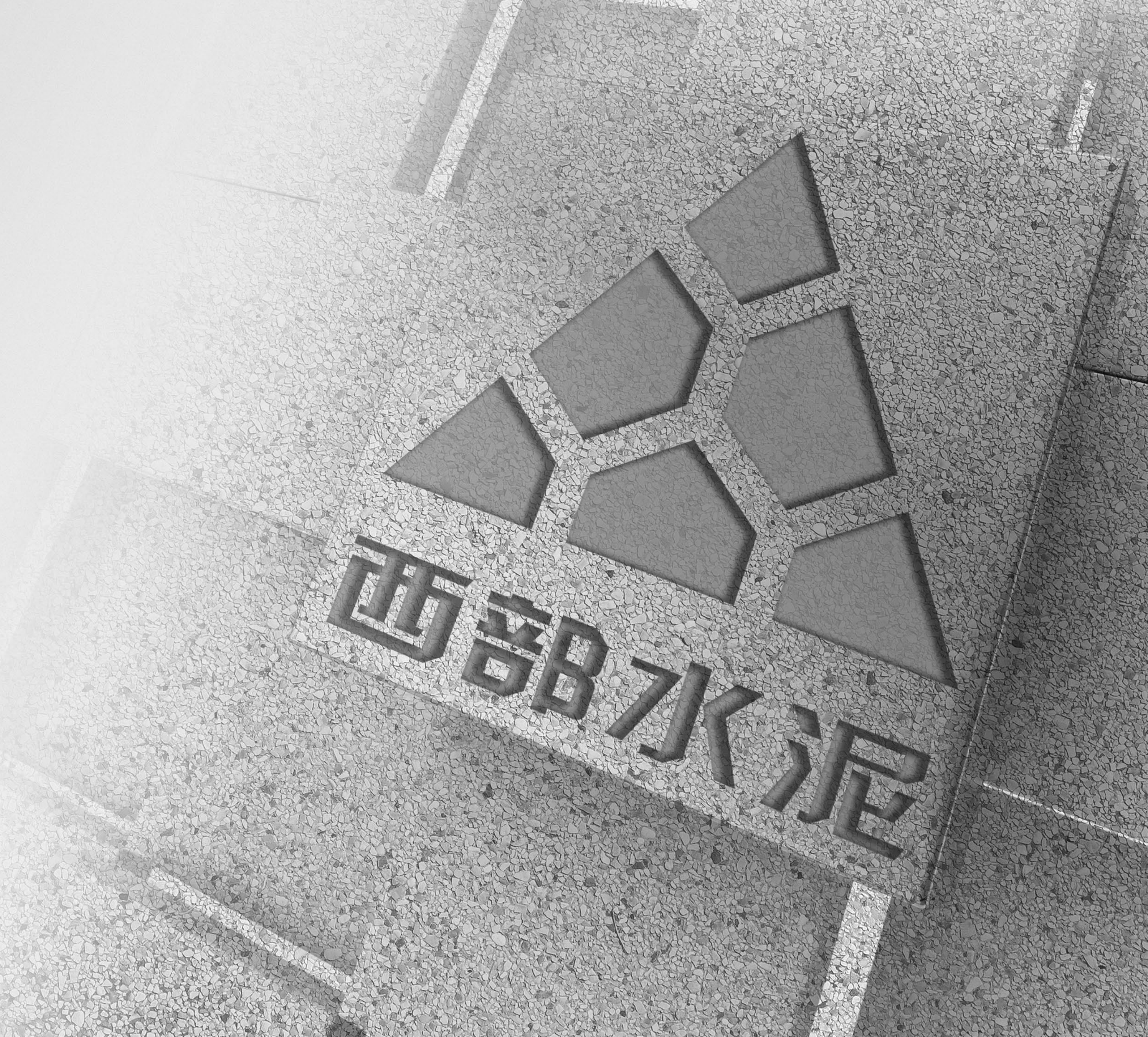
西部水泥

中國西部水泥有限公司
WEST CHINA CEMENT LIMITED

(Incorporated in Jersey with limited liability with registered number 94796)

Stock code: 2233

INTERIM REPORT
2015



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CORPORATE INFORMATION

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
Yaobai R&D Training Center
No. 336 4th Shenzhou Road
Aerospace Industrial Base
Chang'an District
Xi'an, Shaanxi Province, PRC

REGISTERED OFFICE
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St Helier
Jersey JE1 0BD
Channel Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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Harbour City, 7 Canton Road
Tsim Sha Tsui
Hong Kong

COMPANY WEBSITE
www.westchinacement.com

BOARD OF DIRECTORS
Executive Directors
Zhang Jimin *(Chairman)*
Ma Weiping *(Chief Executive Officer)*

Non-Executive Directors
Ma Zhaoyang
Franck Wu
Liu Yan
Qin Hongji

Independent Non-Executive Directors
Lee Kong Wai Conway
Wong Kun Kau
Tam King Ching Kenny

COMPANY SECRETARY
Chan King Sau *HKICPA*

AUTHORIZED REPRESENTATIVES
Ma Weiping
Chan King Sau *HKICPA*

MEMBERS OF THE AUDIT COMMITTEE
Lee Kong Wai Conway *(Chairman)*
Wong Kun Kau
Tam King Ching Kenny

MEMBERS OF THE REMUNERATION COMMITTEE
Tam King Ching Kenny *(Chairman)*
Zhang Jimin
Wong Kun Kau
Lee Kong Wai Conway

MEMBERS OF THE NOMINATION COMMITTEE
Zhang Jimin *(Chairman)*
Lee Kong Wai Conway
Tam King Ching Kenny

INDEPENDENT AUDITORS
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(Channel Islands) Limited
Ordinance House
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St Helier
Jersey JE4 8PW

HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor
Services Limited
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Wanchai
Hong Kong

PRINCIPAL BANKERS
Agricultural Bank of China Limited
Bank of China
Bank of Xi'an

FINANCIAL HIGHLIGHTS

RMB' Million (unless otherwise specified)	**Six months ended 30 June 2015 (Unaudited)**	Six months ended 30 June 2014 (Unaudited)	% Change
Total Cement and Clinker Sales Volume (million tons)	**7.95**	8.36	(4.9%)
Cement Sales Volume (million tons)	**7.83**	7.98	(1.9%)
Revenue	**1,690.8**	1,997.7	(15.4%)
Gross Profit	**216.0**	385.0	(43.9%)
EBITDA	**483.5**	635.6	(23.9%)
Profit Attributable to Owners of the Company	**2.4**	160.2	(98.5%)
Basic Earnings Per Share	**0.1 cents**	3.5 cents	(97.1%)
Interim Dividend	**Nil**	Nil	Nil
Gross Profit Margin	**12.8%**	19.3%	(6.5 ppt)
EBITDA Margin	**28.6%**	31.8%	(3.2 ppt)

	30 June 2015 (Unaudited)	31 December 2014 (Audited)	% Change
Total Assets	**12,138.1**	10,768.0	12.7%
Net Debt[1]	**2,187.8**	3,409.6	(35.8%)
Net Gearing[2]	**35.3%**	68.0%	(32.7 ppt)
Net Assets Per Share	**115 cents**	111 cents	3.6%

Notes:

(1) Net debt equal to total borrowings, medium-term notes and senior notes less bank balances and cash and restricted bank deposits

(2) Net gearing is measured as net debt to equity

BUSINESS REVIEW

Overview

The tough operating environment faced by the Group in the second half of 2014 has continued into the first half of 2015. Sales volumes in Shaanxi Province have seen falls, most significantly in the Xi'an Metropolitan Area and Central Shaanxi region where low demand has led to occasional voluntary production halts by all producers during the first half of the year. Volumes in Xinjiang Province have remained slow, only registering sales growth due to the addition of new capacity. Group sales volume of cement and clinker in the first half of 2015 were 7.95 million tons, a small decrease from the 8.36 million tons recorded in the first half of 2014. This volume figure however includes 3 months' maiden contribution of approximately 671,000 tons from the newly constructed Xinjiang Yili and Guiyang Huaxi Plants, although it does not include capitalized sales of approximately 231,000 tons from both plants prior to receiving their relevant operating licenses and being fully commissioned.

The Group has been able to maintain its strong market position in its Southern Shaanxi core markets, where the Group's high levels of market share coupled with good infrastructure demand have resulted in continued average selling price ("ASPs") premiums and more stable margins. However, ASP's have remained poor in Central Shaanxi, with a continuation of competitive pricing by all producers. A mitigating factor to the poor ASPs has been a continued fall in costs, both in terms of falling input prices and the implementation of efficiency and cost cutting measures, which have partially eased the impact on margins. The Group has maintained healthy cash flows, with EBITDA in the first half of 2015 at RMB483.5 million, which is lower than the RMB635.6 million recorded in the first half of 2014, but an improvement on the RMB361.3 million recorded in the second half of 2014 (or RMB453.5 million if the 2016 Senior Note Redemption Costs of RMB92.2 million are excluded).

The Group's capacity as at 30 June 2015 has now reached 27 million tons of cement with the full commissioning of the Group's two new cement plants in Xinjiang and Guizhou Provinces. The Group has no further plants under construction or current plans for expansion, and is now focused on the construction of Phase II of the Cement Kiln Waste Sludge Treatment Facility at its Lantian Plant and a Municipal Waste Incineration Facility at its Fuping Plant.

Anhui Conch Subscription of New Shares in West China Cement Ltd.

In June 2015, the Company announced a transaction that it believes represents a significant opportunity to promote the further consolidation of the cement industry in Shaanxi Province. On 19 June 2015, the Company announced it has entered into a subscription agreement ("Subscription Agreement") with Conch International Holdings (HK) Limited ("Conch"), a wholly-owned subsidiary of Anhui Conch Cement Company Limited. Anhui Conch Cement Company Limited is a leading PRC cement company and one of the Group's competitors in Shaanxi Province, with its H-shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 914) and its A-shares listed on the Shanghai Stock Exchange (stock code: 600585). Under the Subscription Agreement, Conch subscribed for 903,467,970 shares in the Company, representing approximately 16.67% of the Company's enlarged issued share capital. The subscription price of the share issue was HK$1.69 per share and the Group received net proceeds of approximately HK$1.51 billion. As disclosed in the announcement of the Company dated 19 June 2015 regarding the Subscription Agreement, the Company and Conch are exploring other possible further collaboration with a view to create further synergies between them, including but not limited to the formation of joint ventures, combination of assets or other types of cooperation. The issue of new shares to Conch and its potential implications for the resolution of the oversupply issue in Shaanxi Province is discussed in more detail in the prospects section below.

The subscription was subsequently completed on 26 June 2015. For further information relating to the subscription, please refer to the announcements of the Company dated 19 June 2015 and 26 June 2015.

Operating Environment

The differentiation between the Group's cement ASPs in Southern Shaanxi (Group cement capacity of 9.7 million tons) and Central Shaanxi (Group cement capacity of 11.4 million tons), as in 2014, has remained a key feature of the Group's operations in the first half of 2015. This has been due to the different supply side factors in the two areas but has also been influenced by contrasting demand factors in these areas.

Shaanxi Province as a whole has seen quite a significant fall off in Fixed Asset Investment ("FAI") growth rates in the first half of 2015. FAI growth in the first half of 2015 was approximately 6% year on year as compared with 17.8% for the whole of 2014, and this drop in growth has been driven primarily by a 11.7% drop in FAI in Xi'an and falls of 16% and 38% respectively in the northern Shaanxi districts of Yulin and Yanan. The drop in FAI growth has led to falls in demand for cement products from all producers in the Central Shaanxi area of between 10% and 20%, and this demand drop off has been felt both in the residential property and infrastructure markets. Southern Shaanxi, however, has continued to enjoy higher infrastructure led construction growth. FAI growth in the southern districts of Hanzhong, Ankang and Shangluo have registered growth rates of 25%, 25% and 23% respectively. These growth rates are comparable to levels in 2014 and have supported a significantly more stable cement market in the south with continued ASP premiums as compared to the centre of the province.

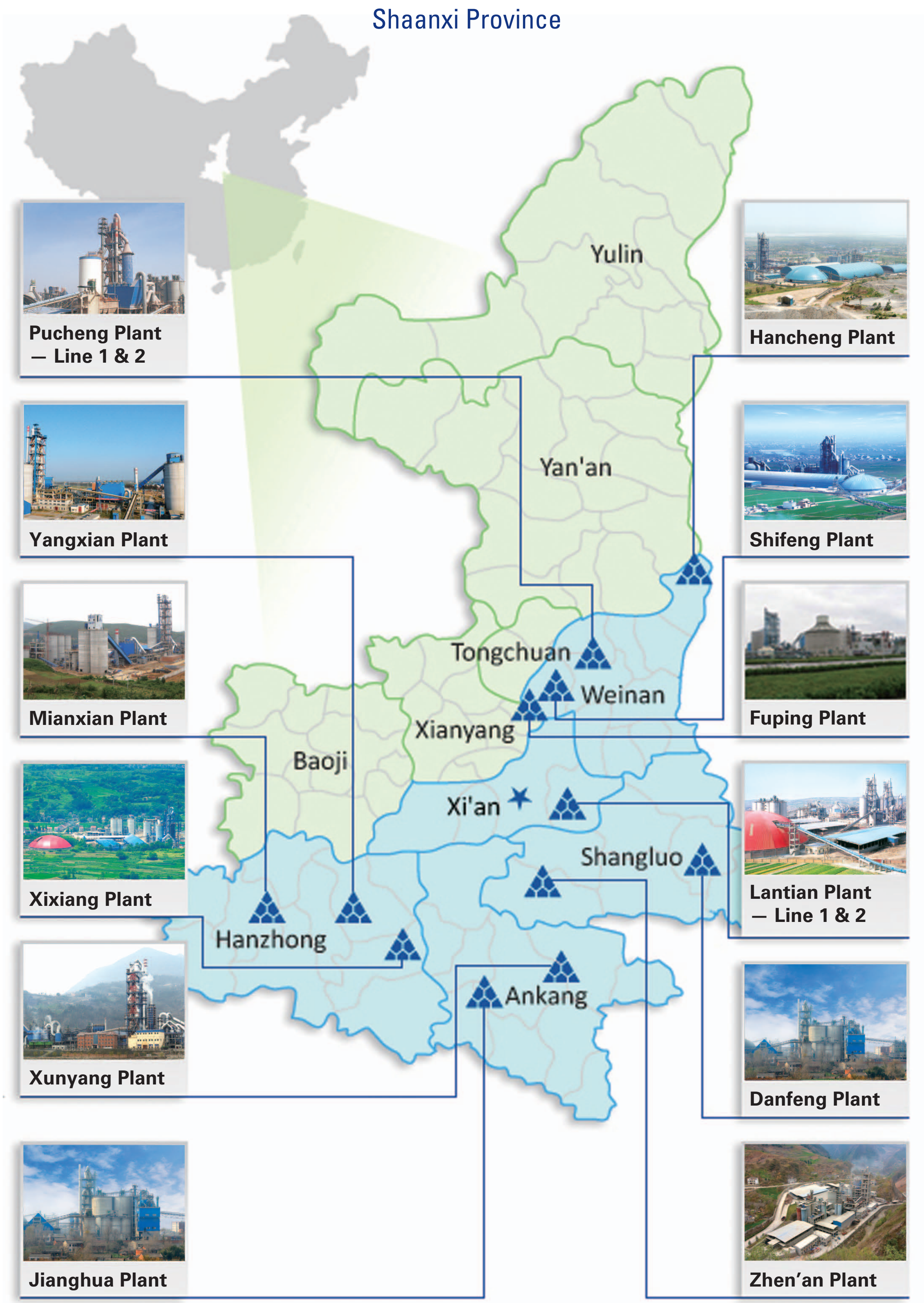
An important mitigating factor to the poor ASPs has been a continued fall in costs of production. This is both as a result of falls in coal prices, which have impacted Cost of Goods Sold ("COGS"), and the group's implementation of efficiency and cost cutting measures which have had a beneficial effect on both COGS and Selling, General and Administrative Expenses ("SG&A"). These cost cutting measures have also begun to have a positive effect on the Group's SG&A costs, which are lower as compared with the corresponding period in 2014, in spite of the addition of the two new plants in Xinjiang and Guizhou. These lower costs have been accompanied by lower gross interest expenses following the Group's refinancing of its Senior Notes in 2014 as well as interest cuts on the Group's local RMB bank loans.

Southern Shaanxi

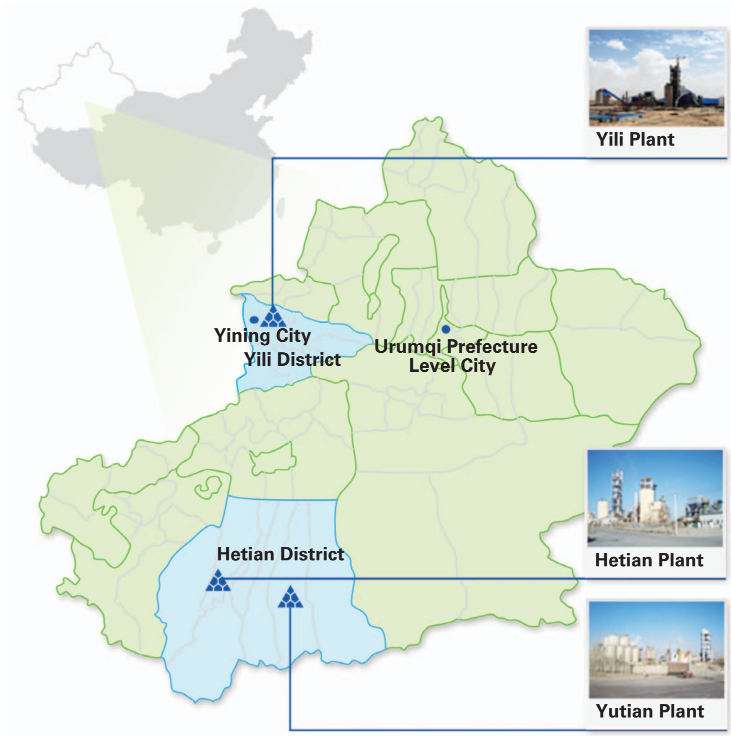
The Group's operations and markets in Southern Shaanxi have remained relatively stable during the first half of 2015. The supply side has remained rational, as a result of little new capacity built up and effective closure of obsolete and small-scale clinker kiln and cement grinding capacity over recent years, as well as long transportation distances from other regions. The Group has effectively maintained a strong position of market leadership in this area, promoting a disciplined supply side.

Demand in this area has remained reasonable during the first half of 2015, supported by continued growth in infrastructure project construction led by railway, hydro projects and road construction in particular. The Xi'an to Chengdu High Speed Railway, the Baoji to Hanzhong Expressway and the Hanjiang to Weihe River Water Transport Project have been, amongst others, particularly important demand drivers, and the commencement of the Ankang to Yangpingguan Double Track Railway construction has added to this good project demand scenario.

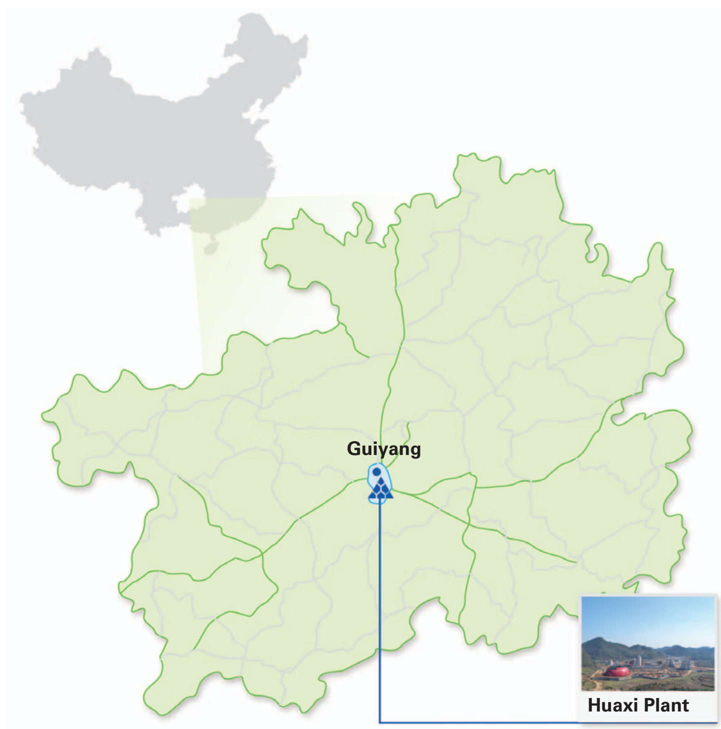
Whilst sales volumes in Southern Shaanxi have fallen marginally year on year to approximately 3.4 million tons in the first half of 2015 (first half 2014: 3.7 million tons), the above supply demand scenario has led to relatively strong pricing for the Group's products in this area. There has been some pressure on ASPs due to the low pricing in surrounding areas, but the good infrastructure project demand and insulation from outside competition, most especially in the Ankang region, has supported pricing. During the first half of 2015, the Group has recorded cement ASPs in Southern Shaanxi of approximately RMB230 per ton (excluding VAT), which is higher than the Group's total ASP of RMB208 per ton, with capacity utilization at approximately 70%.


Shaanxi Province
Yulin
Yan'an
Tongchuan
Weinan
Xianyang
Baoji
Xi'an
Shangluo
Hanzhong
Ankang
Pucheng Plant — Line 1 & 2
Yangxian Plant
Mianxian Plant
Xixiang Plant
Xunyang Plant
Jianghua Plant
Hancheng Plant
Shifeng Plant
Fuping Plant
Lantian Plant — Line 1 & 2
Danfeng Plant
Zhen'an Plant

Xinjiang Province



Guizhou Province



Central Shaanxi

The Central Shaanxi market has been much tougher with actual falls in demand, especially from the Xi'an Metropolitan market, leading to cement sales volume falls of between 10% and 20% amongst all producers. This low demand scenario has been exacerbated by the supply demand imbalances already existing in the area. Central Shaanxi is an area that has seen a significant build out of new capacity since 2010 and, although all new capacity has been completed since early 2014 with no further additions planned for the foreseeable future, the effect of this is still being reflected through intense competition.

The lower demand scenario in the first half of 2015, which has been felt across both residential and infrastructure markets, has led to some voluntary production halts by all producers in March and June of 2015. During the period, the Group has continued to maintain its market share in Eastern Xi'an, Fuping County and the rest of Weinan District where urbanisation remains a demand driver. The Group has also supplied cement to a number of infrastructure projects, including the construction of Line 4 of the Xi'an Metro, the Xi'an to Xianyang Ring Road Project and the Weinan to Yushan and Tongchuan to Xunyi Expressways.

Sales volumes in Central Shaanxi have fallen year on year to approximately 3.3 million tons (first half 2014: 3.8 million tons) and have been accompanied by weak ASPs. Production halts in the first quarter of 2015 had led to some price rises in April, although weak demand later in the second quarter led to further ASP falls. Over the period as a whole, the Group has recorded cement ASPs in Central Shaanxi of RMB192 per ton (excluding VAT), which is lower than the Group's total ASP of RMB208 per ton, with capacity utilization at approximately 60%.

Xinjiang & Guizhou Provinces

Operations at the Group's plants in Xinjiang Province have continued to be slow in the first half of 2015. The Group has sold approximately 400,000 tons of mostly low-grade cement from its Southern Xinjiang Luxin and Yutian plants. In addition, the Group's Northern Xinjiang Yili Plant was fully commissioned in April and has contributed a further 270,000 tons of sales, resulting in a total sales volume in Xinjiang of approximately 670,000 tons. This compares with total Xinjiang sales volume of 450,000 tons in the first half of 2014. Whilst volumes have been low, ASPs have remained at reasonable levels at the Group's Southern Xinjiang Plants. The newly commissioned Yili Plant has however seen lower ASPs and negative margins during the period under review due to introductory market entry pricing levels.

In Guizhou Province, the Group's new Guiyang Huaxi Plant was also fully commissioned in April and contributed 3 months of sales volume of approximately 402,000 tons of cement. Whilst volumes at the Huaxi Plant have been good, due to its location advantage in close proximity to Guiyang City and the Guiyang — Anshun ("Gui-An") New Area, ASPs have been low with negative margins, again due to market introductory entry pricing levels.

Energy Conservation, Emissions & Environmental Protection Solutions

The Group continues to work towards the best of industry standards in regards to energy conservation, emission controls and the further development of environmental protection solutions. All of the Group's production facilities employ NSP technology. The plants are situated in close proximity to their respective limestone quarries and, at many of the plants, limestone conveyor belt systems are used in order to minimize emissions from transportation. The Group has also been the first cement producer in Shaanxi Province to use desulfurized gypsum and construction waste as raw material inputs into some of its cement products, and regularly recycles fly ash from power plants as well as slag from iron & steel plants as inputs into some of its cement products.

The Group has residual heat recovery systems installed at most of its production facilities. As at 30 June 2015, these systems are operational at 14 out of 19 production lines, with an installation rate of over 80% of total Group capacity. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce Carbon dioxide ("CO2") emissions by approximately 20,000 tons per million tons of cement production.

During the period under review, the Group completed the installation of De-nitration ("De-NOx") equipment at its Xinjiang Luxin and Xinjiang Yutian Plants, thus completing the installation of this equipment at all of the Group's plants in Shaanxi, Xinjiang and Guizhou Provinces. This equipment reduces nitrous oxide ("NOx") emissions by approximately 60% per ton of clinker produced, bringing NOx emissions to within the new standards stipulated by the Cement Industrial Air Pollution Emissions Standards which are effective from July 2015. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed prior to the current period, resulting in all of the Group's plants having been upgraded to meet new PM emission standards as well. New clinker storage sheds have also been completed at the Group's Lantian and Fuping Plants during the period under review, further reducing dust emissions.

Phase I of the Group's Lantian Cement Kiln Waste Sludge Treatment Facility ("Lantian Waste Treatment Facility") has been in full operation in the first half of 2015. The facility, which has a current processing capacity of 31,000 tons per annum, makes use of the high temperature of the Lantian Plant cement kiln to incinerate waste sludge. The group has a number of waste processing contracts with industrial enterprises, including Samsung (China) Semiconductor Corporation. During the period under review, Phase I of the Lantian Waste Treatment Facility has been operating at full capacity, generating good profitability. Phase II of the facility, including carbonless sludge processing for use as raw materials with an annual capacity of approximately 49,500 tons per year, and municipal waste sludge processing with an annual capacity of 33,000 tons, is under construction and is expected to be completed by 2016.

In addition, preparatory work has also commenced at the Group's Fuping plant for the construction of a Municipal Waste Facility ("Fuping Waste Treatment Facility"). A carbonless sludge processing facility, with an annual capacity of 100,000 tons, has commenced construction in June 2015 and is expected to be completed and in trial operation by the end of 2015. A domestic waste processing facility, with approximately 200,000 tons of annual capacity, is due to start construction in the second half of this year with operations planned in 2016.

Safety and Social Responsibility

The Group's safety and environmental protection department continuously monitors and reviews safety procedures and continually reviews these procedures in accordance with evolving environmental and safety regulations in the PRC. In the period under review, the Group has focused its EHS (Environmental, Health & Safety) efforts on completing accident emergency rescue procedure training for each member of staff as well as the initiation of a number of other safety related training courses. In addition, the Group has completed the second phase of the "Sustainable Safety Development Project" under the auspices of its strategic partner and shareholder, Italcementi S.P.A.. This second phase of the project has involved continuous training for both management and on-site employees, on-site inspections and audits, stringent safety reports and on-going suggestions for safety improvements at all of the Group's plants.

During the period, charitable donations made by the Group amounted to RMB0.5 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

Expansion and Acquisitions

In April 2015, the Group completed the construction and full commissioning of the Xinjiang Yili Cement Plant and the Guiyang Huaxi Cement Plant. The Xinjiang Yili Plant, located in Yining County in the Ili Kazakh Autonomous Prefecture in North-West Xinjiang Province, has a capacity of 1.5 million tons. The Guiyang Huaxi Plant, with a capacity of 1.8 million tons, is located in close proximity to Guiyang City centre, the capital of Guizhou Province, and within the Guiyang — Anshun ("Gui-An") New Area.

The Group has no other on-going cement plant construction projects or current acquisition plans. The absence of any further expansion has resulted in relatively modest total capital expenditure for the Group in the period under review as compared with previous financial years. Capital expenditure amounted to RMB216.7 million in the first half of 2015, mostly linked to remaining payments for the construction of the Yili and Huaxi Plants, Waste Sludge Treatment projects at the Lantian and Fuping Plants as well as other minor upgrades to existing plants.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 15.4% from RMB1,997.7 million for the six months ended 30 June 2014 to RMB1,690.8 million for the six months ended 30 June 2015. Cement sales volume fell marginally by 1.9%, from approximately 7.98 million tons to approximately 7.83 million during the period. Including clinker sales, total sales volume for the six months ended 30 June 2015 amounted to approximately 7.95 million tons, compared to the 8.36 million tons sold in the corresponding period in 2014.

During the period under review, the newly constructed Xinjiang Yili and Guiyang Huaxi Plants received their relevant operating licenses and were fully commissioned on 1 April 2015. Combined sales of approximately 671,000 tons of cement from these two new plants have been included in the Group's Profit and Loss accounts from this date onwards. Any sales prior to this date have been capitalized and not included in the Group's Profit and Loss accounts.

Overall cement prices have been lower than those seen in the corresponding period in 2014, and this has resulted in lower revenues. Cement ASPs for the first six months of 2015 were RMB208 per ton as compared with RMB239 per ton in the corresponding period in 2014. ASPs had been relatively high in the first half of 2014 but fell quite significantly in the second half of 2014, and have remained at low levels since then. The reasons for these fluctuations in ASPs are discussed in the "Operating Environment" section above.

Cost of Sales

Cost of sales fell by 8.5% from RMB1,612.7 million for the six months ended 30 June 2014 to RMB1,474.9 million for the six months ended 30 June 2015.

There were savings in coal costs as a result of general falls in coal prices in the PRC over the previous 12 months, as well as an approximate 10.3% fall in coal consumption volume as compared with the corresponding period in 2014, due to both coal utilization efficiency gains and lower volumes of cement production. The average cost per ton of coal decreased by approximately 22.0% to approximately RMB337 per ton from approximately RMB432 per ton in the corresponding period in 2014. This has resulted in a cost saving of approximately RMB13.5 per ton of total cement and clinker produced, with total coal costs decreasing by approximately 30.8% as compared with the corresponding period in 2014.

There were also savings in electricity costs mainly as a result of an approximate 9.4% fall in electricity consumption volume as compared with the corresponding period in 2014, due both to electricity utilization efficiency gains and lower volumes of cement production. Average cost of electricity, after taking savings from the waste heat recycling systems into account, decreased by approximately 0.9% to approximately RMB0.436 per kwh from approximately RMB0.440 per kwh in the corresponding period in 2014. This has resulted in an electricity cost saving of approximately RMB2.5 per ton of total cement and clinker produced, with total electricity costs decreasing by approximately 10.8% as compared with the corresponding period in 2014.

There have been no significant changes in material costs and consumption during the period under review.

The cost savings from lower coal prices have been partially offset by higher depreciation costs, staff costs, and environmental protection costs which are reflected both in depreciation and other costs.

Total depreciation costs increased by approximately 6.5%, or approximately RMB16.7 million, as compared with the same period in 2014. This was mainly due to the effect of lower capacity utilization levels during the period under review and the increase in operating capacity following the full commissioning of the Xinjiang Yili and Guiyang Huaxi Plants in April 2015, as well as other plant modifications and upgrades relating to more stringent emission standards that do not have a direct bearing on sales volume or capacity increases.

Staff costs increased by approximately 8%, or approximately RMB7.0 million, as compared with the corresponding period in 2014. The rise in staff costs has mainly been due to the increase in operating capacity and staff expenses following the full commissioning of the Xinjiang Yili and Guiyang Huaxi Plants, but this has been partly counterbalanced by the Group's implementation of staff cost cutting measures during the period under review.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB169.0 million, or 43.9%, from RMB385.0 million for the six months ended 30 June 2014 to RMB216.0 million for the six months ended 30 June 2015. The fall in gross profit was mainly due to the decrease in ASPs described above. Gross profit margins therefore decreased from 19.3% for the six months ended 30 June 2014 to 12.8% for the six months ended 30 June 2015.

Administrative and Selling & Marketing Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. These expenses decreased by 6.3% from RMB131.1 million for the six months ended 30 June 2014 to RMB122.9 million for the six months ended 30 June 2015. The fall in administrative expenses has been a result of the implementation of cost cutting measures and this has been achieved in spite of the increase in capacity due to the commissioning of the Xinjiang Yili and Guizhou Huaxi Plants. Selling & Marketing expenses rose by 1.8% from RMB16.8 million to RMB17.1 million as compared with the corresponding period in 2014.

Other Income

Other income comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as a production input, and other government subsidies. Other income decreased by approximately 20.0% from RMB83.4 million for the six months ended 30 June 2014 to RMB66.7 million for the six months ended 30 June 2015. The ratio of VAT rebates over revenue was 3.6% for the period under review (six months ended 30 June 2014: 4%). The fall in the VAT rebates over revenue ratio was largely due to the decreases in ASPs. Lower ASPs result in lower output VAT, which in turn results in lower net VAT and rebates.

Other Gains and Losses, net

Other losses decreased by RMB13.5 million from a RMB14.3 million loss for the six months ended 30 June 2014 to a RMB0.8 million loss for the six months ended 30 June 2015. The change was primarily due to an unrealized foreign exchange gain of RMB0.5 million relating to the Group's Senior Notes as compared with a foreign exchange loss of RMB19.4 million for the six months ended 30 June 2014.

Interest Income

Interest income during the period under review was RMB2.7 million, an increase of RMB0.3 million from RMB2.4 million for the six months ended 30 June 2014.

Finance Costs

Finance costs increased by RMB11.9 million, or 12.3%, from RMB96.9 million for the six months ended 30 June 2014 to RMB108.8 million for the six months ended 30 June 2015. Gross finance costs, before adjusting for interest capitalization, decreased from RMB143.6 million for the six months ended 30 June 2014 to RMB129.9 million for the six months ended 30 June 2015. The fall in gross finance costs, before adjusting for interest capitalization, was mainly due to a fall in the interest payable on the Group's senior notes as a result of the refinancing of these senior notes in September 2014 at lower interest rates.

Interest capitalized as part of the costs of assets for the six months ended 30 June 2015 was RMB21.6 million, a decrease of RMB25.5 million as compared with RMB47.1 million for the six months ended 30 June 2014.

Income Tax Expense

Income tax expenses decreased by RMB16.7 million, or 33.9%, from RMB49.3 million for the six months ended 30 June 2014 to RMB32.6 million for the six months ended 30 June 2015. Current income tax expense decreased by RMB3.4 million to RMB46.8 million, whereas deferred tax credits increased by RMB13.3 million to RMB14.2 million for the six months ended 30 June 2015.

Although there has been a decrease in the Group's tax expenses during the period under review, the percentage of this decrease is less than the percentage decrease in gross profit and profit before tax. This is mainly due to the following reasons. Firstly, certain of the Group's operating subsidiaries have incurred a loss and these losses cannot be offset against gains from other operating subsidiaries. Moreover, as stipulated by a notice issued by the State Administration of Taxation on 10 March 2015, certain of the Group's subsidiaries have ceased to enjoy the preferential EIT rate of 15%, with the EIT rate applicable to these subsidiaries reverting to 25% during the period under review.

The increase in deferred tax credits was mainly due to an increase in the recognition of tax losses as deferred tax assets. During the period under review, RMB12.1 million of deferred tax assets relating to tax losses were recognized and credited to the profit and loss, while RMB3.9 million of tax losses were reversed and charged to the profit and loss during the previous period.

The detailed income tax expenses for the Group are outlined in note 9 to the condensed consolidated financial statements below.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased by 98.5% from RMB160.2 million for the six months ended 30 June 2014 to RMB2.4 million for the six months ended 30 June 2015. This sharp fall is primarily due to the significant falls in cement ASPs as compared with the same period in 2014, leading to poor operational performance.

Basic earnings per share for the six months ended 30 June 2015 decreased by RMB3.4 cents to RMB0.1 cents.

FINANCIAL AND LIQUIDITY POSITION

As at 30 June 2015, the Group's total assets increased by 12.7% to RMB12,138.1 million (31 December 2014: RMB10,768.0 million) while total equity increased by 23.7% to RMB6,207.2 million (31 December 2014: RMB5,016.5 million). During the period under review, the Company issued 903,467,970 new shares to Conch at a price of RMB1.33 (or HK$1.69) and these shares were subsequently allotted to Conch on 26 June 2015, resulting in a total number of shares in issue of 5,420,807,820.

As at 30 June 2015, the Group had cash and cash equivalents, as well as restricted bank deposits, amounting to RMB1,874.2 million (31 December 2014: RMB707.7 million). This amount includes the net proceeds of approximately RMB1.2 billion from the issuance of new shares to Conch. After deducting total borrowings, Senior Notes and medium term notes issued in the first half of 2013 ("MTN") of RMB4,062.0 million (31 December 2014: RMB4,117.3 million), the Group had net debt of RMB2,187.8 million (31 December 2014: RMB3,409.6 million). 81.3% (31 December 2014: 80.0%) of borrowings are at a fixed interest rate. Please refer to notes 18, 19 and 24 of the condensed consolidated financial statements below for the details of the borrowings, MTN and the respective pledge of assets.

As at 30 June 2015, the Group's net gearing ratio, measured as net debt to equity, was 35.3% (31 December 2014: 68.0%).

Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern. As at 30 June 2015, the Group had net current liabilities of RMB78.9 million (31 December 2014: RMB504.8 million). This net amount includes bank and other borrowings of RMB851.4 million (31 December 2014: RMB745.2 million) classified as current liabilities, as well as RMB797.8 million of MTN which mature in March 2016. The Group intends to rollover part of these bank borrowings, as permitted under the existing facility terms, when they fall due and has facilities in place to re-finance the Medium Term Notes.

During the period under review, there was no material change in the Group's funding and treasury policy.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the additions of property, plant and equipment, prepaid lease payments and mining rights, for the six months ended 30 June 2015 amounted to RMB216.7 million (six months ended 30 June 2014: RMB413.3 million). Capital commitments as at 30 June 2015 amounted to RMB28.6 million (31 December 2014: RMB180.5 million). Both capital expenditure and capital commitments were mainly related to the construction of new production facilities and waste treatment facilities and upgrading of existing production facilities. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2015, the Group employed a total of 5,127 (30 June 2014: 5,168) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2015, employees benefit expenses were RMB147.4 million (six months ended 30 June 2014: RMB150.0 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

MATERIAL ACQUISITION AND DISPOSALS

The Group had no material acquisitions or disposals during the six months ended 30 June 2015.

FOREIGN EXCHANGE RISK MANAGEMENT

During the six months ended 30 June 2015, the Group's sales and purchases were all denominated in Renminbi. However, some of the Group's bank borrowings and the proceeds raised through the Senior Notes issued by the Company in September 2014 were denominated in foreign currency. Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes on a domestic and/or international level, and the demand and supply of the Renminbi. The appreciation or devaluation of the Renminbi against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

PROSPECTS

The Group's results for the first half of 2015 reflect the continuation of a tough operating environment for cement producers in both Shaanxi Province and the PRC in general. Although prospects for infrastructure and urbanization led demand in Shaanxi Province and Western China remain strong, particularly driven by the Silk Road Economic Belt Development Policies in Western China, demand in the first half of 2015 has been disappointing. This demand situation has been exacerbated by the supply demand imbalances that have existed in Shaanxi Province, especially Central Shaanxi, for a number of years now. The Group has long recognized that it is the supply side that is of primary importance in the structure of the industry in Shaanxi Province, and has long advocated the need for a significant consolidation move in order to promote market discipline.

Conch Share Subscription Implications

The Company was therefore very pleased to announce it has entered into an agreement with Conch in June 2015 whereby Conch subscribed for new shares in the Company, becoming the second largest shareholder holding approximately 16.67% of the Company's enlarged issued share capital. Both groups are exploring other possible further collaboration with a view to create further synergies between them, including but not limited to the formation of joint ventures, combination of assets or other types of cooperation. Subsequent to the completion of the subscription by Conch, the Board appointed two new board directors, Ms Liu Yan and Mr Qin Hongji who are representatives of Conch. The Board welcomes Ms Liu and Mr Qin to the Board and believes that these two new appointments will promote a strong working relationship with the Company's new shareholder. This transaction has very important and positive implications for the resolution of the supply side issues facing Shaanxi Province.

The Group possesses a very strong strategic cement asset of over 21 million tons capacity in Shaanxi Province, the gateway to the Silk Road and Western China. Its capacity in Southern Shaanxi is excellent and has proved its pricing advantages during very tough times. Its capacity in Eastern Shaanxi, although not so resilient in terms of pricing at present, is superbly located next to Xi'an and benefits from Western China development policies. Conch is one of the biggest and strongest national level cement groups and has a very strong footprint in the Baoji and Xianyang Districts of Central Shaanxi, with approximately 14 million tons of capacity. Although a relatively new entrant into the area, since 2011 they have proved to be a very strong player in Shaanxi as well as showing aspirations to become a major player in the West of China as a whole.

Taken together, the assets of both groups represent close to 50% of the total capacity in Shaanxi Province, and hold strong market positions in the Southern Districts of Hanzhong, Ankang and Shangluo as well as the central districts of Weinan, Xianyang and Baoji. The transaction by Conch is the first major consolidation agreement in Shaanxi Province since the beginning of 2012, and the Group believes it represents the first step in the resolution of the fragmented nature of the Shaanxi supply side. The Group believes that the possible further collaboration between the two groups will lead to a significantly more stable market and pricing outlook for the region.

Operations — Shaanxi

The demand scenario for Shaanxi Province in the second half of 2015 remains uncertain, although there have been some signs of recovery in residential property, with FAI growth rates picking up slightly in May and June of 2015. An important feature of the Central Shaanxi cement market in the first half of 2015 were the voluntary production halts by all producers in January to March 2015 and June 2015, and the Group expects these halts to continue into the third quarter of 2015. This is likely to limit the Group's volumes in Shaanxi Province, but is expected to have a positive effect on ASPs. Demand in the Group's rural markets is likely to remain stable with continued urbanization trends supporting rural growth rates.

Whilst infrastructure demand growth has also been slow in the first half of the year, construction at the large railway and water projects in Southern Shaanxi have proceeded normally. The Xi'an to Chengdu High Speed Railway, Xi'an to Yongning Railway, Baoji to Hanzhong Expressway and the Hanjiang to Weihe River Water Transfer project are all continuing with bulk consumption. The Ankang to Yangpingguan Double Track Railway and Pingli to Zhenping Expressway, both of which have just commenced construction, are expected to generate increasing demand into the second half of this year. In addition, the Group sees significant demand from a number of new Hydropower projects into 2016, including the Hanjinag Xunyang, Zhen'an Yuehe and Hanjiang Baihe Hydropower Stations, which in total are expected to generate over 1 million tons of demand.

The Group therefore remains confident that it can maintain its strong performance in Southern Shaanxi in the second half of the year and into 2016 due to the continued good infrastructure demand and disciplined supply side.

In Central Shaanxi, there are a number of infrastructure projects that have recently started or are expected to start construction in the second half of 2015. The Inner Mongolia to Jiangxi Coal Transportation Railway (Shaanxi Section) commenced construction in March of this year and is expected to consume over 600,000 tons of cement. The Pucheng to Huanglong, Heyang to Fengxiang and Chengxian to Weizhuang Expressway's are also expected to start in the second half of the year and these will consume up to 1 million tons of cement. In addition, Metro (Lines 4,5,6) and Central Shaanxi Intercity Railway construction, as well as the expansion of the Xi'an Railway Station and other urban regeneration projects are expected to boost demand in this area.

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in the second half of 2015, although the Group does expect some improvement to ASPs. In Southern Xinjiang, where the Group has two plants and a total of 2.6 million tons of capacity, there are a number of on-going small infrastructure projects, which are expected to contribute to demand in the second half of the year. These include the Yutian Ji Yin Hydro Project, the Hotan Airport Extension, the Moyu to Hetian Section Expansion of the 3012 National Road and the Pishan Akeqiao Hydro Project. In Northern Xinjiang, the new 1.5 million ton Yili Plant commenced full operations in April, but pricing has been low as the plant has set low selling prices to enter into the market. The Group expects to see more volume sold from the Yili Plant in the second half of the year, and an improvement in pricing once the plant is established in the local market and the new capacity is absorbed. In Guizhou, the new 1.8 million ton Huaxi Plant also commenced operations in April under similar low market entry pricing conditions. The Huaxi Plant is very well located close to Guiyang City centre, and the Group therefore expects strong volume contribution in the second half of the year coupled with ASP improvements as the plant establishes itself in the local market and benefits from its location advantage.

Environment, Health & Safety

Plant upgrades to meet new NOx and PM emission standards as stipulated by the Cement Industrial Air Pollution Emissions Standards law have now been completed at all of the Group's plants and the Group will continue to further reduce emissions through incremental upgrades. The Group plans further implementation of measures to strengthen environmental management and monitoring during the second half of the year and will also implement the third phase of the "Sustainable Safety Development Project" under the auspices of its strategic partner and Shareholder, Italcementi S.P.A..

The Group's main environmental focus in 2015 and beyond is its Waste Treatment Facilities, both as a means to reduce pollution and as a revenue and profit generator. Phase I of the Group's Lantian Waste Treatment Facility has been operating and profitable in the first half of 2015, and the Group expects to complete Phase II of this project by the beginning of 2016, resulting in a total waste processing capacity of 113,500 tons. Phase I of the Group's Fuping Waste Facility is also expected to be in trial operation by the end of 2015, with Phase II construction planned to commence by the end of 2015 and operations in 2016. Total capacity at the Fuping Waste Facility is expected to be 300,000 tons. In addition, the Group is currently in the planning stages for three further smaller facilities. An industrial solid waste facility is planned for the Danfeng Plant, with a total capacity of approximately 35,000 tons per year; and further solid waste disposal facilities are planned for both the Hancheng and Mianxian Plants, each with a processing capacity of between 30,000 to 50,000 tons per annum. These projects are currently at planning stage, with possible commencement of construction in 2016, and both involve low levels of capital expenditure.

In order to further improve its environmental impact and safety procedures, the Group has applied to join the Cement Sustainability Initiative (CSI) a voluntary global organization of 25 major cement producers operating under the World Business Council for Sustainable Development (WBCSD). Each CSI member is required to demonstrate commitments and achievements, including regular audits, to the following broad areas: C02 & Climate Protection, Responsible use of fuels and raw materials, Employee Health & Safety, Emission Reduction, Local Environmental Impact, Water and Reporting Practices. The Group believes that membership of the CSI will further support its knowledge and efforts in all aspects of environment, health and safety.

Costs & Taxes

The Group will continue to implement a number of cost cutting measures, which are expected to benefit both COGS and SG&A, over the second half of 2015. These measure include administrative and head office cost cuts, headcount reductions and staff incentives to promote efficient use of raw materials and resources. These cost savings are accompanied by lower interest expenses as well as the benefit gained from low coal costs in general. The Group has already seen a positive effect from these cost cutting measures in the first half of 2015 and expects increased benefits in the second half of the year.

A further development that will impact the Group's operations is a change to the VAT rebates system for the recycling of industrial waste as a production input, which is to be implemented from July 2015. This change is designed to speed up the elimination of use of low-grade cement as well as the closure of smaller inefficient capacity. Under the new tax regime, the amount of VAT rebate will be reduced from 100% of VAT on cement using waste inputs to 70% of VAT. In addition, the amount of waste input needed to attract this rebate will be raised to 40% for low-grade (32.5) cement but lowered to 20% for high-grade (42.5) cement. The Group is currently studying the immediate impact of this change, but it believes that although there is a reduction in the proportion of VAT that can be reclaimed, this move will have three positive effects. Firstly, this promotes a shift into high-grade cement, which has a higher price. Secondly, the lowering of the proportion of waste input in high-grade cement needed to qualify for rebates will result in a higher proportion of the Group's high grade cement products qualifying for VAT rebates. Thirdly, this is an important step in the continued rationalization of the industry and will have the effect of forcing the closure of any remaining obsolete or small scale capacity, especially grinding capacity.

Capital Expenditure

Following the commissioning of the Group's two new plants in Xinjiang and Guiyang, the Group has no particular plans for capacity expansion and the Group will focus its capital expenditure, which is expected to be greatly reduced as compared with previous years, on waste treatment projects. The Company has approximately RMB1.874 billion of cash on hand (including restricted bank deposits) and this amount includes the net proceeds of approximately RMB1.2 billion from the issuance of new shares to Conch. As stated in the share subscription announcement of the Company dated 19 June 2015, the Company intends to use the net proceeds from the subscription for general working capital and for future potential acquisitions and/or other investment opportunities. In the event of any changes in the use of net proceeds, the Company will make further announcements in compliance with the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

(1) Interests in shares of the Company

As at 30 June 2015:

Name of Director	Capacity	Number of ordinary shares held as at 30 June 2015 Total *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2015
Zhang Jimin	Interest in a controlled corporation	1,756,469,900(L) *(Note 2)*	32.40%
Ma Zhaoyang	Interest in a controlled corporation	221,587,950 (L) *(Note 3)*	4.09%

Notes:

(1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.

(2) These shares are held by Asia Gain Investments Limited ("Asia Gain") which is beneficially and wholly-owned by Zhang Jimin.

(3) These shares are held by Techno Faith Investments Limited and Red Day Limited which are beneficially and wholly-owned by Ma Zhaoyang.

(2) **Interests in underlying shares of the Company — equity derivatives of the Company**

As at 30 June 2015:

Name of Director	Capacity	Number of underlying shares in respect of the share options granted under the Post-IPO Share Option Scheme	Approximate % of issued share capital of the Company as at 30 June 2015
Zhang Jimin	Beneficial Owner	10,100,000	0.186%
Ma Weiping	Beneficial Owner	9,487,500	0.175%
Ma Zhaoyang	Beneficial Owner	2,262,500	0.042%
Lee Kong Wai, Conway	Beneficial Owner	2,262,500	0.042%
Wong Kun Kau	Beneficial Owner	2,262,500	0.042%
Tam King Ching, Kenny	Beneficial Owner	2,262,500	0.042%

Save as disclosed above, as at 30 June 2015, none of the Directors, chief executives of the Company and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2015, the persons other than a Director or chief executive of the Company who had an interest or short position in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of ordinary shares of £0.002 each held as at 30 June 2015 *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2015
Asia Gain *(Note 2)*	Beneficial owner	1,756,469,900 (L)	32.40%
Conch International Holdings (HK) Limited ("Conch") *(Note 3)*	Beneficial owner	903,467,970 (L)	16.67%
Anhui Conch Cement Co., Ltd. ("Anhui Conch") *(Note 3)*	Interest in a controlled corporation	903,467,970 (L)	16.67%
安徽海螺集團有限責任公司 *(Note 3)*	Interest in a controlled corporation	903,467,970 (L)	16.67%
China Conch Venture Holdings Limited ("China Conch") *(Note 3)*	Interest in a controlled corporation	903,467,970 (L)	16.67%
Cimfra (China) Limited ("Cimfra") *(Note 4)*	Beneficial owner	284,200,000 (L)	5.24%
Ciments Français SA ("Ciments") *(Note 4)*	Interest in a controlled corporation	284,200,000 (L)	5.24%
Italcementi S.p.A. ("Italcementi") *(Note 4)*	Interest in a controlled corporation	284,200,000 (L)	5.24%
AllianceBernstein L.P.	Beneficial owner	271,782,000 (L)	5.01%

Notes:

(1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.

(2) Asia Gain is beneficially and wholly-owned by Zhang Jimin.

(3) Conch is beneficially and wholly-owned by Anhui Conch, which is owned as to 36.78% by 安徽海螺集團有限責任公司. 安徽海螺集團有限責任公司 is indirectly controlled by China Conch.

(4) Cimfra is beneficially and wholly-owned by Ciments, which, in turn, is wholly-owned by Italcementi.

Save as disclosed above, the Company has not been notified by any person who had interests or short position in the shares or underlying shares of the Company as at 30 June 2015 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under the section 336 of the SFO.

SHARE OPTION SCHEMES

The Company has adopted a post-IPO share option scheme (the "Post-IPO Share Option Scheme") on 31 March 2010.

Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme:

1. **Purpose of the Post-IPO Share Option Scheme:**
   The Post-IPO Share Option Scheme is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group. The Post-IPO Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

   (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

   (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. **Participants of the Post-IPO Share Option Scheme:**
   The board of Directors of the Company (the "Board") may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new shares as the Board may determine:

   (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

   (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and

   (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. **Total number of shares available for issue under the Post-IPO Share Option Scheme and percentage of issued share capital it represents as at the date of the Company's 2014 annual report and as at the date of this interim report:**
The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme shall not in aggregate exceed 411,533,185 shares (representing 10% of the issued share capital of the Company as at 23 August 2010).

The total number of shares available for issue under the Post-IPO Share Option Scheme is 342,033,185 as at the date of this interim report, representing approximately 7.57% and 6.31% of the Company's issued share capital as at the date of the Company's 2014 annual report and as at the date of this interim report, respectively.

4. **Maximum entitlement of each participant under the Post-IPO Share Option Scheme:**
The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her associates (as defined in the Listing Rules) abstaining from voting.

5. **The period within which the shares must be exercised under the Post-IPO Share Option Scheme:**
An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Post-IPO Share Option Scheme.

6. **The minimum period for which an option must be held before it can be exercised:**
There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.

7. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid:**
Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant.

8. **The basis of determining the exercise price:**
Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the HKSE daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the HKSE daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary share.

9. **The remaining life of the Post-IPO Share Option scheme:**
It will remain in force for a period of 10 years from the date of its adoption, being 31 March 2010.

Movements of the share options granted under the Post-IPO Share Option Scheme

During the six months ended 30 June 2015:

Category and name of participant	Date of grant of share options *(Note)*	Exercise price (HKD)	Exercise period	Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme: Outstanding as at 1 January 2015	Granted during the period ended 30 June 2015	Exercised during the period ended 30 June 2015	Lapsed during the period ended 30 June 2015	Outstanding as at 30 June 2015
Directors								
Zhang Jimin	22 March 2013	1.25	22 March 2014 to 21 March 2023	4,000,000	—	—	1,000,000	3,000,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	3,700,000	—	—	—	3,700,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	3,400,000	—	—	3,400,000
Tian Zhenjun (resigned on 5 February 2015)	23 March 2011	3.41	23 March 2012 to 22 March 2021	1,500,000	—	—	750,000	750,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	3,800,000	—	—	950,000	2,850,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	3,100,000	—	—	—	3,100,000
Wang Jianli (resigned on 1 July 2015)	23 March 2011	3.41	23 March 2012 to 22 March 2021	1,000,000	—	—	500,000	500,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	2,500,000	—	—	625,000	1,875,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	2,500,000	—	—	—	2,500,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	1,600,000	—	—	1,600,000
Low Po Ling (resigned on 5 February 2015)	22 March 2013	1.25	22 March 2014 to 21 March 2023	2,200,000	—	—	2,200,000	—
	24 March 2014	0.91	24 March 2015 to 23 March 2024	3,400,000	—	—	3,400,000	—
Ma Zhaoyang	23 March 2011	3.41	23 March 2012 to 22 March 2021	150,000	—	—	75,000	75,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	162,500	487,500
	24 March 2014	0.91	24 March 2015 to 23 March 2024	1,000,000	—	—	—	1,000,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	700,000	—	—	700,000
Ma Weiping	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	162,500	487,500
	24 March 2014	0.91	24 March 2015 to 23 March 2024	1,000,000	—	—	—	1,000,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	8,000,000	—	—	8,000,000

Category and name of participant	Date of grant of share options *(Note)*	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2015	Granted during the period ended 30 June 2015	Exercised during the period ended 30 June 2015	Lapsed during the period ended 30 June 2015	Outstanding as at 30 June 2015
				Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme				
Lee Kong Wai, Conway	23 March 2011	3.41	23 March 2012 to 22 March 2021	150,000	—	—	75,000	75,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	162,500	487,500
	24 March 2014	0.91	24 March 2015 to 23 March 2024	1,000,000	—	—	—	1,000,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	700,000	—	—	700,000
Wong Kun Kau	23 March 2011	3.41	23 March 2012 to 22 March 2021	150,000	—	—	75,000	75,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	162,500	487,500
	24 March 2014	0.91	24 March 2015 to 23 March 2024	1,000,000	—	—	—	1,000,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	700,000	—	—	700,000
Tam King Ching, Kenny	23 March 2011	3.41	23 March 2012 to 22 March 2021	150,000	—	—	75,000	75,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	162,500	487,500
	24 March 2014	0.91	24 March 2015 to 23 March 2024	1,000,000	—	—	—	1,000,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	700,000	—	—	700,000
Other employees (Group A)	23 March 2011	3.41	23 March 2012 to 22 March 2021	4,300,000	—	—	2,150,000	2,150,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	18,250,000	—	—	5,162,500	13,087,500
	24 March 2014	0.91	24 March 2015 to 23 March 2024	33,400,000	—	—	1,300,000	32,100,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	—	13,300,000	—	—	13,300,000
Other employees (Group B)	23 March 2011	3.41	23 March 2012 to 22 March 2021	2,200,000	—	—	550,000	1,650,000
Total				94,700,000	29,100,000	—	19,700,000	104,100,000

Note:

1. *The closing prices of the shares of the Company on 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015, being the dates on which the share options were granted, were HK$3.41, HK$1.24, HK$0.91 and HK$1.45 per share, respectively.*

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2015 (2014: Nil).

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders of the Company. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency of the Company. The Board will continue to review and improve the corporate governance practices from time to time to ensure the Group is led by an effective Board in order to optimize returns for the shareholders of the Company.

During the six months ended 30 June 2015, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code (the "Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written term of reference in compliance with the Code, the primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management systems of the Group and to provide advice and comments to the Board, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Wong Kun Kau and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2015.

AUDITORS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2015 have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the auditors of the Company.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with paragraph B1 of the Code. The Remuneration Committee currently consists of three independent non-executive Directors, being Mr. Tam King Ching Kenny, Mr. Lee Kong Wai Conway and Mr. Wong Kun Kau, and one executive Director, being Mr. Zhang Jimin, with Mr. Tam King Ching Kenny serving as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration packages for the Directors and senior management.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") with written terms of reference as recommended under paragraph A.5 of the Code. The Nomination Committee currently consists of two independent non-executive Directors, being Mr. Lee Kong Wai Conway and Mr. Tam King Ching Kenny, and one executive Director, being Mr. Zhang Jimin, with Mr. Zhang Jimin serving as the chairman of the Nomination Committee.

The primary functions of the Nomination Committee are to make recommendations to the Board regarding the appointment of members of the Board. The Nomination Committee is responsible for identifying the individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiries have been made with all the Directors, all the Directors confirmed and declared that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2015.

On behalf of the Board of Directors
Zhang Jimin
Chairman
17 August 2015

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF WEST CHINA CEMENT LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong

17 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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	Notes	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	4	**1,690,841**	1,997,670
Cost of sales		**(1,474,874)**	(1,612,672)
Gross profit		**215,967**	384,998
Other income	5	**66,699**	83,390
Selling and marketing expenses		**(17,072)**	(16,759)
Administrative expenses		**(122,903)**	(131,052)
Other gains and losses, net	6	**(789)**	(14,345)
Interest income	7	**2,697**	2,377
Finance costs	8	**(108,831)**	(96,928)
Profit before tax		**35,768**	211,681
Income tax expense	9	**(32,602)**	(49,273)
Profit and total comprehensive income for the period	10	**3,166**	162,408
Attributable to:			
— Owners of the Company		**2,433**	160,205
— Non-controlling interests		**733**	2,203
		3,166	162,408
Earnings per share			
— Basic (RMB)	12	**0.001**	0.035
— Diluted (RMB)	12	**0.001**	0.035

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	**7,868,464**	8,071,487
Prepaid lease payments	13	**466,520**	452,929
Mining rights	13	**227,339**	162,956
Other intangible assets		**166,898**	168,102
Deferred tax assets		**30,511**	16,118
Amount due from non-controlling shareholder of a subsidiary		**43,459**	39,457
		8,803,191	8,911,049
Current assets			
Inventories		**527,510**	548,318
Trade and other receivables and prepayments	15	**933,134**	600,921
Restricted bank deposits		**279,026**	212,119
Bank balances and cash		**1,595,215**	495,605
		3,334,885	1,856,963
Total assets		**12,138,076**	10,768,012
EQUITY			
Share capital	16	**141,519**	124,098
Share premium and reserves	16	**6,019,296**	4,846,769
Equity attributable to owners of the Company		**6,160,815**	4,970,867
Non-controlling interests		**46,365**	45,632
Total equity		**6,207,180**	5,016,499

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	18	3,000	83,000
Senior notes		2,409,827	2,408,288
Medium-term notes	19	–	796,548
Asset retirement obligation		20,509	14,761
Deferred tax liabilities		20,649	20,500
Deferred income		63,127	66,633
		2,517,112	3,389,730
Current liabilities			
Borrowings	18	851,373	745,173
Medium-term notes	19	797,788	–
Trade and other payables	20	1,740,494	1,597,581
Income tax payable		24,129	19,029
		3,413,784	2,361,783
Total liabilities		5,930,896	5,751,513
Total equity and liabilities		12,138,076	10,768,012
Net current liabilities		(78,899)	(504,820)
Total assets less current liabilities		8,724,292	8,406,229

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Equity reserve RMB'000	Share option reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015 (Audited)	**124,098**	**2,114,868**	**(305,868)**	**17,577**	**470,681**	**2,549,511**	**4,970,867**	**45,632**	**5,016,499**
Profit and total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**2,433**	**2,433**	**733**	**3,166**
Recognition of equity-settled share-based payments *(Note 17)*	**–**	**–**	**–**	**4,824**	**–**	**–**	**4,824**	**–**	**4,824**
Issue of new shares *(Note 16)*	**17,421**	**1,186,692**	**–**	**–**	**–**	**–**	**1,204,113**	**–**	**1,204,113**
Transaction costs attributable to issue of new ordinary shares	**–**	**(12,387)**	**–**	**–**	**–**	**–**	**(12,387)**	**–**	**(12,387)**
Dividend recognised as distribution *(Note 11)*	**–**	**–**	**–**	**–**	**–**	**(9,035)**	**(9,035)**	**–**	**(9,035)**
At 30 June 2015 (Unaudited)	**141,519**	**3,289,173**	**(305,868)**	**22,401**	**470,681**	**2,542,909**	**6,160,815**	**46,365**	**6,207,180**
At 1 January 2014 (Audited)	124,715	2,136,463	(305,868)	13,620	437,143	2,638,091	5,044,164	41,094	5,085,258
Profit and total comprehensive income for the period	–	–	–	–	–	160,205	160,205	2,203	162,408
Recognition of equity-settled share-based payments *(Note 17)*	–	–	–	3,590	–	–	3,590	–	3,590
Share repurchased and cancelled *(Note 16)*	(617)	(21,595)	–	–	–	–	(22,212)	–	(22,212)
Dividend recognised as distribution *(Note 11)*	–	–	–	–	–	(90,944)	(90,944)	–	(90,944)
At 30 June 2014 (Unaudited)	124,098	2,114,868	(305,868)	17,210	437,143	2,707,352	5,094,803	43,297	5,138,100

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**258,321**	614,742
INVESTING ACTIVITIES		
Interest received	**2,697**	2,377
Purchase of property, plant and equipment	**(102,062)**	(323,387)
Purchase of other intangible assets	**–**	(168)
Payment to non-controlling shareholder of a subsidiary	**(4,002)**	–
Proceeds from disposal of property, plant and equipment	**5,715**	1,539
Government grants received for acquisition of property, plant and equipment	**–**	7,600
Advances to third parties	**(80,195)**	–
Settlement of advances to previous shareholder of a subsidiary	**15,063**	–
Payment for acquisition of subsidiaries in prior periods	**(5,000)**	–
Acquisition of a subsidiary, net of cash acquired	**–**	(14,805)
Withdrawal of restricted bank deposits	**14,565**	101,650
Placement of restricted bank deposits	**(81,472)**	(110,413)
Net cash used in investing activities	**(234,691)**	(335,607)
FINANCING ACTIVITIES		
New borrowings raised	**216,200**	361,088
Repayment of borrowings	**(190,000)**	(339,423)
Share repurchased	**–**	(22,212)
Proceeds from issue of shares	**1,204,113**	–
Interest paid	**(154,306)**	(167,304)
Net cash from (used in) financing activities	**1,076,007**	(167,851)
Net increase in cash and cash equivalents	**1,099,637**	111,284
Cash and cash equivalents at 1 January	**495,605**	506,586
Effect of foreign exchange rate changes	**(27)**	(2,872)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**1,595,215**	614,998

1. GENERAL INFORMATION

West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the production and sale of cement in the western part of the People's Republic of China (the "PRC").

The Company was incorporated in Jersey under the Companies (Jersey) Law 1991. The address of the registered office is 47 Esplanade, St Helier, Jersey JE1 0BD and the principal place of business is No. 336 4th Shenzhou Road, Aerospace Industrial Base, Chang'an District, Xi'an, Shaanxi Province, the PRC.

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE").

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

2. BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2015, the Group has net current liabilities of RMB78,899,000, and has unutilised loan facilities totalling RMB91,500,000 readily available for drawdown within the next twelve months from the date of the approval of these condensed consolidated financial statements for issuance. Based on the Company's forecasts and projections of business performance, taking into account of operating as well as capital expenditure and availability of borrowing facilities, the directors of the Company are of the view that the Company is able to operate within the level of its current capacity.

In view of these circumstances, the directors of the Company expect it will have sufficient liquidity to finance its operations for the next twelve months. Therefore, the condensed consolidated financial statements have been prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (''IFRSs"), the application of which has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements:

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to IFRSs	*Annual Improvements to IFRSs 2011–2013 Cycle*
Amendments to IFRSs	*Annual Improvements to IFRSs 2010–2012 Cycle*

4. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the production and sale of cement products. The Group's Chief Executive Officer, the chief operating decision maker (the "CODM") reviews the sales volume and average selling prices of its cement products by three areas, namely eastern and southern Shaanxi and Xinjiang. However, no further operating results by these areas are being provided, and the CODM reviews the consolidated results of the Group as a whole. Accordingly, no further segment information has been disclosed in the condensed consolidated financial statements for both periods.

All of the Group's revenue for the six-month periods ended 30 June 2015 and 2014 are derived from the sale of cements products to customers located in the western part of PRC. No single customer contributed 10% or more to the Group's revenue for both periods. All of the Group's non-current assets are located in the PRC by locations of assets.

5. OTHER INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Tax refund *(note)*	**60,793**	79,319
Government grant — others	**5,630**	4,071
Others	**276**	–
	66,699	83,390

Note: The tax refund mainly represents incentives in the form of value added tax ("VAT") refund approved by relevant government authorities as a result of utilising industrial waste as part of the production materials.

6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange gains (losses) *(note)*	**480**	(19,363)
Gain on disposal of property, plant and equipment	**208**	349
Donations	**(469)**	(967)
Allowance for doubtful debts	**–**	(150)
Reversal of allowance for doubtful debts	**240**	–
Stock take gains	**–**	2,764
Gain arising from derecognition of payables	**77**	2,850
Penalties	**(1,884)**	(409)
Others	**559**	581
	(789)	(14,345)

Note: The amounts mainly relate to the translation of senior notes and bank borrowings from US$ to RMB.

7. INTEREST INCOME

Interest income represents interest received and receivable from bank deposits.

8. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other loans wholly repayable within five years:		
Bank borrowings	**21,046**	18,788
Senior notes	**83,180**	99,251
Medium-term notes	**25,638**	25,564
	129,864	143,603
Less: amount capitalised	**(21,615)**	(47,083)
	108,249	96,520
Unwinding of discount	**582**	408
	108,831	96,928

During the six months ended 30 June 2015, the weighted average capitalisation rate on funds borrowed generally is 6.57% (six months ended 30 June 2014: 8.04%) per annum.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
Current period	**39,871**	50,189
Under provision in prior years	**6,975**	–
	46,846	50,189
Deferred tax		
Current period	**(9,246)**	(609)
Attributable to change in tax rate	**(4,998)**	(307)
	(14,244)	(916)
Income tax expense	**32,602**	49,273

9. INCOME TAX EXPENSE (Cont'd)

Income tax expenses for the period can be reconciled to the profit before tax as follows:

	Six months ended 30 June 2015 RMB'000 (Audited)	2014 RMB'000 (Unaudited)
Profit before tax	**35,768**	211,681
Tax at domestic income tax rate of 25% (six months ended 30 June 2014: 25%)	**8,942**	52,920
Tax effects of:		
Expenses not deductible for tax purpose	**18,457**	20,855
Tax exemption and reduced tax rate *(note)*	**–**	(21,915)
Tax credit	**–**	(4,766)
Change in tax rate for deferred tax recognised	**(4,998)**	(307)
Withholding tax on distributed profits of PRC subsidiaries and interest income on intra-group loans	**2,232**	2,768
Tax losses not recognised as deferred tax assets	**4,847**	55
Utilisation of tax losses previously not recognised as deferred tax assets	**(1,248)**	–
Expiration of tax losses previously recognised as deferred tax assets	**–**	(337)
Under provision in prior years	**6,975**	–
Recognition of deferred tax assets on tax losses generated in previous years	**(2,605)**	–
Tax expense for the period	**32,602**	49,273

Note:

In prior years, certain subsidiaries of the Group namely Shaanxi Yaobai, Xi'an Lantian Yaobai Cement Co., Ltd., Ankang Yaobai Cement Co., Ltd., Hanzhong Yaobai Cement Co., Ltd., Shifeng Cement Co., Ltd., Fuping Cement Co., Ltd., Hancheng Yaobai Yangshanzhuang Cement Co., Ltd., and Longqiao Yaobai Cement Co., Ltd. met the requirements of the notice related to Western Development Policy which entitled them to the preferential EIT rate of 15% if the principal businesses were listed in the Catalogue for Industries, Products and Technologies Currently and Particularly Encouraged by the State for Development issued in 2008 by National Development and Reform Commission ("NDRC"). In August 2014, NDRC revised the catalogue ("Revised Catalogue"), pursuant to which the enterprises engaged in production and sale of cement are no longer listed in the Revised Catalogue. On 10 March 2015, the State Administration of Taxation issued a notice confirming that the industries added to the Revised Catalogue will entitle to a preferential EIT rate of 15%, while the industries removed from the Revised Catalogue ceased to enjoy the preferential EIT rate of 15% commencing from 1 October 2014. Accordingly, the Group subsidiaries above ceased to enjoy the preferential EIT rate of 15% commencing from 1 October 2014 and the EIT rate applicable to these subsidiaries during the six months ended 30 June 2015 is 25%. Accordingly, the Group recognised an under provision of current income tax of RMB6,975,000 and made adjustments to the deferred taxes based on the revised tax rates.

10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**323,261**	294,472
Amortisation of prepaid lease payments	**6,390**	6,293
Amortisation of mining rights	**6,441**	4,576
Amortisation of other intangible assets	**1,204**	1,100
Total depreciation and amortisation	**337,296**	306,441

11. DIVIDEND

During the six months ended 30 June 2015, a final dividend of RMB0.2 cents per share in respect of the year ended 31 December 2014 (six months ended 30 June 2014: final dividend of RMB2.00 cents per share in respect of the year ended 31 December 2013) in total of approximately RMB9,035,000 (six months ended 30 June 2014: RMB90,994,000) was declared and approved by the shareholders in annual general meeting.

The directors of the Company proposed no dividend in respect of the current interim period (six months ended 30 June 2014: Nil).

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**2,433**	160,205

	Six months ended 30 June	
	2015	2014
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,537,306**	4,539,735
Effect of dilutive potential ordinary shares from share option issued by the Company	**1,200**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,538,506**	4,539,735

The calculation of diluted earnings per share for the six months ended 30 June 2014 did not take into account the share options of the Company because the exercise price or the exercise price after adjustment for the unvested share-based payments of these share options was higher than the average market price of the Company's share during that period.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND MINING RIGHTS

During the current interim period, the Group purchased property, plant and equipment of approximately RMB37,536,000 (six months ended 30 June 2014: RMB43,304,000) from third parties and incurred approximately RMB179,183,000 on the construction of its plants and buildings (six months ended 30 June 2014: RMB354,146,000). The borrowing costs capitalised as part of the construction in progress during the current interim period were amounting to RMB21,615,000 (six months ended 30 June 2014: RMB47,083,000) (Note 8).

The amounts of construction in progress transferred to other classes of property, plant and equipment, prepaid lease payments and mining rights during the six months ended 30 June 2015 are RMB1,231,254,000, RMB20,148,000 and RMB70,824,000 (six months ended 30 June 2014: RMB182,282,000, Nil and Nil) respectively.

In addition during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB5,507,000 (six months ended 30 June 2014: RMB1,190,000) to third parties, resulting in a gain on disposal of RMB208,000 (six months ended 30 June 2014: RMB349,000).

14. IMPAIRMENT TESTING ON NON-CURRENT ASSETS OF HETIAN YAOBAI

Hetian Yaobai Cement Co., Ltd. ("Hetian Yaobai") is engaged in the production and sale of cement products in Xinjiang and its demand of cement products has been below its designed production capacity since its operation beginning April 2013. The directors of the Company identified Hetian Yaobai as a CGU and performed impairment assessment on the related property, plant and equipment accordingly.

The recoverable amount is determined based on discounted cash flow model covering eighteen-year period. The compound annual growth rate ("CAGR") of the sales volume is 18% from 2015 to 2020 and the pre-tax discount rate applied to cash flow projection is 12.5%. Cash flows beyond the five-year approved management's financial budgets are prepared based on zero growth rate. As the result of the impairment assessment, the directors of the Company did not identify an impairment loss for Hetian Yaobai's property, plant and equipment.

The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected cash-inflows and growth rate used for extrapolation purposes.

Discount rates represent the current market assessment of the risks specific to the industry, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The Group takes into account its weighted average cost of capital ("WACC") as a starting point in estimating the discount rate. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. The beta factors used are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in pre-tax discount rate would result in a further impairment.

14. IMPAIRMENT TESTING ON NON-CURRENT ASSETS OF HETIAN YAOBAI (Cont'd)

Growth rate estimates for Hetian Yaobai, after its second operating year since 2013, are based on management's best estimate of local industry demand for the first five years and the present information available to the directors of the Company in estimating the demand and selling price of Hetian Yaobai's cement products, with the expectation that the Hetian Yaobai local market share to be stable over the forecast period. Management recognises that the timing and volume of such local industry demand can have a significant impact on growth rate assumptions and any adverse changes would result in a further impairment.

15. TRADE RECEIVABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade receivables	**413,418**	271,421
Less: Allowance for doubtful debts	**(5,922)**	(5,922)
	407,496	265,499
Bills receivable	**143,543**	83,920
	551,039	349,419

The Group allows a credit period of 60–90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
0 to 90 days	**251,605**	192,032
91 to 180 days	**63,185**	61,827
181 to 360 days	**84,638**	3,663
361 to 720 days	**5,432**	7,256
Over 720 days	**2,636**	721
	407,496	265,499

15. TRADE RECEIVABLES (Cont'd)

Bills receivable are mainly aged within six months.

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. As at 30 June 2015, RMB194,324,000 (31 December 2014: RMB155,966,000) of the trade receivables that are neither past due nor impaired have high credit ranking attributable under the credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB213,172,000 (31 December 2014: RMB109,533,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

16. SHARE CAPITAL

	Number of shares	Share capital	Shown in the consolidated financial statements
	'000	GBP'000	RMB'000
Ordinary shares of GBP0.002 each			
Authorised:			
Balance as at 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015	10,000,000	20,000	
Issued and fully paid:			
Balance as at 1 January 2015	4,517,340	9,034	124,098
Issue of shares *(note)*	903,468	1,806	17,421
Balance as at 30 June 2015 (Unaudited)	5,420,808	10,840	141,519
Balance as at 1 January 2014	4,547,200	9,094	124,715
Shares repurchased and cancelled on 16 May 2014	(29,860)	(60)	(617)
Balance as at 30 June 2014 (Unaudited)	4,517,340	9,034	124,098

16. SHARE CAPITAL (Cont'd)

Note:

On 26 June 2015, the Company issued 903,467,970 ordinary shares with a nominal value of GBP0.002 each for cash at an issue price of HK$1.69 per share to provide additional working capital to the Company and for future potential acquisitions and/or investment opportunities. The net proceeds after deducting all the relevant costs and expenses was HK$1,511,181,000 (equivalent to approximately RMB1,191,726,000).

The newly issued shares represented 16.67% of the total issued share capital of the Company immediately after such issue. These shares rank pari passu with the then existing ordinary shares.

17. SHARE-BASED PAYMENTS

The Company's current share option scheme was adopted pursuant to a resolution of board of directors passed on 31 March 2010 for the primary purpose of providing incentives to directors and eligible employees through the subscription of the Company's shares, and will expire 10 years after the date of grant ("Post-IPO Share Option Scheme").

On 23 March 2011, the Company granted a total of 18,400,000 options to directors, senior management and staff, to subscribe for shares of the Company with a payment of HK$1 for each person who was granted and with an exercise price of HK$3.41 per share. The fair values of the options using the Black-Scholes option pricing model were approximately HK$19,069,000 at the grant date.

On 22 March 2013, the board of directors approved, within the pre-approved quantity limit under the same scheme, the issuance of 34,000,000 options to directors, senior management and staff with an exercise price of HK$1.25 per share. The fair values of the options using the Black-Scholes option pricing model were approximately HK$19,553,000 at the grant date.

On 24 March 2014, the board of directors approved, within the pre-approved quantity limit under the same scheme, the issuance of 52,100,000 options to directors, senior management and staff with an exercise price of HK$0.91 per share (the "Third Issuance"). The total fair value of the Third Issuance was approximately HK$21,103,000 at the grant date.

On 13 April 2015, the board of directors approved, within the pre-approved quantity limit under the same scheme, the issuance of 29,100,000 options to directors, senior management and staff with an exercise price of HK$1.45 per share (the "Fourth Issuance"). The closing price of the Company's shares immediately before 13 April 2015 was HK$1.45 per share. The total fair value of the Fourth Issuance was approximately HK$16,205,000, and was determined at the date of grant using the Black-Scholes option pricing model.

The share options granted are exercisable within a period of ten years after the corresponding vesting periods (from 1 to 6 years) succeeding the date of grant, subject to the fulfilment of certain non-market performance condition, for example, the share options would vest only if the growth in profit after tax of the Group in a financial year (Year 1) equal or exceed 15% as compared to the previous financial year (Year 0). In the event when the growth is less than 15%, the share options will not be immediately forfeited and the vesting will delay until the compound growth in profit after tax of the Group in the following financial year (Year 2) equal or exceed 15% as compared to that of Year 0, and so on. Where profit after tax of the Group does not meet the growth requirements in both circumstances above, the share options will not vest.

17. SHARE-BASED PAYMENTS (Cont'd)

Fair value of the share options

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options. The following assumptions were used to calculate the fair values of share options:

	Third Issuance	Fourth Issuance
Grant date share price	HK$0.91	HK$1.45
Exercise price	HK$0.91	HK$1.45
Expected option life	5.5 years to 7 years	5.5 years to 7 years
Expected volatility	54.46% to 55.36%	43.58% to 51.38%
Dividend yield	1.98%	1.80%
Risk-free interest rate	1.61% to 1.87%	1.08% to 1.28%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

At the end of each reporting date, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share option reserve.

During the six months ended 30 June 2015, the Group recognised a total expense of RMB4,824,000 (six months ended 30 June 2014: RMB3,590,000) in relation to share options granted by the Company.

18. BORROWINGS

During the current interim period, the Group received the proceeds of approximately RMB216,200,000 (six months ended 30 June 2014: RMB361,088,000) related to its renewed and newly obtained bank loans and made repayments amounting to approximately RMB190,000,000 (six months ended 30 June 2014: RMB339,423,000). The new loans are secured, carry annual interest rates range from 5.36% to 6.12% (six months ended 30 June 2014: 2.94% to 7.38%) and repayable by the end of 2016.

19. MEDIUM-TERM NOTES

The medium-term notes are due for repayment in March 2016 and accordingly is classified as current liabilities as at 30 June 2015.

20. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
0 to 90 days	**643,783**	610,163
91 to 180 days	**99,811**	102,934
181 to 360 days	**74,542**	51,230
361 to 720 days	**35,773**	14,021
Over 720 days	**7,910**	14,418
	861,819	792,766

The average credit period on purchases of goods is 90 days.

21. CAPITAL COMMITMENTS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**28,603**	180,528

22. MAJOR NON-CASH TRANSACTIONS

(a) As at 30 June 2015, the Group's additions to property, plant and equipment of RMB532,268,000 (31 December 2014: RMB444,393,000) remained unpaid and included in trade and other payables on the consolidated statement of financial position.

(b) During the six months ended 30 June 2015, for the amount due from a previous shareholder of a subsidiary amounting to RMB22,984,000, RMB7,921,000 was net off with the amount due to the same party with the remaining RMB15,063,000 being settled in cash.

23. RELATED PARTY DISCLOSURES

Key management compensation

The key management includes directors (executive and non-executive) of the Company and senior management of the Group. The compensation paid or payable to the key management for employee services is shown below:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**4,341**	5,426
Post-employment benefits	**78**	82
Share-based payments	**2,960**	3,944
	7,379	9,452

24. PLEDGE OF ASSETS

At the end of each reporting period, certain assets of the Group were pledged to secure trade facilities and bank loans. The aggregate carrying amount of the pledged assets at the end of each reporting period is as follows:

	30 June 2015	31 December 2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Restricted bank deposits	**262,407**	189,000
Prepaid lease payments	**51,632**	44,122
Property, plant and equipment	**1,708,532**	1,401,014
	2,022,571	1,634,136

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value. The Group has no financial instruments measured at fair value subsequent to initial recognition.

	30 June 2015		31 December 2014	
	Carrying amount RMB'000 (Unaudited)	Fair value RMB'000 (Unaudited)	Carrying amount RMB'000 (Audited)	Fair value RMB'000 (Audited)
Senior notes*	2,457,513	2,482,122	2,456,016	2,343,000
Medium-term notes*	809,988	813,600	833,148	823,600

* *including interest payable*