxin Environment Engineering (Wuxue) Co., Ltd.	Wuxue	Wuxue	Production and sale of cement additives and tune coagulant		100	Set up/Invest
Huaxin Equipment Engineering Co., Ltd.	Wuhan	Wuhan	Manufacturing, maintenance and installation of mechanical & electrical tools	100		Set up/Invest
Huaxin Hongkong (Zhongya) Investment Co., Ltd. (Note (ii))	Hongkong	Hongkong	Investment in construction materials engineering and designing of cement project		51	Set up/Invest
Huaxin Gayur Cement LLC (Note (ii))	Tajikistan	Tajikistan	Production and sale of cement		38.25	Set up/Invest
Huaxin Gayur (Sogd) Cement LLC (Note (ii))	Tajikistan	Tajikistan	Production and sale of cement		36.34	Set up/Invest
Huaxin Concrete Jingmen Co., Ltd.	Jingmen	Jingmen	Production and sale of concrete		100	Business combination
Huaxin Cement (Changyang) Co., Ltd.	Chang yang	Chang yang	Production and sale of cement		51	Business combination
Huaxin Cement (Hefeng) National Materials Co., Ltd.	Hefeng	Hefeng	Production and sale of cement		69	Business combination
Huaxin Cement (Diqing) Co., Ltd.	Diqing	Diqing	Production and sale of cement		51	Business combination
Huaxin Hongta Cement (Jinghong) Co., Ltd.	Jinghong	Jinghong	Production and sale of cement		70	Business combination
Huaxin Cement (Fangxian) Co., Ltd.	Fangxian	Fangxian	Production and sale of cement		80	Business combination
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	Yunxian	Yunxian	Production and sale of cement		65.07	Business combination
Huaxin Cement (Enping) Co., Ltd.	Enping	Enping	Production and sale of cement		70	Business combination
Huaxin Cement (Daye) Co., Ltd.	Daye	Daye	Production and sale of cement		70	Business combination
Huaxin Cement (E'zhou) Co., Ltd.	E'zhou	E'zhou	Production and sale of cement		68	Business combination
Cambodian Cement Chakrey Ting Factory Co., Ltd.	Cambodia	Cambodia	Production and sale of cement			Business combination
Yunnan Huaxin Building Materials Investment Co., Ltd.	Kunming	Kunming	Investment in construction materials engineering and designing of cement project	100		Business combination
SOMMERSET INVESTMENTS LIMITED	Mauritius	Mauritius	Investment in construction materials engineering and designing of cement project		100	Business combination
Chongqing Huaxin Diwei Cement Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	97.27		Business combination
Chongqing Huaxin Yanjing Cement Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	80		Business combination

Huaxin Cement (Fumin) Co., Ltd.	Fumin	Fumin	Production and sale of concrete	100	Business combination
Yunan Huaxin Dongjun Cement Co., Ltd.	Kunming	Kunming	Production and sale of concrete	100	Business combination
Huaxin Cement (Lijiang) Co., Ltd.	Lijiang	Lijiang	Production and sale of concrete	100	Business combination
Huaxin Cement (Honghe) Co., Ltd.	Honghe	Honghe	Production and sale of concrete	100	Business combination
Huaxin Cement (Jianchuan) Co., Ltd.	Jianchuan	Jianchuan	Production and sale of concrete	100	Business combination
Huaxin Cement (Yunlong) Co., Ltd.	Dali	Dali	Production and sale of concrete	100	Business combination
Huaxin Cement (Lincang) Co., Ltd.	Lincang	Lincang	Production and sale of concrete	100	Business combination
Huaxin Guizhou Dingxiao Special Cement Co., Ltd.	Dingxiao	Dingxiao	Production and sale of concrete	70	Business combination
Guizhou Shuicheng Shui On Cement Co., Ltd.	Liupanshui	Liupanshui	Production and sale of concrete		Business combination
Chongqing Lafarge Shui On Cantian Cement Co., Ltd.	Chongqing	Chongqing	Production and sale of cement	100	Business combination

(i) Wuhan Wugang Huaxin Cement Co., Ltd. is included in the scope of consolidation since the Company has the right to govern the financial and operating policies.

(ii) Huaxin Gayur Cement LLC and Huaxin Gayur (Sogd) Cement LLC, subsidiaries of the Group in Tajikistan, should comply with local foreign exchange management policy. According to the local policy, Huaxin Gayur Cement Limited Liability Company and Huaxin Gayur (Sogd) Cement Limited Liability Company should obtain the approval from local administration of foreign exchange for paying cash dividends out of Tajikistan.

The Group effectively holds 51% equity interest of Huaxin Hongkong (Central Asia) Investment Limited, Huaxin Hongkong (Central Asia) Investment Limited effectively holds 75% and 48% equity interest of Huaxin Gayur Cement LLC and its subsidiary Huaxin Gayur (Sogd) Cement LLC respectively. Hence the Group effectively holds their equity interest with the proportion of 38.25% and 36.34% respectively. The approval mechanism of the board of directors of Huaxin Gayur Cement LLC and Huaxin Gayur (Sogd) Cement LLC are simple majority, the Group is eligible to assign three out of the four directors and thus holds 75% voting right. Hence, the Group obtains control of Huaxin Gayur Cement LLC and Huaxin Gayur (Sogd) Cement LLC.

(2) Subsidiaries with significant minority interests

Subsidiaries	% of minority shareholders' equity interest	Profits or losses attributable to the minority shareholders in the current period	Dividends to minority shareholders in the current period	Minority interest of 30 June 2018
Huaxin Gayur Cement Limited Liability Company	61.75%	40,830,777	-	321,936,647
Cambodia Cement Charkrey Ting Factory Co., Ltd	32%	17,876,773	-	186,745,631
Huaxin Hongta Cement (Jinghong) Co., Ltd.	49%	31,867,276	-	172,175,407
Huaxin Cement (Daye) Co., Ltd..	30%	13,197,106	-	144,262,592
Huaxin Cement(Tibet) Co., Ltd.	21%	16,047,339	42,000,000	136,293,254
Hunan Huaxin Xianggang Cement Co., Ltd.	40%	6,933,704	12,000,000	122,635,458
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	20%	6,057,998	12,000,000	71,256,036

(3) Main financial information of the above significant subsidiaries is as follows:

	30 June 2018					
	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
Huaxin Gayur Cement Limited Liability Company	237,544,704	1,068,091,737	1,305,636,441	783,129,249	370,984,436	1,154,113,685
Cambodia Cement Charkrey Ting Factory Co., Ltd	126,607,398	680,283,082	806,890,480	111,721,586	102,708,026	214,429,612
Huaxin Hongta Cement (Jinghong) Co., Ltd.	93,085,859	346,244,932	439,330,791	75,716,745	7,911,224	83,627,969
Huaxin Cement (Daye) Co., Ltd..	290,154,319	437,035,273	727,189,592	222,472,333	23,841,954	246,314,287
Huaxin Cement(Tibet) Co., Ltd.	358,709,328	742,564,202	1,101,273,530	483,776,759	6,600,889	490,377,648
Hunan Huaxin Xianggang Cement Co., Ltd.	64,604,318	295,992,356	360,596,674	52,191,963	1,816,066	54,008,029
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	200,348,873	261,425,165	461,774,038	93,453,817	12,040,039	105,493,856

	Jan-Jun 2018			
	Sales	Net profit	Total comprehensive income	Net cash flows from operating activities
Huaxin Gayur Cement Limited Liability Company	319,717,774	66,129,852	64,707,095	180,422,389
Cambodia Cement Charkrey Ting Factory Co., Ltd	260,016,119	55,864,917	64,745,688	99,980,886
Huaxin Hongta Cement (Jinghong) Co., Ltd.	229,829,310	65,035,256	65,035,256	58,899,861
Huaxin Cement (Daye) Co., Ltd..	311,826,598	43,990,353	43,990,353	16,558,487
Huaxin Cement(Tibet) Co., Ltd.	372,316,923	75,734,399	75,734,399	162,847,491
Hunan Huaxin Xianggang Cement Co., Ltd.	169,099,033	17,334,261	17,334,261	34,464,340
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	209,616,479	30,289,990	30,289,990	57,805,432

31 December 2017						
	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
Huaxin Gayur Cement Limited Liability Company	169,987,325	1,126,508,624	1,296,495,949	781,841,279	427,839,009	1,209,680,288
Cambodia Cement Charkrey Ting Factory Co., Ltd	97,932,249	702,451,875	800,384,124	171,258,920	101,410,024	272,668,944
Huaxin Hongta Cement (Jinghong) Co., Ltd.	98,441,970	358,587,092	457,029,062	158,160,049	8,201,447	166,361,496
Huaxin Cement (Daye) Co., Ltd.	248,426,358	461,555,572	709,981,930	248,310,323	24,786,655	273,096,978
Huaxin Cement(Tibet) Co., Ltd.	521,966,039	495,129,079	1,017,095,118	275,232,746	6,700,889	281,933,635
Hunan Huaxin Xianggang Cement Co., Ltd.	187,206,403	307,723,189	494,929,592	173,859,142	1,816,066	175,675,208
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	280,972,797	286,412,235	567,385,032	166,641,756	14,753,084	181,394,840

2017				
	Sales	Net profit	Total comprehensive income	Net cash flows from operating activities
Huaxin Gayur Cement Limited Liability Company	261,329,825	-82,875,234	-110,066,902	98,263,993
Cambodia Cement Charkrey Ting Factory Co., Ltd	248,353,907	47,081,886	35,623,743	109,841,370
Huaxin Hongta Cement (Jinghong) Co., Ltd.	196,011,954	36,819,748	36,819,748	59,558,179
Huaxin Cement (Daye) Co., Ltd.	257,241,709	5,892,813	5,892,813	27,475,064
Huaxin Cement(Tibet) Co., Ltd.	386,396,960	129,890,737	129,890,737	139,442,434
Hunan Huaxin Xianggang Cement Co., Ltd.	105,561,866	2,416,993	2,416,993	8,010,294
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	199,826,356	18,436,879	18,436,879	24,267,734

2. Transactions that changes in the share of the owner's equity in the subsidiaries but still control the subsidiary

Applicable Not applicable

3. Equity interests in associates and joint ventures

(1) Basic information of significant associates and joint ventures

	Place of business	Place of registration	Principal activities	Accounting method for associates and joint ventures	% of ownership interest	
					Directly	Indirectly
Associates –						
Tibet High-Tech Building Materials Co., Ltd.	Tibet	Tibet	Production and sale of cement	Equity method	43.00%	0%
Shanghai Wan'an Huaxin Cement Co., Ltd.	Shanghai	Shanghai	Production and sale of cement	Equity method	49.00%	0%

(2) Major financial information of significant joint ventures

Applicable Not applicable

(3) Main financial information of significant associates

	30 June 2018		31 December 2017	
	Tibet High-Tech Building Materials Co., Ltd.	Shanghai Wanan Huaxin Cement Co., Ltd.	Tibet High-Tech Building Materials Co., Ltd.	Shanghai Wanan Huaxin Cement Co., Ltd.
Current assets	444,730,408	234,379,350	575,270,193	235,412,395
Non-current assets	735,764,224	105,327,786	508,010,659	106,500,021
Total assets	1,180,494,632	339,707,136	1,083,280,852	341,912,416
Current liabilities	272,270,767	6,973,624	267,089,290	7,621,081
Non-current liabilities	76,377,310	1,948,122	96,349,367	2,415,922
Total liabilities	348,648,077	8,921,746	363,438,657	10,037,003
Minority interests	110,589,150	-	93,158,557	-
Equity interest attributable to the shareholders of the Company	721,257,405	330,785,390	626,683,638	331,875,413
	310,140,684	162,084,841	269,473,964	162,618,952
Net assets based on the share proportion				
Book values of equity investment in associates	310,140,684	162,084,841	269,473,964	162,618,952
	Jan-Jun 2018		2017	
	Tibet High-Tech Building Materials Co., Ltd.	Shanghai Wanan Huaxin Cement Co., Ltd.	Tibet High-Tech Building Materials Co., Ltd.	Shanghai Wanan Huaxin Cement Co., Ltd.
Sales	334,970,973	11,485,496	407,126,305	5,103,454
Net profit/(loss)	112,004,360	-1,090,023	164,383,815	-3,923,702
Other comprehensive income	-	-	-	-
Total comprehensive income	112,004,360	-1,090,023	164,383,815	-3,923,702
Dividends from associates in the current period	-	-	-	-

(4) Summarised information of non-significant joint ventures and associates

	Current period	Last period
Associates:		
Investment book values	2,337,645	2,910,515
Total amounts calculated based on share proportion are as follows:		
Net loss/ Net profit	-572,870	192,115
Total comprehensive income	-572,870	192,115

X. Financial risk

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

1. Market risk

(a) Foreign exchange risk

The Group's major operation is carried out in Mainland China and majority of its transactions are denominated in RMB. Huaxin Gayur Cement Co., Ltd. and Huaxin Gayur (Sogd) Cement Co., Ltd., two of the Group's subsidiaries, operate in Tajikistan and their transactions are mainly through Somoni. Cambodian Cement Chakrey Ting Factory Co., Ltd., one of the Group's subsidiaries, operate in Cambodia and its transactions are mainly through USD. The Group is exposed to foreign exchange risk arising from assets and liabilities nominated in foreign currencies, primarily in USD. Headquarter of financial department is responsible for monitoring foreign currency transactions and the scale of foreign currency assets and liabilities of the Group, to reduce the foreign exchange risk. In current period and 2017, the Group did not use any forward contracts or hedging instruments to mitigate the foreign exchange risk.

As at 30 June 2018 and 31 December 2017, the functional currency value of financial assets and liabilities in foreign currency of the Group has been listed as follow:

	30 June 2018		
	USD	Other	Total
Financial assets denominated in foreign currency -			
Cash at bank and in hand	195,969,193	1,013,712	196,982,905
	<u>195,969,193</u>	<u>1,013,712</u>	<u>196,982,905</u>
Financial liabilities denominated in foreign currency -			
Accounts payable	38,265,643	-	38,265,643
Other payables	-	14,358,279	14,358,279
Current portion of long-term borrowings	299,751,250	1,376,180	301,127,430
Long-term borrowings	412,761,844	2,752,360	415,514,204
Interest payables	1,709,792	-	1,709,792
	<u>752,488,529</u>	<u>18,486,819</u>	<u>770,975,349</u>

	31 December 2017		
	USD	Other	Total
Financial assets denominated in foreign currency -			
Cash at bank and in hand	298,683,494	2,365,531	301,049,025
	<u>298,683,494</u>	<u>2,365,531</u>	<u>301,049,025</u>
Financial liabilities denominated in foreign currency -			
Accounts payable	67,240,515	-	67,240,515
Other payables	-	14,235,831	14,235,831
Current portion of long-term borrowings	127,096,041	1,404,173	128,500,214
Long-term borrowings	637,864,060	3,510,431	641,374,491
Interest payables	920,766	-	920,766
	<u>833,121,382</u>	<u>19,150,435</u>	<u>852,271,817</u>

As at 30 June 2018, the Group held various financial assets and liabilities denominated in USD and Somoni. If RMB had strengthened or weakened by 10% against USD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB15,731,507 higher or lower (31 December 2017: approximately RMB5,590,955 higher or lower). If Somoni had strengthened or weakened by 10% against USD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB26,007,443 higher or lower (31 December 2017: approximately RMB40,010,589 higher or lower).

(b) Interest rate risk

The Group's interest rate risk mainly arises from long-term interest bearing borrowings including long-term borrowings and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts according to the prevailing market conditions. As at 30 June 2018, the Group's interest bearing RMB-denominated and USD-denominated borrowings with floating rates, amounted to RMB2,905,586,129 (31 December 2017: RMB4,055,448,690)(Note VII(28)).

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During the first half of 2018 and 2017, the Group did not enter into any interest rate swap agreements.

As at 30 June 2018, if interest rates on the floating rate borrowings increased or decreased 50BP while all other variables had been held constant, the Group's interest expenditure would have increased or decreased by approximately RMB14,527,931 (31 December 2017: approximately RMB20,277,243).

2. Credit risk

Credit risk is managed on a Group basis. Credit risk mainly arises from cash at bank and

cash in hand, accounts receivable, other receivables, notes receivable, etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, availability of guarantee from third parties, their credit history and other factors such as current market conditions. The Group regularly monitors the credit history of the customers. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is within a controllable extent.

3. Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2018				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	849,196,244	-	-	-	849,196,244
Accounts payable	3,790,385,073	-	-	-	3,790,385,073
Dividends payable	317,731,452	-	-	-	317,731,452
Other payables	734,854,253	-	-	-	734,854,253
Long-term borrowings	1,949,585,725	1,634,093,671	1,288,538,059	279,899,777	5,152,117,232
Debentures payable	1,172,602,222	1,181,096,389	1,262,320,554	-	3,616,019,165
Long-term payables	36,033,357	96,351,047	-	-	132,384,404
	<u>8,850,388,326</u>	<u>2,911,541,107</u>	<u>2,550,858,613</u>	<u>279,899,777</u>	<u>14,592,687,823</u>
	31 December 2017				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	1,168,191,923	-	-	-	1,168,191,923
Accounts payable	4,139,575,215	-	-	-	4,139,575,215
Notes payable	14,450,000	-	-	-	14,450,000
Interest payable	113,171,188	-	-	-	113,171,188
Dividends payable	174,309,238	-	-	-	174,309,238
Other payables	622,919,230	-	-	-	622,919,230
Long-term borrowings	921,869,742	2,207,555,367	1,754,532,754	393,260,589	5,277,218,452
Debentures payable	1,118,073,790	2,234,340,822	1,289,463,099	-	4,641,877,711
Long-term payables	182,834,591	114,052,617	-	-	296,887,208
	<u>8,455,394,917</u>	<u>4,555,948,806</u>	<u>3,043,995,853</u>	<u>393,260,589</u>	<u>16,448,600,165</u>

At the balance sheet date, the maximum guaranteed amount of the Group presented by

the earliest date for repayment as below:

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
30 June 2018	40,000,000	40,000,000	35,000,000	-	115,000,000
31 December 2017	5,000,000	40,000,000	85,000,000	-	130,000,000

XI. Fair value

1. Financial instruments measured at fair value

Items	Level 1	Level 2	Level 3	Total
Ongoing fair value				
(I) Financial assets at fair value through profit or loss	508,827			508,827
1. Financial assets held for trading	508,827			508,827
(1) Liability instruments investment				
(2) Equity instruments investment	508,827			508,827
(3) Others				
(II) Available-for-sale financial assets	31,649,920		21,055,500	52,705,420
(1) Liability instruments investment			21,055,500	21,055,500
(2) Equity instruments investment	31,649,920			31,649,920
(3) Others				
Total	32,158,747		21,055,500	53,214,247

2. Market price determination basis for the continuous and non-continuous first-level of fair value measurement items

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market.

3. Valuation techniques and qualitative and quantitative information of important parameters for the continuous and non-continuous second-level fair value measurement items

Applicable Inapplicable

4. Valuation techniques and qualitative and quantitative information of important parameters for the continuous and non-continuous third-level fair value measurement items

	Fair Value at 30 June 2018, and 31 December 2017	Valuation technique	Input			
			Item	Range	Relation with fair value	Observable/unobservable
Financial assets - Available-for-sale debt instruments	21,055,500	Discounted cash flow	Interest rate	0%-18%	Negative	Unobservable

5. Financial instrument of level 3 measured at fair value

As at 30 June 2018, the available-for-sale financial assets amounted to RMB11,724,666 (31 December 2017: RMB11,724,666) has no quoted price in the active market and the fair values cannot be measured reliably. The available-for-sale financial assets are measured at historical cost.

Financial assets and liabilities measured at amortized cost mainly represent receivables, short-term borrowings, payables, long-term borrowing, debentures payable and long-term payables.

The carrying amount of the financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

XII. Related party relationships and significant related party transactions

1. Major shareholders of the Company

	Registered address	Principal business	Registered Capital	Shareholding of the Company (%)	Voting rights (%)
Holchin B.V.	Amsterdam, Holland	Investment holdings	100,000 Euro	41.84%	41.84%
Huaxin Group Co., Ltd. (including shares held by the State)	Huangshi City, the PRC	Production and sales of cement, related machinery and spare parts, real estate development, trading and rendering of service etc.	340,000,000 Yuan	15.79%	15.79%

2. Subsidiaries of the Company

The general background and other related information of the subsidiaries are set out in Note IX(1).

3. Associates and joint ventures

The general background and other related information of Associates and joint ventures are set out in Note IX(2).

4. Other related parties

	Relationship with the Group
LafargeHolcim Ltd.	Ultimate holding company of Holchin B.V.
LafargeHolcim Energy Solutions S.A.S.	Controlled by Lafarge Holcim Ltd.
Holcim Technology Ltd.	Controlled by Lafarge Holcim Ltd.
Holcim Philippines, Inc.	Controlled by Lafarge Holcim Ltd.
Prime Allied Ltd.	Controlled by Lafarge Holcim Ltd.
TH Industry II Ltd.	Controlled by Lafarge Holcim Ltd.
LAFARGE ASIA SDN BHD	Controlled by Lafarge Holcim Ltd.
Lafarge ciments distribution	Controlled by Lafarge Holcim Ltd.
Lafarge Holcim Construction Material (China) Co., Ltd.	Controlled by Lafarge Holcim Ltd.
Lafarge Holcim (Beijing) Technology Service Co., Ltd.	Controlled by Lafarge Holcim Ltd.
Chongqing Lafarge Cement Co., Ltd.	Controlled by Lafarge Holcim Ltd.
Lafarge China Cement Co., Ltd.	Controlled by Lafarge Holcim Ltd.
Tibet Shigatse High-tech Xuelian Cement Co.,Ltd.	Controlled by a joint venture, Tibet High-Tech building materials Co., Ltd.
Hubei Huaxin Real Estate Co., Ltd.	Controlled by Huaxin Group Co., Ltd.

5. Related party transactions

(1) Sales/Purchase of goods and services provided/ received

Purchase of goods/services received

Related party	Nature of transaction	Current period	Prior period
Holcim Technology Ltd	Accepting labor services	1,100,000 USD	-
LafargeHolcim Energy Solutions S.A.S.	Fuel procurement	10,304,888 USD	-
Lafarge ciments distribution	Raw materials procurement	1,474,027	-
Huaxin Group Co., Ltd.	Accepting labor services	3,113,208	3,113,208
LafargeHolcim Building Materials (China) Co., Ltd.	Accepting labor services	623,415	397,774

Sales of goods/services provided

Related party	Nature of transaction	Current period	Prior period
Tibet Shigatse High-tech Xuelian Cement Co., Ltd.	Sales of goods	1,514,448	1,137,359

Description on related party transactions of purchase and sale of goods, providing and acceptance of labour services

Applicable Not applicable

(2) Related leases

The company as a lessor:

Applicable Not applicable

The company as a lessee:

Lessor name	Type of leased assets	Current period	Last period
Hubei Huaxin Real Estate Co., Ltd.	Office building	5,678,829	-

Related lease description

Applicable Not applicable

(3) Other related party transactions

Related party	Nature of transaction	Current period	Last period
Lafarge China Cement Limited Prime Allied Ltd TH Industry II Ltd	Equity transaction	-	1,375,000,000
Lafarge China Cement Limited	Equity transaction	253,300,000	-

6. Receivables from and payables to related parties

(1) Receivables

Item	Related parties	30 June 2018	31 December 2017
Accounts receivable	Shanghai Wanan Huaxin Cement Co., Ltd.	7,429,916	7,429,916
Accounts receivable	Tibet Shigatse High-tech Xuelian Cement Co., Ltd	2,276,817	2,109,286
Accounts receivable	Chongqing Lafarge Shui On	-	10,139,316

Accounts receivable	Cantian Cement Co., Ltd. Holcim Philippines, Inc.	-	5,974,440
Prepayment	LafargeHolcim Energy Solutions S.A.S.	35,183,580	-
Other receivables	Lafarge China Cement Limited	4,875,318	18,907,764

(2) Payables

Item	Related parties	30 June 2018	31 December 2017
Accounts payable	Huaxin Group Co., Ltd.	550,000	550,000
Accounts payable	Lafarge Asia SDN BHD	1,455,334	1,181,666
Accounts payable	LafargeHolcim Energy Solutions S.A.S.	-	33,639,368
Accounts payable	Holcim Technology Ltd.	-	7,187,620
Other payables	Lafarge China Cement Limited	-	5,810,894
Other payables	LAFARGE ASIA SDN BHD	1,455,334	-
Other payables	Chongqing Lafarge Cement Co., Ltd.	8,667,306	-
Dividends payables	Holchin B.V.	119,271,837	29,005,197

7. Commitments in relation to related parties

The commitments in relation to related parties contracted for at the balance sheet date but not recognised in the balance sheet are analysed as follows:

	Currency	30 June 2018	31 December 2017
-Guarantee commitments			
Tibet Shigatse High-tech Xuelian Cement Co., Ltd. (Note (a))	RMB	115,000,000	130,000,000

(a) Huaxin Cement (Tibet) Co., Ltd. ("Huaxin Tibet"), the partially owned subsidiary of the Group (79% of ownership), and the Bank of China Shigatse Branch ("BOC Shigatse Branch") have entered into a guarantee contract on 31 August 2013 in relation to a loan of RMB200,000,000 that BOC Shigatse Branch granted to Tibet Shigatse High-Tech Snow Lotus Cement Co., Ltd. ("High-Tech Snow Lotus", the subsidiary of a joint venture of the Group). The loan is specifically for financing a construction project of High-Tech Snow Lotus. Huaxin Tibet provides full guarantee to the loan during the period of production line construction in High-Tech Snow Lotus. And High-tech Snow Lotus provides back up guarantees to Huaxin Tibet with all its assets. High-tech Snow Lotus drew down the loan of RMB200,000,000 in February 2014. As at 30 June 2018, the balance Huaxin Tibet's guarantee commitment is RMB 115,000,000. The guarantee commitment of the Group based on share proportion is RMB90,850,000.

XIII. Commitments and Contingencies

1. Significant Commitments

(1) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in balance sheet are analysed as follows:

	30 June 2018	31 December 2017
Buildings, machinery and equipment	708,258,711	189,402,688

2. Contingencies

(1) Significant contingencies at the balance sheet date

(a) In August 2012, Hubei Guoxin Real Estate Co., Ltd. (the "Guoxin") filed a lawsuit against Huaxin Cement (Wuhan) Co., Ltd., a subsidiary of the Company, and pursued a compensation amounting to RMB36,381,674 due to the low quality of concrete provided by Huaxin Cement (Wuhan) Co., Ltd. Up to 31 December 2015, two hearings were conducted. Both parties raised appeals in September 2016. On 21 December 2016, Hubei Higher People's Court ruled that first trial was not well argued and thus the previous trial was to be judged and ruled again. In April 2017, the first trial was reopened, and in January 2018, the second trial was reopened. In March 2018, the other party changed the litigation request and required Wuhan Concrete to compensate for the economic loss in accordance with the infringement damages. In May 2018, Wuhan Intermediate People's Court reopened the third trial, which has not yet been decided. Based on the status and lawyer's advice, Management is of the view that the result cannot be reliably estimated at this stage, so no provision was made.

(b) On 9 July 2013, the Company acquired Enping Shide Jinying Building Materials Co., Ltd. ("Enping Jinying", subsequently renamed to Huaxin Cement (Enping) Co., Ltd. ("Huaxin Enping")). On 20 April 2011, Enping Jinying entered a contract with Northern Heavy Industries Group Co., Ltd. ("Northern Heavy") to engage Northern Heavy to carry out a production line technical upgrade project. During the construction period, Enping Jinying and Northern Heavy had disputes on the quality of project and payments of construction fee, resulting in the delay of project progress.

On 21 November 2013, Northern Heavy filed a lawsuit against Huaxin Enping and request Huaxin Enping to settle the outstanding construction fee and related interest totalling RMB253,048,884 and compensation of RMB5,457,926. As at 13 August 2015, Jiangmen Intermediate People's Court judged Huaxin Enping should settle outstanding construction fee and interest of RMB39,109,411 to Northern Heavy, and rejected other claims by Northern Heavy. Northern Heavy did not agree the judgement and has applied for hearing of higher court. On October 31, 2016, Guangdong Provincial Higher People's Court, after hearing, believed that the facts identified in the first instance verdict were unclear, thus ruled to revoke the first instance verdict and sent back to retrial.

In June 2018, Jiangmen Intermediate People's Court issued Civil Judgment ((2017) Guangdong 07 Minchu No. 6), and ordered Enping Company to pay 159,009,574 Yuan project payment, financing interest and management fee of 10,018,021 Yuan to Northern Heavy, rejecting other demands of both parties. Enping Company refused to accept the judgment of the first instance and has filed a lawsuit.

The Group had recognised the construction fee payable base on the optimal estimation. According to the current situation and lawyer's advice, management considered that the result cannot be reliably estimated at this stage, no adjustment of the accrued liability is needed.

XIV. Other Significant events

1. Segment reporting

(1) Basis and accounting policy

Sales, expenses, assets and liabilities of the Group are primarily attributable to manufacturing and sales of cement and related products. No segment information of the Group is presented considering the internal organization and management structure, the system of internal financial reporting to key management personnel, and similar business nature among various subsidiaries in the Group.

(2) Financial information

More than 10% of the Group's consolidated operating results are attributable to the market outside the PRC. The domestic and overseas sales transaction and non-current assets excluding financial assets and deferred tax asset are as follows:

External Sales	Current period	Prior period
China	11,303,336,378	8,864,665,431
Tajikistan	319,717,774	261,329,825
Cambodia	260,016,119	248,353,907
Total	<u>11,883,070,271</u>	<u>9,374,349,163</u>

Non-current assets	30 June 2018	31 December 2017
China	20,254,912,298	19,422,955,803
Tajikistan	1,068,091,737	1,126,508,624
Cambodia	680,283,082	702,451,875
Nepal	38,972,127	-
Total	<u>22,042,259,244</u>	<u>21,251,916,302</u>

2. Leasing

The Group acquired certain fixed assets through finance lease (Note VII (11)), the rent to be paid in the future is as follows:

	30 June 2018	31 December 2017
Within 1 year	36,033,357	182,834,591
Between 1 and 2 years	96,351,047	114,052,617
Between 2 and 3 years	-	-
	<u>132,384,404</u>	<u>296,887,208</u>

As at 30 June 2018, the balance of unrecognized financing charge amounted to RMB 16,288,962 (31 December 2017: RMB 16,168,296) (Note VII(30)).

XV. Notes to the material items in the Company financial statements

1. Accounts receivable

	30 June 2018	30 December 2017
Accounts receivable	372,086,152	351,140,658
Less: bad debt provision	-8,156,643	-9,117,390
	<u>363,929,509</u>	<u>342,023,268</u>

(1) The ageing of accounts receivable is analyzed below:

	30 June 2018	31 December 2017
Within 1 year	199,508,664	190,511,116
Between 1 and 2 years	36,273,205	136,228,981
Between 2 and 3 years	127,109,657	15,372,958
Over 3 years	9,194,626	9,027,603
	<u>372,086,152</u>	<u>351,140,658</u>

(2) Accounts receivable classified by different creditability grouping:

Type	30 June 2018					31 December 2017				
	Carrying amount		Bad debt provisions		Book value	Carrying amount		Bad debt provisions		Book value
	Amount	%	Bad debt provision	% of provision		Amount	%	Bad debt provision	% of provision	
Debtors with significant balance	-	-	-	-	-	-	-	-	-	-
Debtors grouped by credit risk	360,162,000	97	637,446	-	359,524,554	339,924,411	97	1,912,186	1	338,012,225
Group 1	345,607,074	93	-	-	345,607,074	318,921,350	91	-	-	318,921,350
Group 2	14,554,926	4	637,446	4	13,917,480	21,003,061	6	1,912,186	9	19,090,875
Others with insignificant balance but assessed individually	11,924,152	3	7,519,197	63	4,404,955	11,216,247	3	7,205,204	64	4,011,043
Total	372,086,152	/	8,156,643	/	363,929,509	351,140,658	/	9,117,390	/	342,023,268

As at 30 June 2018, accounts receivable that are individually significant and the related provision for bad debts is provided on the individual basis

Applicable Inapplicable

The group of accounts receivable of which bad debt provision is assessed basing on ageing analysis is as following:

	30 June 2018			31 December 2017		
	Carrying amount	Bad debt provision		Carrying amount	Bad debt provision	
	Amount	Amount	% of provision	Amount	Amount	% of provision
Within 1 year	9,372,534	-	-	10,150,284	-	-
Between 1 and 2 years	4,093,236	409,324	10%	4,287,877	428,787	10%
Between 2 and 3 years	1,037,702	207,540	20%	5,712,809	1,142,562	20%
Over 3 years	51,454	20,582	40%	852,091	340,837	40%
	<u>14,554,926</u>	<u>637,446</u>	<u>4%</u>	<u>21,003,061</u>	<u>1,912,186</u>	<u>9%</u>

(3) Provision of bad debt made in the current year amounted to RMB20,582. The provision collected or reversed in the current year was RMB981,328.

No material provision was reversed for individual account in the current period.

(4) No material individual balance was written-off in the current period.

(5) As at 30 June 2018, amounts due from top five debtor analysis are as below:

	Amount	Bad debt provision	% of total balance
Total amounts due from top five account	257,044,114	-	69%

(6) Accounts receivable that have been derecognized as a result of the transfer of financial assets:

Applicable Inapplicable

(7) Transfer of accounts receivable and continue to be involved in the formation of assets and liabilities:

Applicable Inapplicable

2. Other receivables

(1) Other receivables are categorized as follows:

Type	30 June 2018					31 December 2017				
	Carrying amount		Bad debt provisions		Book value	Carrying amount		Bad debt provisions		Book value
	Amount	%	Bad debt provision	% of provision		Amount	%	Bad debt provision	% of provision	
Debtors with significant balance	146,739,573	2	44,383,694	30	102,355,879	146,883,682	3	44,383,694	27	102,499,988
Debtors grouped by credit risk	5,920,468,323	98	4,000	-	5,920,464,323	5,306,391,625	97	253,266	-	5,306,138,359
Group 3	5,920,428,323	98	-	-	5,920,428,323	5,305,660,892	97	-	-	5,305,660,892
Group 4	40,000	-	4,000	10	36,000	730,733	-	253,266	26	477,467
Others with insignificant balance but assessed individually	2,538,133	-	2,478,133	98	60,000	2,595,092	-	2,281,827	97	313,265
Total	6,069,746,029	/	46,865,827	/	6,022,880,202	5,455,870,399	/	46,918,787	/	5,408,951,612

As at 30 June 2018, other receivables that are individually significant and the related provision for bad debt is provided on the individual basis are analyzed as below:

Other receivables	30 June 2017			
	Amount	Bad debt provision	% of provision	Reason for provision
Huaxin Cement (Wuhan) Co., Ltd.	146,739,573	44,383,694	30%	As Huaxin Cement (Wuhan) Co., Ltd. operates at a loss, the Company assessed Huaxin Cement (Wuhan) Co., Ltd.'s future profitability and recognised provision for bad debt of its other receivables.
Total	146,739,573	44,383,694	/	/

Other receivables that bad debt provision prepared by ageing is analyzed as follows:

	30 June 2018			31 December 2017		
	Carrying Amount	Bad Debt Provision		Carrying Amount	Bad Debt Provision	
	Amount	Amount	% of provision	Amount	Amount	% of provision
Within 1 year	-	-	-	74,021	-	-
Between 1 and 2 years	40,000	4,000	10%	31,393	3,139	10
Between 2 and 3 years	-	-	-	-	-	-
Over 3 years	-	-	-	625,319	250,127	40
	<u>40,000</u>	<u>4,000</u>	<u>10%</u>	<u>730,733</u>	<u>253,266</u>	<u>35</u>

(2) The provision of bad debt made in the current period amounted to RMB4,000. Reversal of provision in the current period is RMB50,000. There is no material reversal in the current period.

(3) No amount of write-off in the current period.

(4) Other receivables categorized by nature:

	30 June 2018	31 December 2017
Amounts due from parties	6,016,358,965	5,408,884,745
Deposits	13,419,628	45,495,617
Others	39,967,436	1,490,037
Less: bad debt provision	<u>-46,872,787</u>	<u>-46,918,787</u>
	<u>6,022,873,242</u>	<u>5,408,951,612</u>

(5) As at 30 June 2018, the top five debtors are analyzed as below

	Relationship with Company	Amount	Ageing	% of total balance	Bad Debt Provision
Chongqing Huaxin Yanjing Cement Co., Ltd.	Subsidiary	501,059,846	Within 1 year	8	-
Huaxin Cement (Enping) Co., Ltd.	Subsidiary	417,092,891	Within 2 years	7	-
Huaxin Concrete (Wuhan) Co., Ltd.	Subsidiary	268,488,156	Within 2 years	4	-
Huaxin (Hong Kong) International Holding Co., Ltd.	Subsidiary	255,444,874	Between 1 to 2 years and over 3 years	4	-
Huaxin Cement Chongqing Fuling Co., Ltd.	Subsidiary	228,769,442	Between 1 to 2 years	4	-
		<u>1,670,855,209</u>		<u>27</u>	<u>-</u>

(6) As at 30 June 2018, no government grants recognized in accordance with the amount receivable in the Company.

(7) Other receivables that have been derecognized as a result of the transfer of financial assets:

Applicable Inapplicable

(8) Transfer of other receivables and continue to be involved in the formation of assets and liabilities:

Applicable Inapplicable

Other remarks

Applicable Inapplicable

3. Long-term equity investments

	30 June 2018			31 Dec 2017		
	Carrying value	Impairment provision	Book value	Carrying value	Impairment provision	Book value
Subsidiaries	9,567,603,237	42,000,000	9,525,603,237	9,284,303,237	42,000,000	9,242,303,237
Associates - without quoted price	472,225,525	-	472,225,525	432,092,916	-	432,092,916
	<u>10,039,828,762</u>	<u>42,000,000</u>	<u>9,997,828,762</u>	<u>9,716,396,153</u>	<u>42,000,000</u>	<u>9,674,396,153</u>

(1) Subsidiaries

	31 December 2017	Increase	Decrease	30 June 2018	Impairment provision balance at period end
Huaxin Environmental Engineering Co., Ltd.	1,000,000,000	-	-	1,000,000,000	
Yunnan Huaxin Building Materials Investment Co., Ltd.	977,000,000	-	-	977,000,000	-
Huaxin Cement (Yangxin) Co., Ltd.	653,713,479	-	-	653,713,479	-
Huaxin Cement (Yichang) Co., Ltd.	505,589,562	-	-	505,589,562	-
Huaxin Cement (Daye) Co., Ltd.	420,100,753	-	-	420,100,753	-
Huaxin Jinlong Cement (Yunxian) Co., Ltd.	363,802,268	-	-	363,802,268	-
Huaxin Cement (Zhuzhou) Co., Ltd.	340,000,000	-	-	340,000,000	-
Huaxin Cement (Wuxue) Co., Ltd.	300,000,000	-	-	300,000,000	-
Huaxin Aggregate Co., Ltd.	258,100,000	-	-	258,100,000	-
Chongqing Lafarge Shui On Cantian Cement Co., Ltd.	-	253,300,000	-	253,300,000	
SOMMERSET INVESTMENTS LIMITED	252,000,000	-	-	252,000,000	-
Huaxin Cement (Zigui) Co., Ltd.	240,000,000	-	-	240,000,000	-
Huaxin Cement (Quxian) Co., Ltd.	240,000,000	-	-	240,000,000	-
Huaxin Cement (Chenzhou) Co., Ltd.	220,000,000	-	-	220,000,000	-
Huaxin Cement (Henan Xinyang) Co., Ltd.	200,000,000	-	-	200,000,000	-
Huaxin Cement Chongqing Fuling Co., Ltd.	200,000,000	-	-	200,000,000	-
Huaxin Cement (Changyang) Co., Ltd.	197,590,806	-	-	197,590,806	-
Huaxin Equipment Engineering Co., Ltd.	190,000,000	-	-	190,000,000	-
Huaxin Cement (Wanyuan) Co., Ltd.	190,000,000	-	-	190,000,000	-
Huaxin Cement (Lengshuijiang) Co., Ltd.	180,000,000	-	-	180,000,000	-
Huaxin Cement (Daoxian) Co., Ltd.	180,000,000	-	-	180,000,000	-
Huaxin (Hongkong) International Co., Ltd.	157,935,219	-	-	157,935,219	-
Huaxin Cement (Chibi) Co., Ltd.	140,000,000	-	-	140,000,000	-
Huaxin Cement (Xiangyang) Co., Ltd.	140,000,000	-	-	140,000,000	-
Huaxin Cement (Kunming Dongchuan) Co., Ltd.	140,000,000	-	-	140,000,000	-
Huaxin Cement (Sangzhi) Co., Ltd.	120,000,000	-	-	120,000,000	-
Huaxin Central Asia Investment (Wuhan) Co., Ltd.	108,623,689	-	-	108,623,689	
Huaxin Cement (Ezhou) Co., Ltd.	99,437,031	-	-	99,437,031	-
Huaxin Hongta Cement (Jinghong) Co., Ltd.	91,601,080	-	-	91,601,080	-

	31 December 2017	Increase	Decrease	30 June 2018	Impairment provision balance at period end
Huaxin Cement (Nantong) Co., Ltd.	89,680,203	-	-	89,680,203	-
Hunan Huaxin Xianggang Cement Co., Ltd.	85,500,000	-	-	85,500,000	-
Huaxin Concrete (Wuhan) Co., Ltd.	80,502,159	-	-	80,502,159	-
Chongqing Huaxin Diwei Cement Co., Ltd.	73,000,000	-	-	73,000,000	-
Huaxin Cement (Jingzhou) Co., Ltd.	70,800,000	-	-	70,800,000	-
Huaxin Cement (Diqing) Co., Ltd.	65,550,000	-	-	65,550,000	-
Huaxin Cement (Macheng) Co., Ltd.	65,000,000	-	-	65,000,000	-
Huangshi Huaxin Packaging Co., Ltd.	60,229,647	-	-	60,229,647	-
Huaxin Cement (Tibet) Co., Ltd.	50,000,000	-	-	50,000,000	-
Huaxin Concrete Co., Ltd.	50,000,000	-	-	50,000,000	-
Huaxin New Building Materials Co., Ltd.	50,000,000	-	-	50,000,000	-
Huaxin Cement (Zhaotong) Co., Ltd.	45,000,000	-	-	45,000,000	-
Huaxin Cement (Enshi) Co., Ltd.	40,200,000	-	-	40,200,000	-
Huaxin Cement Xiangyang Xiangcheng Co., Ltd.	40,000,000	-	-	40,000,000	-
Chongqing Lafarge Phoenix Concrete Co., Ltd.	40,000,000	-	-	40,000,000	-
Huaxin Cement (Fangxian) Co., Ltd.	30,124,664	-	-	30,124,664	-
Huaxin Cement (Huangshi) Co., Ltd.	-	30,000,000	-	30,000,000	-
Chongqing Huaxin Tiancheng Concrete Co., Ltd.	29,000,000	-	-	29,000,000	-
Huaxin Cement (Wuhan) Co., Ltd.		-	-		42,000,000
Others	172,222,677	-	-	172,222,677	-
Total	9,242,303,237	283,300,000	-	9,525,603,237	42,000,000

(2) Associates

	Period beginning	Changes	Period end	Impairment provision
		Net profit (loss) adjusted by the equity method		
Tibet High-Tech Building Materials Co., Ltd.	269,473,964	40,666,720	310,140,684	-
Shanghai Wanan Huaxin Cement Co., Ltd.	162,618,952	-534,111	162,084,841	-
Total	432,092,916	40,132,609	472,225,525	-

Other remarks:

Impairment provision for long-term equity investments

31 December 2017 and
30 June 2018

Subsidiary-
Huaxin Cement (Wuhan) Co., Ltd. 42,000,000

The Company has performed assessment on the investments on Huaxin Cement (Wuhan) Co., Ltd. and recognized impairment provision of RMB 42,000,000 because of the new operating plan and uncertainty in business performance.

4. Sales and cost of sales

	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Main operations	400,883,240	260,341,679	322,232,324	256,880,649
Other operations	540,184,171	391,766,485	175,543,439	94,066,804
Total	<u>941,067,411</u>	<u>652,108,164</u>	<u>497,775,763</u>	<u>350,947,453</u>

Other remarks:

(1) Revenue and cost of main operations:

	Current period		Prior period	
	Revenue from main operations	Cost of main operations	Revenue from main operations	Cost of main operations
Sales of cement	343,058,402	226,569,821	249,969,568	206,483,016
Sales of clinker	33,443,077	23,097,821	49,574,384	42,674,781
Others	24,381,761	10,674,037	22,688,372	7,722,852
Total	<u>400,883,240</u>	<u>260,341,679</u>	<u>322,232,324</u>	<u>256,880,649</u>

(2) Other operating income and expenses:

	Current period		Prior period	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Sales of materials	410,965,205	390,684,066	93,036,742	93,069,232
Trade mark charges	127,446,211	-	80,446,772	-
Others	1,772,755	1,082,419	2,059,925	997,572
Total	<u>540,184,171</u>	<u>391,766,485</u>	<u>175,543,439</u>	<u>94,066,804</u>

5. Investment income

	Current period	Prior period
Income from long-term equity investment under cost method	741,007,688	519,450,441
Income from long-term equity investment under equity method	40,132,609	58,039,561
Income from disposal of financial asset at fair value through profit or loss	1,103,938	921,410
Income from available-for-sale financial assets	13,316,891	593,134
Total	795,561,126	579,004,546

XVI. SUPPLEMENTARY TO THE FINANCIAL STATEMENTS

1. Non-routine items

Item	Amount	Remarks
Net loss on disposal of non-current assets	-4,431,695	
Government grants recognized in profits or losses for the current period	30,578,716	
Negative goodwill	4,489,836	
Reversal of the provision on receivables assessed for impairment on an individual basis	3,991,458	
Non-operating income and expenses other than aforesaid items	-5,894,249	
Effect of income tax	-10,057,806	
Effect of minority interest (after tax)	-1,517,171	
Total	17,159,089	

2. Return on equity and earnings per share

Reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Consolidated net profit attributable to ordinary shareholders of the Company	16.16	1.38	1.38
Consolidated net profit attributable to ordinary shareholders of the Company, excluding non-routine items	16.03	1.37	1.37

3. Differences in accounting data between domestic and overseas accounting standards

Applicable Not applicable

4. Others

Applicable Not applicable

Chapter 11 Documents for Inspection

1. Financial Statements carrying the signatures of the legal representative, administrative leader of accounting and chief of accounting department.
2. All original copies of the public notice and documents that were published on presses designated by CSRC.

Chairman: Xu Yongmo
Legal Representative: Li Yeqing
Huaxin Cement Co., Ltd.
August 22, 2018