西部水泥

中國西部水泥有限公司
WEST CHINA CEMENT LIMITED

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

Stock Code: 2233

2016
INTERIM REPORT

CONTENTS

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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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
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

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

JERSEY PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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(Channel Islands) Limited
Ordinance House
31 Pier Road
St Helier
Jersey JE4 8PW

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
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 2016 (Unaudited)**	Six months ended 30 June 2015 (Unaudited)	% Change
Total Cement and Clinker Sales Volume (million tons)	**8.39**	7.95	5.5%
Cement Sales Volume (million tons)	**8.32**	7.83	6.3%
Revenue	**1,629.0**	1,690.8	(3.7%)
Gross Profit	**152.9**	216.0	(29.2%)
EBITDA	**449.6**	483.5	(7.0%)
Profit/(Loss) Attributable to Owners of the Company	**(113.5)**	2.4	(4,829.2%)
Basic Earnings/(Loss) Per Share	**(2.1) cents**	0.1 cents	(2,200.0%)
Interim Dividend	**Nil**	Nil	Nil
Gross Profit Margin	**9.4%**	12.8%	(3.4 ppt)
EBITDA Margin	**27.6%**	28.6%	(1.0 ppt)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)	% Change
Total Assets	**11,126.4**	11,382.5	(2.2%)
Net Debt[1]	**3,320.8**	3,375.7	(1.6%)
Net Gearing[2]	**57.4%**	57.2%	0.2 ppt
Net Assets Per Share	**107 Cents**	109 Cents	(1.8%)

Notes:

(1) *Net debt equal to total borrowings, short/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

West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") has continued to face a tough operating environment in the first half of 2016. Sales volumes in Shaanxi Province have remained stable. However, low demand has led to occasional voluntary production halts by all producers during low season periods. Sales volumes in Xinjiang Province have recorded a little and slow increase. The Group's sales volumes of cement and clinker for the six months ended 30 June 2016 were 8.39 million tons, representing a small increase from the 7.95 million tons recorded in the first half of 2015. This volume figure however includes a contribution of approximately 0.43 million tons from the Yaowangshan Cement Plant which was acquired in November 2015. Excluding this new plant, the Group has seen a stable sales volume in the first half of 2016 on a like-for-like basis.

The Group has maintained a strong market position in its Southern Shaanxi core markets, where high levels of market share coupled with good infrastructure demand have resulted in continued average selling price ("ASPs") premiums and more stable margins. However, ASPs have remained poor in Central Shaanxi, with a continuation of competitive pricing by all producers. The Group has however been able to maintain the trend of falling costs established since 2015. Input prices have fallen during the first half of 2016, and the Group has continued to implement efficiency gains and cost-cutting measures. Taken together, these have partially eased the impact of poor ASPs on the Group's margins.

The Group has maintained healthy cash flows, with EBITDA of RMB449.6 million for the first half of 2016, although lower than the RMB483.5 million recorded in the first half of 2015. However, the Group's annual results at the net loss level have been significantly affected by the fall in the value of the RMB against the USD in the first half of 2016. The Group has recorded a significant foreign exchange loss arising from the foreign exchange translation from USD to RMB of the 2019 Senior Notes issued by the Company in September 2014.

The Group's capacity as at 30 June 2016 has now reached 29.2 million tons of cement with the full commissioning of the Group's two new cement plants in Xinjiang and Guizhou Provinces in 2015 as well as the acquisition of the Yaowangshan Cement Plant that was announced in November 2015. The Group has no other plants under construction.

Operating Environment

A key feature of the Group's operational performance in 2016 has been the continued differentiation between the Group's cement ASPs in Southern Shaanxi (where the Group's cement capacity amounts to 9.7 million tons) which have remained reasonable, as compared with those in Central Shaanxi (where the Group's cement capacity amounts to 13.6 million tons) which have been poor. Such difference has been due to the different supply side factors in the two areas but has also been influenced by low demand factors in these areas.

Shaanxi Province as a whole has seen a stable Fixed Asset Investment ("FAI") growth rates in the first half of 2016. FAI growth in the first half of 2016 was approximately 9%, as compared with the 8% registered in the whole of 2015. The stable FAI growth has led to a stable growth in demand for cement products from all producers in the Shaanxi Province. Accordingly, intense competition from the supply side is still a strong factor resulting in poor ASPs in Central Shaanxi. Southern Shaanxi has continued to enjoy higher infrastructure-led construction growth. FAI growth rates in the south have been above the provincial average and have supported a more stable cement market 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. 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. Lower input prices as well as efficiency gains in the use of inputs have resulted in falls in cost of production.

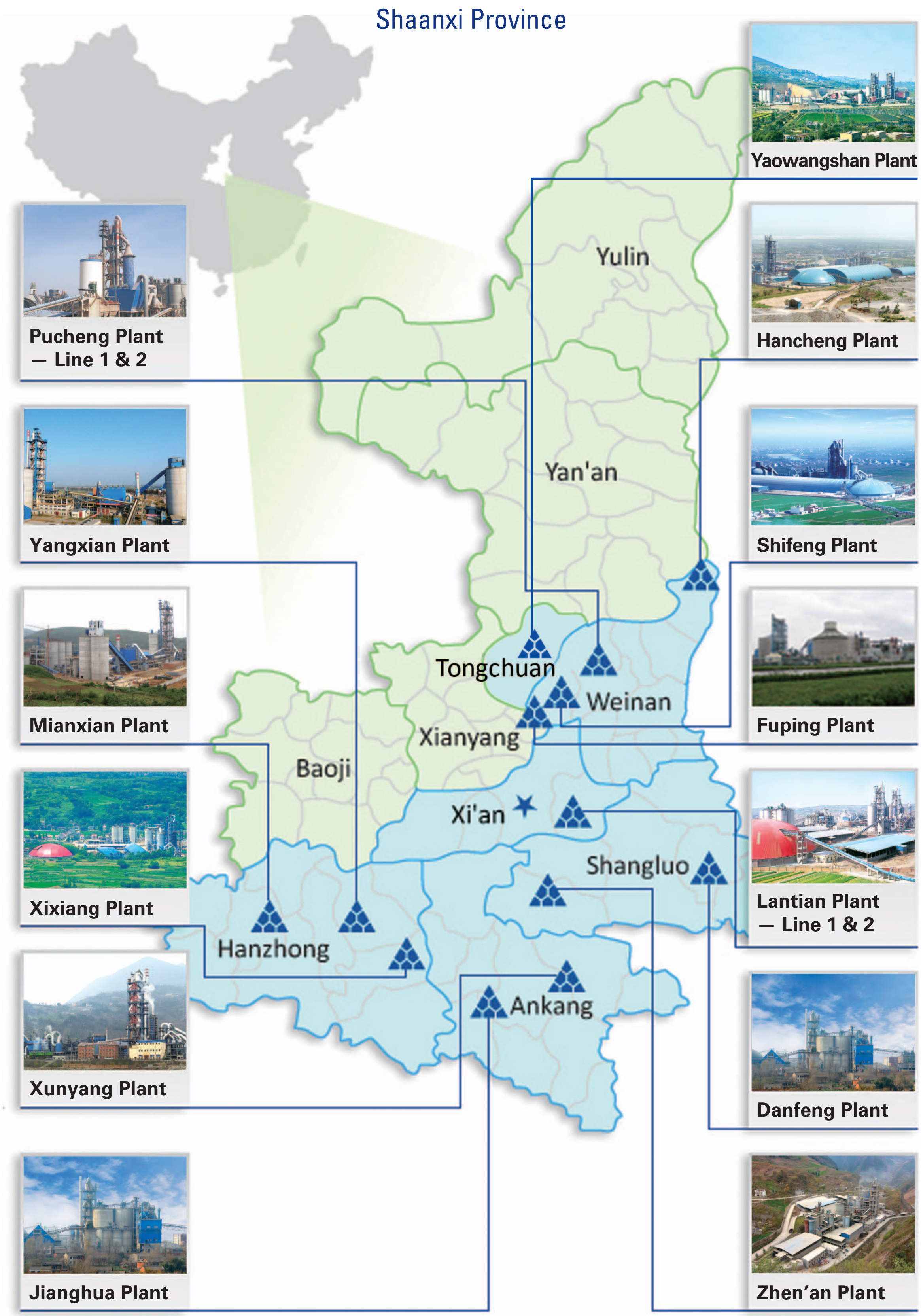
A further development in the first half of 2016 that has impacted the Group's operations was a change to the VAT rebates system, implemented in July 2015, for the recycling of industrial waste as a production input. This change is designed to speed up the elimination of the use of low-grade cement as well as the closure of smaller inefficient capacity. Under the new tax regime, the amount of VAT rebate has been 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 has been raised to 40% for low-grade (32.5) cement but lowered to 20% for high-grade (42.5) cement. Although there is a reduction in the proportion of VAT that can be reclaimed on low-grade cement products, this move has the effect of promoting increased use of high-grade cement products and results in a higher proportion of the Group's high-grade cement products qualifying for VAT rebates.

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi have remained relatively stable during the first half of 2016. The supply side has remained rational, as a result of little new capacity 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 strong market leadership in this area, promoting a disciplined supply side.

Demand in this region has remained reasonable during the first half of 2016, supported by continued growth in railway and road infrastructure project construction. The Xi'an to Chengdu High Speed Railway and the Baoji to Hanzhong Expressway have been, amongst others, particularly important demand drivers; and the construction of the Ankang to Yangpingguan Double Track Railway and the Zhashui to Shanyang Expressway has also added to this demand scenario. Rural and urban development in Southern Shaanxi have continued to be supported by the Hanjiang to Weihe River Water Transport Project and the Southern Shaanxi Resettlement Project which have continued to be important for both cement demand and development in this region.

Whilst sales volumes of cement in Southern Shaanxi have increased by close to 5.0% to approximately 3.57 million tons in the first half of 2016 (the first half of 2015: 3.40 million tons), the above supply and demand scenario has led to relatively strong pricing for the Group's products in this area. There has been some pressure on ASPs, especially in Hanzhong District, due to the low pricing in surrounding areas, but the good infrastructure project demand and insulation from outside competition have supported pricing in Ankang District in particular. During the first half of 2016, the Group has recorded cement ASPs in Southern Shaanxi of approximately RMB215 per ton (excluding VAT), which is higher than the Group's total ASPs of RMB193 per ton, with capacity utilization at approximately 74%.


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

Xinjiang Province

Guizhou Province

Central Shaanxi

The Central Shaanxi market has remained tough, especially from the Xi'an Metropolitan market. This low demand scenario has been exacerbated by the imbalances between supply and demand 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 such new capacity is still being reflected through intense competition.

The low demand scenario in the first half of 2016 has led to voluntary production halts by all producers during low season periods. During the first half of 2016, the Group has continued to maintain its market share in Eastern Xi'an, Yaowangshan, Fuping County and the rest of Weinan District where urbanisation remains a key demand driver. The Group has also supplied cement to a number of infrastructure projects, including the construction of Line 4 and Line 6 of the Xi'an Metro, the Xi'an to Xianyang Ring Road Project and the Weinan to Yushan and Tongchuan to Xunyi Expressways.

Excluding the 0.43 million tons of sales volume contributed by the Yaowangshan Cement Plant, which was newly acquired in November 2015, sales volumes in Central Shaanxi have fallen by close to 7.9% to approximately 3.04 million tons in the first half of 2016 (the first half of 2015: 3.30 million tons) and have been accompanied by weak ASPs. Over the period as a whole, the Group has recorded cement ASPs in Central Shaanxi of RMB163 per ton (excluding VAT), which is lower than the Group's total ASPs of RMB193 per ton, with capacity utilization at approximately 52%.

Xinjiang & Guizhou Provinces

Operations at the Group's plants in Xinjiang Province have remained slow in the first half of 2016. The Group has sold approximately 540,000 tons of mostly low-grade cement from its Southern Xinjiang Luxin and Yutian plants. In addition, the Group's Northern Xinjiang Yili Plant has contributed a further 258,000 tons of sales, resulting in a total sales volume in Xinjiang of approximately 798,000 tons. This compares with total Xinjiang sales volume of 670,000 tons in the first half of 2015. ASPs in Xinjiang have been patchy, with the Group recording reasonable levels at its Luxin and Yutian Plants but a lower ASPs at its Yili Plant.

In Guizhou Province, the Group's Guiyang Huaxi Plant contributed approximately 473,000 tons of cement with capacity utilization at approximately 53%. ASPs have been low with negative margins due to the market introductory entry pricing levels since the plant was fully commissioned in April 2015.

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 New Suspension Preheater ("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 recycle 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 2016, these systems are operational at 13 out of 20 production lines. 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.

The Group has already 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 effective from July 2015. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed, resulting in all of the Group's plants having been upgraded to meet new PM emission standards as well. Waste water recycling systems have also been upgraded at the Group's Yaowangshan and Fuping Plants during the period, further increasing the efficiency of waste water recycling.

Yaobai Environmental — Waste Treatment

In November 2015, the Company announced that its wholly-owned subsidiary, 堯柏特種水泥集團有限公司 Yaobai Special Cement Group Co., Ltd. ("Yaobai Special Cement"), entered into an investment agreement ("Investment Agreement") with 蕪湖海螺投資有限公司 Wuhu Conch Investment Ltd. ("Wuhu Conch", a wholly-owned subsidiary of China Conch Venture Holdings Limited ("Conch Venture") which is listed on the main board of the Stock Exchange (stock code: 586)) and Red Day Limited ("Red Day", a company incorporated in the British Virgin Islands which is 100% owned by Mr. Ma Zhaoyang ("Mr. Ma"), a non-executive Director) pursuant to which Wuhu Conch and Red Day agreed to inject RMB90 million and RMB30 million, respectively, into 西安堯柏環保科技工程有限公司 Xi'an Yaobai Environmental Technology Engineering Co., Ltd. ("Yaobai Environmental"), the Group's waste treatment subsidiary at the relevant time.

In the beginning of 2016, the Investment Agreement was completed and Yaobai Environmental is then owned as to 60% by Wuhu Conch, 20% by 陝西全創科工貿有限公司 Shaanxi Quanchuangke Industrial and Trading Co. Ltd., a PRC company wholly-owned by Mr. Ma, which is nominated by Red Day to take up all its rights and obligations under the Investment Agreement pursuant to the terms of the Investment Agreement, and 20% by Yaobai Special Cement. Yaobai Environmental ceased to be an indirect wholly-owned subsidiary of the Company.

The parties have agreed to develop Yaobai Environmental into the only platform for the treatment of dangerous and hazardous waste for the parties within the PRC. The capital injection from the investors under the Investment Agreement will provide additional financial resources to Yaobai Environmental and pave the way for further collaboration among the parties.

Yaobai Environmental's operations currently include Phase I & Phase II of the Lantian Cement Kiln Waste Sludge Treatment Facility ("Lantian Waste Treatment Facility"), which have been in full operations since 2015 and the Municipal Waste Treatment Facility at the Group's Fuping Plant ("Fuping Waste Treatment Facility"), which has been operating since March 2016. Moreover, a Solid Waste Treatment Facility at the Group's Mianxian Plant ("Mianxian Waste Treatment Facility") is due to start construction 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 2016, the Group has focused its EHS (Environmental, Health & Safety) efforts on completing the publication of several handbooks and guidelines regarding work safety measures as well as the initiation of a number of other safety related training courses. In addition, the Group will process the third phase of the "Sustainable Safety Development Project" under the auspices of its strategic partner Italcementi S.P.A. In 2016, this third 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.

In order to further improve its environmental impact and safety procedures, the Group joined 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: CO2 & climate protection, responsible use of fuels and raw materials, employee health & safety, emission reduction, local environmental impact, water and reporting practices.

During the period, charitable donations made by the Group amounted to RMB0.7 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

Material Acquisitions and Disposal

In November 2015, the Group completed the acquisition of 銅川藥王山生態水泥有限公司 (Tongchuan Yaowangshan Ecological Cement Co., Ltd.) ("Yaowangshan Cement"), whose cement plant ("Yaowangshan Cement Plant") is located in Tongchuan District of Shaanxi Province with an annual cement production capacity of approximately 2.2 million tons and a strong emphasis on environmentally friendly cement production technology. After that, the Group has no other on-going cement plant construction/acquisition projects. The absence of any further expansion plan is consistent with the current development of the cement industry in PRC.

On 27 November 2015, the Company announced that, pursuant to an acquisition agreement ("Acquisition Agreement"), the Group had conditionally agreed to acquire, and Anhui Conch Cement Co., Ltd. had conditionally agreed to sell, the entire equity interest in four target companies principally engaged in manufacture and sale of cement in the Shaanxi Province. As certain conditions precedent of the Acquisition Agreement were not satisfied or waived before 5:00 p.m. on 30 June 2016, the long stop date under the Acquisition Agreement, the Acquisition Agreement has ceased and was determined.

The Group therefore had no significant material acquisitions or disposals during the six months ended 30 June 2016.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 3.7% from RMB1,690.8 million for the first half of 2015 to 1,629.0 million for the first half of 2016. Cement sales volume increased by 6.3%, from approximately 7.83 million tons to approximately 8.32 million during the period. Including clinker sales, total sales volume for the first half of 2016 amounted to approximately 8.39 million tons, compared to the 7.95 million tons sold in the first half of 2015.

During the period under review, there has been a contribution of 430,000 tons of cement sales from the Yaowangshan Cement Plant, which was acquired in November 2015. Excluding this new plant, the Group has seen a stable sales volume in the first half of 2016 on a like-for-like basis.

Overall cement prices have been lower than those seen in the first half of 2015, and this has resulted in lower revenues. Cement ASPs for the first half of 2016 were RMB193 per ton as compared with RMB208 per ton in the first half of 2015. The reasons for these fluctuations in ASPs are discussed in the "Operating Environment" section above.

Cost of Sales

Cost of sales increased by 0.1% from RMB1,474.9 million for the first half of 2015 to RMB1,476.1 million for the first half of 2016.

There were savings in coal costs as a result of general falls in coal prices in the PRC over the previous 12 months. The average cost per ton of coal decreased by approximately 20.2% to approximately RMB269 per ton from approximately RMB337 per ton in the first half of 2015. This has resulted in a cost saving of approximately RMB6.6 per ton of total cement and clinker produced, with total coal costs decreasing by approximately 16.0% as compared with the first half of 2015.

There have been no significant changes in the costs and consumption of raw materials and electricity during the period.

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 14.1%, or approximately RMB45.2 million, as compared with the first half of 2015. This was mainly due to the increase in operating capacity following the acquisition of the Yaowangshan Cement Plant in November 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 8.6%, or approximately RMB8.9 million, as compared with the first half of 2015. The rise in staff costs has mainly been due to the increase in operating capacity and staff expenses following the acquisition of the Yaowangshan Cement Plant in November 2015, but this has been partly counterbalanced by the Group's implementation of staff cost cutting measures during 2016.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB63.1 million, or 29.2%, from RMB216.0 million for the first half of 2015 to RMB152.9 million for the first half of 2016. The fall in gross profit was mainly due to the decrease in ASPs described above. Gross profit margins therefore decreased from 12.8% for the first half of 2015 to 9.4% for the first of 2016.

Administrative and Selling & Marketing Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization.

These expenses decreased by 6.5% from RMB122.9 million for the first half of 2015 to RMB114.9 million for the first half of 2016. The implementation of cost cutting measures during 2016 has effectively decreased the administration expenses. Selling & Marketing expenses rose by 3.7% from RMB17.1 million to RMB23.4 million as compared with the first half of 2015.

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 25.6% from RMB66.7 million for the first half of 2015 to RMB49.6 million for the first half of 2016. The ratio of VAT rebates over revenue was 2.6% for the first half of 2016 (the first half of 2015: 3.6%). The fall in the VAT rebates was mainly due to the following factors. Firstly, the decreases in ASPs, with lower ASPs resulting in lower output VAT which in turn results in lower net VAT and rebates. Secondly, the changes in the VAT rebate system that was implemented in July 2015 which is discussed in more detail in the "Management Discussion and Analysis" section. These two factors accounted for the fall in VAT rebates of approximately 30% as compared with the first half of 2015.

Other Gains and Losses, net

Other losses increased by RMB58.9 million from a RMB0.8 million for the first half of 2015 to a RMB59.7 million for the first half of 2016. The increase was mainly due to an unrealized foreign exchange loss of RMB55.7 million relating to the Group's Senior Notes, as a result of the weakness of the RMB against the USD in the first half of 2016, as compared with a foreign exchange gain of RMB0.5 million for the first half of 2015.

Interest Income

Interest income increased by RMB5.8 million from RMB2.7 million for the first half of 2015 to RMB8.5 million for the first half of 2016. The increase is mainly due to the interest income arising from the short-term investments made in the second half of 2015.

Finance Costs

Finance costs increased by RMB22.0 million, or 20.2%, from RMB108.8 million for the first half 2015 to RMB130.8 million for the first half of 2016. There is no interest capitalized as part of the costs of assets for the first half 2016 as there is no construction of any new plants as compared with RMB21.6 million of interest capitalized for the first half of 2015, which led to the increase of the finance costs during the period.

Income Tax Expense

Income tax expenses decreased by RMB30.5 million, or 93.6%, from RMB32.6 million for the first half of 2015 to RMB2.1 million for the first half of 2016. Current income tax expense decreased by RMB11.9 million to RMB34.9 million, whereas deferred tax credits increased by RMB18.6 million to RMB32.8 million for the first half of 2016.

Although there has been a decrease in the Group's current income tax expenses during the period, 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. Secondly, 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 year.

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, RMB29.7 million of deferred tax assets relating to tax losses were recognized and credited to the profit and loss (the first half of 2015: RMB12.1 million).

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

(Loss)/Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased from RMB2.4 million for the first half of 2015 to a loss of RMB113.5 million for the first half of 2016. This large loss is primarily due to the unrealized foreign exchange loss of RMB55.7 million relating to the Group's Senior Notes and the fall in gross profit due to the fall in ASPs.

Basic earnings per share decreased from RMB0.1 cents for the first half of 2015 to a loss per share of RMB2.1 cents for the first half of 2016.

FINANCIAL AND LIQUIDITY POSITION

As at 30 June 2016, the Group's total assets decreased by 2.2% to RMB11,126.4 million (31 December 2015: RMB11,382.5 million) while total equity decreased by 2.1% to RMB5,780.9 million (31 December 2015: RMB5,903.9 million).

As at 30 June 2016, the Group had cash and cash equivalents, as well as restricted bank deposits, amounting to RMB586.6 million (31 December 2015: RMB528.2 million). After deducting total borrowings, Senior Notes and short/medium-term notes ("S/MTN") of RMB3,907.4 million (31 December 2015: RMB3,903.9 million), the Group had net debt of RMB3,320.8 million (31 December 2015: RMB3,375.7 million). 100% (31 December 2015: 84.7%) of borrowings are at a fixed interest rate. As at 30 June 2016, the Group also held wealth management products operated by banks of RMB259.5 million (31 December 2015: 253.1 million) at an annual return rate of 5.1% and maturing in September 2016. Please refer to notes 19, 20, 21 and 26 of the condensed consolidated financial statements below for the details of the borrowings, S/MTN and the respective pledge of assets.

As at 30 June 2016, the Group's net gearing ratio, measured as net debt to equity, was 57.4% (31 December 2015: 57.2%).

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 2016, the Group had net current liabilities of RMB525.6 million (31 December 2015: RMB727.5 million). This net amount includes bank borrowings of RMB485.0 million (31 December 2015: RMB538.4 million) which are classified as current liabilities as well as RMB797.5 million of short-term notes ("STN") (31 December 2015: RMB799.1 million of MTN) which will mature in March 2017. The Group intends to rollover part of these bank borrowings, as permitted under the existing facility terms, when they fall due and have facilities in place to re-finance the STN.

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

CONTINGENT LIABILITIES

As at 30 June 2016, 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 first half of 2016 amounted to RMB82.4 million (the first half of 2015: RMB216.7 million). Capital commitments as at 30 June 2016 amounted to RMB7.6 million (31 December 2015: RMB14.3 million). Both capital expenditure and capital commitments were mainly related to the construction of 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 2016, the Group employed a total of 4,534 (30 June 2015: 5,127) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2016, employees benefit expenses were RMB156.5 million (six months ended 30 June 2015: RMB147.4 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.

FOREIGN EXCHANGE RISK MANAGEMENT

During the six months ended 30 June 2016, the Group's sales and purchases were all denominated in Renminbi. However, 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 Renminbi. The appreciation or devaluation of 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 tough operating environment faced by the Group in the first half of 2016 reflected problems in both the supply side structure of the cement industry in Shaanxi Province as well as lacklustre demand in Shaanxi Province and in the PRC as a whole. Whilst demand in Shaanxi was keeping low in the first half of 2016, with only a stable cement sales as compared with the first half of 2015, the Company is cautiously optimistic about the outlook of infrastructure construction and urbanisation into the second half of 2016 and beyond. However, it is the resolution of the fragmented nature of the supply side that is of primary importance in promoting a more stable market and improvement to production capacity for the region, which in turn will benefit the Group.

The Group and Conch Cement will continue to explore future opportunities for business collaboration in different structures or manners

Conch International Holdings (HK) Limited, a wholly-owned subsidiary of Anhui Conch Cement Co., Ltd ("Conch Cement"), had 1,147,565,970 shares in the Company, representing approximately 21.17% of the Company's issued share capital as at 30 June 2016. Conch Cement is a leading PRC cement company, 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).

Ms. Liu Yan and Mr. Qin Hongji are the representatives of Conch Cement on the board of directors of our Company who can promote a strong working relationship between the Group and Conch Cement. This will enable the Group and Conch Cement to achieve synergies in the manufacturing and sale of cement in Shaanxi Province, and can unify the operation and management of cement production capacity in the region thereby improving business efficiency and enhancing the effect of development strategies for both parties in the region.

The Group believes that further collaboration between the two groups will lead to a significantly more stable supply side and market outlook for the region, significantly improving the trading prospects for the Group into 2016 and beyond.

Operations — Shaanxi

Under the current macro economic conditions in the PRC and Shaanxi Province, the Group does not expect to see a significant pick up in demand in the second half of 2016. Infrastructure demand is expected to remain reasonable and there are a number of major new projects that have commenced or are due to commence in 2016, but significant growth is not expected. Urban property demand is also uncertain but rural demand is expected to remain stable with continued urbanization trends supporting rural growth rates.

In regards to the supply side, the Group does see increasing discipline amongst producers into the second half of 2016, both as a result of the low pricing environment and in light of the business collaboration between the Group and Conch Cement, which is expected to improve sales coordination across the province and stronger bargaining power on selling prices.

In Central Shaanxi, voluntary production halts by all producers are expected to remain an important feature, especially during low season periods, and this can support ASPs. There are a number of infrastructure projects that have recently started or are expected to start construction in 2016. The largest of these, the Inner Mongolia to Jiangxi Coal Transportation Railway (Shaanxi Section) has commenced construction in March 2016 and is expected to consume over 800,000 tons of cement. The Pucheng to Huanglong, Heyang to Fengxiang and Chengxian to Weizhuang Expressways also started construction in 2016 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.

In Southern Shaanxi, the Group expects to maintain its relatively strong performance due to reasonable infrastructure construction activity, an already disciplined supply side and the potential for increasingly stable pricing in the surrounding areas of Central Shaanxi and Northern Sichuan. Construction of the large railway, road and water projects in Southern Shaanxi are expected to proceed normally in 2016. The Xi'an to Chengdu High Speed Railway and Baoji to Hanzhong Expressway are all continuing with bulk consumption. The Ankang to Yangpingguan Double Track Railway, Shanyang to Zhashui Expressway and Pingli to Zhenping Expressway have recently started construction and are expected to generate increasing demand in 2016. In addition, the Group expects to see good demand from a number of new hydropower projects in 2016, including the Haujiang Xunyang, Zhen'an Yuehe and Hanjiang Baihe Hydropower Stations, and other projects related to the Hanjiang to Weihe River Water Transfer project in 2016.

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in 2016. 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 2016. 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 1.5 million-ton Yili Plant commenced full operations in April 2015, but volumes and pricing have remained low. The Group expects to see more volume sold from the Yili Plant in 2016 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, which is very well located close to Guiyang City Centre, also commenced operations in April 2015. The Group expects this plant to benefit from its location advantage in 2016, with a continuation of strong volumes coupled with ASPs improvements as the plant establishes itself in the local market.

Costs

The Group will continue to implement a number of cost-cutting measures, which are expected to benefit cost of sales and selling, general and administrative expenses in 2016. These measures 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 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 2016 and expects increased benefits into the second half of 2016 and 2017.

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 to further implement 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 Italcementi S.P.A. The Group also expects to benefit from its membership of the Cement Sustainability Initiative (CSI) in gaining expertise and know how in all aspects of environmental control and health and safety.

The Group is looking forward to continuing its work in the building of waste treatment facilities at its plants together with Conch Venture and Mr. Ma through the joint investment in Yaobai Environmental. As part of the joint investment, the Group will provide its cement kilns, logistics and management for a management fee to run the waste treatment facilities at its Lantian and Fuping Plants as well as its other plants in the future. Phase I and Phase II of the Lantian Waste Treatment Facility are in full operation since 2015 while Fuping Waste Treatment Facility commenced full operation since March 2016. Moreover, Mianxian Waste Treatment Facility is due to start construction in 2016.

Capital Expenditure

Following the commissioning of the Group's two new plants in Xinjiang and Guiyang as well as the acquisition of the Yaowangshan Cement Plant in 2015, the Group has no particular plans for capacity expansion in 2016.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2016, 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 2016:

Name of Director	Capacity	Number of ordinary shares held as at 30 June 2016 Total *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2016
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 2016:

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 2016
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 2016, 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 of 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 2016, 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 2016 *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2016
Asia Gain *(Note 2)*	Beneficial owner	1,756,469,900 (L)	32.40%
Conch International Holdings (HK) Limited ("Conch") *(Note 3)*	Beneficial owner	1,147,565,970 (L)	21.17%
Anhui Conch Cement Co., Ltd. ("Anhui Conch") *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.17%
安徽海螺集團有限責任公司 *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.17%
China Conch Venture Holdings Limited ("China Conch") *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.17%
Credit Suisse Group AG	Beneficial owner	401,572,295(L)	7.41%
		199,074,295 (S)	3.67%
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.

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 2016 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 2015 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 6.31% of the Company's issued share capital as at the date of the Company's 2015 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 2016:

Category and name of participant	Date of grant of share options *(Note)*	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2016	Granted during the period ended 30 June 2016	Exercised during the period ended 30 June 2016	Lapsed during the period ended 30 June 2016	Outstanding as at 30 June 2016
				Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme				
Directors								
Zhang Jimin	22 March 2013	1.25	22 March 2014 to 21 March 2023	3,000,000	—	—	—	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
Ma Zhaoyang	23 March 2011	3.41	23 March 2012 to 22 March 2021	75,000	—	—	—	75,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	487,500	—	—	—	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	487,500	—	—	—	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
Lee Kong Wai, Conway	23 March 2011	3.41	23 March 2012 to 22 March 2021	75,000	—	—	—	75,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	487,500	—	—	—	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	75,000	—	—	—	75,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	487,500	—	—	—	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

				Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme				
Category and name of participant	Date of grant of share options *(Note)*	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2016	Granted during the period ended 30 June 2016	Exercised during the period ended 30 June 2016	Lapsed during the period ended 30 June 2016	Outstanding as at 30 June 2016
Tam King Ching, Kenny	23 March 2011	3.41	23 March 2012 to 22 March 2021	75,000	—	—	—	75,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	487,500	—	—	—	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	3,400,000	—	—	—	1,400,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	17,812,500	—	—	—	17,812,500
	24 March 2014	0.91	24 March 2015 to 23 March 2024	37,700,000	—	—	—	37,700,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	14,900,000	—	—	—	14,900,000
Other employees (Group B)	23 March 2011	3.41	23 March 2012 to 22 March 2021	1,650,000	—	—	—	1,650,000
Total				104,100,000	—	—	—	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.*

2. *27,300,000 share options were cancelled at the board meeting on 15 August 2016.*

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2016 (2015: 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 2016, 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 2016.

AUDITORS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2016 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 2016, 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 2016.

On behalf of the Board of Directors
Zhang Jimin
Chairman
15 August 2016

Deloitte.
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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 46, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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

15 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	Six months ended 30 June 2016 RMB'000 (Unaudited)	 2015 RMB'000 (Unaudited)
Revenue	4	**1,628,998**	1,690,841
Cost of sales		**(1,476,075)**	(1,474,874)
Gross profit		**152,923**	215,967
Other income	5	**49,608**	66,699
Selling and marketing expenses		**(23,397)**	(17,072)
Administrative expenses		**(114,941)**	(122,903)
Other gains and losses, net	6	**(59,673)**	(789)
Share of profit of an associate		**5,167**	–
Interest income	7	**8,481**	2,697
Finance costs	8	**(130,750)**	(108,831)
(Loss) profit before tax		**(112,582)**	35,768
Income tax expense	9	**(2,144)**	(32,602)
(Loss) profit and total comprehensive (expense) income for the period	10	**(114,726)**	3,166
Attributable to:			
— Owners of the Company		**(113,495)**	2,433
— Non-controlling interests		**(1,231)**	733
		(114,726)	3,166
(Loss) earnings per share			
— Basic (RMB)	12	**(0.021)**	0.001
— Diluted (RMB)	12	**(0.021)**	0.001

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
ASSETS			
Non-current assets			
Investment in an associate	24	**36,592**	–
Property, plant and equipment	13	**7,922,066**	8,256,747
Prepaid lease payments		**492,031**	498,429
Mining rights		**274,142**	281,842
Other intangible assets		**194,141**	195,315
Deferred tax assets		**63,850**	54,405
Amount due from non-controlling shareholder of a subsidiary		**63,220**	53,260
		9,046,042	9,339,998
Current assets			
Inventories		**529,331**	575,656
Trade and other receivables and prepayments	15	**704,913**	685,493
Restricted bank deposits		**79,608**	73,397
Bank balances and cash		**507,023**	454,823
Short-term investments	16	**259,503**	253,128
		2,080,378	2,042,497
Total assets		**11,126,420**	11,382,495
EQUITY			
Share capital	17	**141,519**	141,519
Share premium and reserves	18	**5,593,124**	5,714,901
Equity attributable to owners of the Company		**5,734,643**	5,856,420
Non-controlling interests		**46,249**	47,480
Total equity		**5,780,892**	5,903,900

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	19	3,000	3,000
Senior notes		2,621,889	2,563,482
Asset retirement obligation		21,598	20,961
Deferred tax liabilities		31,399	54,731
Deferred income		61,667	66,389
		2,739,553	2,708,563
Current liabilities			
Borrowings	19	485,000	538,400
Medium-term notes	20	–	799,060
Short-term notes	21	797,484	–
Trade and other payables	22	1,290,937	1,410,505
Income tax payable		32,554	22,067
		2,605,975	2,770,032
Total liabilities		5,345,528	5,478,595
Total equity and liabilities		11,126,420	11,382,495
Net current liabilities		(525,597)	(727,535)
Total assets less current liabilities		8,520,445	8,612,463

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	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 2016 (Audited)	**141,519**	**3,288,975**	**(305,868)**	**29,842**	**491,318**	**2,210,634**	**5,856,420**	**47,480**	**5,903,900**
Loss and total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**(113,495)**	**(113,495)**	**(1,231)**	**(114,726)**
Reversal of equity-settled share-based payments *(Note 18)*	**–**	**–**	**–**	**(8,282)**	**–**	**–**	**(8,282)**	**–**	**(8,282)**
At 30 June 2016 (Unaudited)	**141,519**	**3,288,975**	**(305,868)**	**21,560**	**491,318**	**2,097,139**	**5,734,643**	**46,249**	**5,780,892**
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 income for the period	–	–	–	–	–	2,433	2,433	733	3,166
Recognition of equity-settled share-based payments *(Note 18)*	–	–	–	4,824	–	–	4,824	–	4,824
Issue of new shares *(Note 17)*	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**418,932**	258,321
INVESTING ACTIVITIES		
Interest received	**2,106**	2,697
Purchase of property, plant and equipment	**(117,897)**	(102,062)
Addition of prepaid lease payments	**(201)**	–
Purchase of mining rights	**(492)**	–
Payment to non-controlling shareholder of a subsidiary	**(9,960)**	(4,002)
Proceeds from disposal of property, plant and equipment	**1,255**	5,715
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)
Net cash outflow on deemed disposal of a subsidiary *(Note 24)*	**(40,097)**	–
Withdrawal of restricted bank deposits	**32,703**	14,565
Placement of restricted bank deposits	**(38,914)**	(81,472)
Net cash used in investing activities	**(171,497)**	(234,691)
FINANCING ACTIVITIES		
New borrowings raised	**385,600**	216,200
Repayment of borrowings	**(439,000)**	(190,000)
Proceeds from issuance of Short-term Notes *(Note 21)*	**800,000**	–
Short-term Notes issue costs paid	**(3,200)**	–
Repayment of Medium-term Notes *(Note 20)*	**(800,000)**	–
Proceeds from issue of shares	**–**	1,204,113
Interest paid	**(139,316)**	(154,306)
Net cash (used in) from financing activities	**(195,916)**	1,076,007
Net increase in cash and cash equivalents	**51,519**	1,099,637
Cash and cash equivalents at 1 January	**454,823**	495,605
Effect of foreign exchange rate changes	**681**	(27)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**507,023**	1,595,215

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 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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 30 June 2016, the Group has net current liabilities of RMB525,597,000, and has unutilised loan facilities totalling RMB140,400,000 readily available for drawdown within the next twelve months from the date of the approval of these condensed consolidated financial statements for issuance. In addition, the Company's indirect wholly-owned subsidiary established in the PRC, Yaobai Special Cement Group Co., Ltd. ("Shaanxi Yaobai") is able to issue on its demand further one-year short-term notes of RMB400,000,000 by March 2018 for the purpose of, among others, expansion of production facilities, repayment of part of the bank loans and to supplement general working capital across the Group. Based on the Group'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 Group 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 Group 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 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has adopted the following accounting policies for changes in the Group's ownership interests in existing subsidiaries and its investments in associates.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over the policies.

The results and assets and liabilities of associates are incorporated in these condensed consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in that), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On the acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Investments in associates (Cont'd)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment in an associate (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (''IFRSs") that are relevant for the preparation of the Group's condensed consolidated financial statements, 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 IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IFRSs	*Annual Improvements to IFRSs 2012–2014 Cycle*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*

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 2016 and 2015 are derived from the sale of cements products to customers 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	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Tax refund *(note)*	**42,771**	60,793
Government grant — others	**6,837**	5,630
Others	**–**	276
	49,608	66,699

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	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange (losses) gains *(note)*	**(55,720)**	480
Gain on disposal of property, plant and equipment	**758**	208
Allowance for doubtful debts	**(57)**	–
Reversal of allowance for doubtful debts	**–**	240
Reversal of impairment on payment for property, plant and equipment	**2,000**	–
Gain arising from derecognition of payables	**250**	77
Loss on deemed disposal of a subsidiary *(Note 24)*	**(5,702)**	–
Others	**(1,202)**	(1,794)
	(59,673)	(789)

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

7. INTEREST INCOME

Interest income represents interest received and receivable from bank deposits and short-term investments.

8. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other loans wholly repayable within five years:		
Bank borrowings	**13,664**	21,046
Senior notes	**89,819**	83,180
Medium-term notes	**13,140**	25,638
Short-term notes	**13,490**	–
	130,113	129,864
Less: amount capitalised	**–**	(21,615)
	130,113	108,249
Unwinding of discount	**637**	582
	130,750	108,831

During the six months ended 30 June 2016, no significant finance cost was capitalised. The weighted average capitalisation rate on funds borrowed for the six months ended 30 June 2015 was 6.57% per annum.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
Current period	**34,921**	39,871
Under provision in prior years	**–**	6,975
	34,921	46,846
Deferred tax		
Current period	**(32,777)**	(9,246)
Attributable to change in tax rate	**–**	(4,998)
	(32,777)	(14,244)
Income tax expense	**2,144**	32,602

9. INCOME TAX EXPENSE (Cont'd)

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) profit before tax	**(112,582)**	35,768
Tax at domestic income tax rate of 25% (six months ended 30 June 2015: 25%)	**(28,145)**	8,942
Tax effects of:		
Expenses not deductible for tax purpose	**32,242**	18,457
Tax exemption and reduced tax rate *(note (a))*	**(979)**	–
Change in tax rate for deferred tax recognised	**–**	(4,998)
Tax effect on interest income on intra-group loans *(note (b))*	**3,510**	2,232
Tax losses not recognised as deferred tax assets	**4,138**	4,847
Utilisation of tax losses previously not recognised as deferred tax assets	**(1,050)**	(1,248)
Under provision in prior years	**–**	6,975
Recognition of deferred tax assets on tax losses generated in previous years	**(7,572)**	(2,605)
Tax expense for the period	**2,144**	32,602

Note:

a. *The Group's subsidiary, Hetian Yaobai Cement Co., Ltd. ("Hetian Yaobai") was established in Xinjiang. Pursuant to the relevant laws and regulations of Xinjiang, Hetian Yaobai is entitled to a two-year tax holiday from its first profit-making year, that is 2013 and a further three-year 50% tax reduction pursuant to PRC enterprise income tax law. The applicable tax rate for the six months ended 30 June 2016 is 12.5%.*

b. *Interest income in respect of intra-group loans within the Group is subject to a tax rate of 7% based on the double taxation arrangement between Hong Kong and Mainland China.*

10. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**376,002**	323,261
Amortisation of prepaid lease payments	**7,064**	6,390
Amortisation of mining rights	**8,192**	6,441
Amortisation of other intangible assets	**1,174**	1,204
Total depreciation and amortisation	**392,432**	337,296

11. DIVIDEND

During the six months ended 30 June 2015, a final dividend of RMB0.2 cent per share in respect of the year ended 31 December 2014 in total of approximately RMB9,035,000 was declared and approved by the shareholders in annual general meeting (six months ended 30 June 2016: Nil).

The directors of the Company proposed no dividend in respect of the current interim period (six months ended 30 June 2015: Nil).

12. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	**(113,495)**	2,433

12. (LOSS) EARNINGS PER SHARE (Cont'd)

	Six months ended 30 June	
	2016	2015
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**5,420,808**	4,537,306
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 (loss) earnings per share	**5,420,808**	4,538,506

The calculation of diluted loss per share for the six months ended 30 June 2016 did not take into account the share options of the Company (Note 18) as the assumed exercise would result in a decrease in loss per share.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group purchased property, plant and equipment of approximately RMB48,926,000 (six months ended 30 June 2015: RMB37,536,000) from third parties and incurred approximately RMB32,802,000 on the construction of its plants and buildings (six months ended 30 June 2015: RMB179,183,000). During the current interim period, no borrowing cost was capitalised as part of the construction in progress (six months ended 30 June 2015: RMB21,615,000) (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 2016 are RMB11,822,000, Nil and Nil (six months ended 30 June 2015: RMB1,231,254,000, RMB20,148,000 and RMB70,824,000) respectively.

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB497,000 (six months ended 30 June 2015: RMB5,507,000) to third parties, resulting in a gain on disposal of RMB758,000 (six months ended 30 June 2015: RMB208,000).

14. IMPAIRMENT TESTING

The Group performed its annual impairment test in December for its goodwill and when circumstances indicate the carrying value may be impaired for both its goodwill as well as non-current assets, including property, plant and equipment, prepaid lease payments and mining rights. Following the losses made by two subsidiaries, namely, Guizhou Linshan Cement Co., Ltd ("Guizhou Huaxi") and YaoWangShan Cement Co., Ltd ("Yaowangshan"), in the current interim period primarily due to the relatively low demand of their products that the actual sales volume below the designed production capacity of these two subsidiaries since their acquisition by the Group in 2015, management has recalculated the recoverable amount of these two cash generating units ("CGUs") with goodwill based on value-in-use calculations. As there were no indicators for impairment of any of the other CGUs, management has not updated any of the other impairment calculations. The directors of the Company determine that there is no impairment in Guizhou Huaxi and YaoWangShan.

14. IMPAIRMENT TESTING (Cont'd)

Guizhou Huaxi

The value in use calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period. The compound annual growth rate ("CAGR") of the sales volume is 5% (31 December 2015: 7%) from 2016 to 2018 and 0% from 2019 to 2020, and the pre-tax discount rate applied to cash flow projection is 11% (31 December 2015: 11%). This growth rate is reference to the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using zero growth rates. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's latest performance and management's expectations for the market development. The recoverable amount of Guizhou Huaxi would equal to its carrying amount if the growth rate and discount rate were to change from 5% to 4%, and 11% to 12%, respectively. The directors have considered and assessed reasonably possible changes for other key assumptions and have not identified any other instances that could result in a further impairment.

Yaowangshan

The value in use calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period. The CAGR of 6% (31 December 2015: 6%), and pre-tax discount rate of 11.0% (31 December 2015: 11.0%) were applied. This growth rate is reference to the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using zero growth rates. 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. Other key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. The recoverable amount of Yaowangshan would equal to its carrying amount if the growth rate and discount rate were to change from 6% to 5%, and 11% to 12%, respectively. The directors have considered and assessed reasonably possible changes for other key assumptions and have not identified any other instances that could result in a further impairment.

15. TRADE RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables	333,759	346,022
Less: Allowance for doubtful debts	(6,675)	(6,675)
	327,084	339,347
Bills receivable	120,077	109,456
	447,161	448,803

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.

15. TRADE RECEIVABLES (Cont'd)

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 to 90 days	**188,473**	190,117
91 to 180 days	**24,633**	86,628
181 to 360 days	**66,094**	35,631
361 to 720 days	**40,553**	24,691
Over 720 days	**7,331**	2,280
	327,084	339,347

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 2016, RMB101,799,000 (31 December 2015: RMB153,670,000) 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 RMB225,285,000 (31 December 2015: RMB185,677,000) 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. SHORT-TERM INVESTMENTS

As at 30 June 2016, the Group's short-term investments represented investments in wealth management products operated by a bank, which mainly invested in debt securities. These investments were non principal-protected, with expected annual returns at rates of 5.10% with maturity of less than one year. The short-term investments will mature in September 2016.

17. SHARE CAPITAL

	Number of shares	Share capital	Shown in the condensed consolidated financial statements
	'000	GBP'000	RMB'000
Ordinary shares of GBP0.002 each			
Authorised:			
Balance as at 1 January 2015, 31 December 2015, and 30 June 2016	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 31 December 2015 and 30 June 2016	5,420,808	10,840	141,519

Note:

On 26 June 2015, the Company issued 903,467,970 ordinary shares with a nominal value of GBP0.002 each at an issue price of HK$1.69 per share to Conch International Holding (HK) Limited. 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 Company intends to use the net proceeds for general working capital and for future potential acquisitions and/or investment opportunities.

18. 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, 22 March 2013, 24 March 2014 and 13 April 2015, the Company granted a total of 18,400,000 ("First Issuance"), 34,000,000 ("Second Issuance"), 52,100,000 ("Third Issuance") and 29,100,000 options ("Forth Issuance"), respectively, to directors, senior management and staff, and the fair value of the four option issuances using the Black-Scholes option pricing model was approximately HK$19,069,000, HK$19,553,000, HK$21,103,000 and HK$16,205,000 at the respective grant dates.

18. SHARE-BASED PAYMENTS (Cont'd)

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. If in any financial year the Group record net loss, the share options would vest if the decrease in net loss of the Group in a financial year (Year 1) equal or exceed 15% as compared to the net loss in previous financial year (Year 0). In the event when the decrease is less than 15%, the share options will not be immediately forfeited and the vesting will delay until the compound decrease in net loss of the Group in the following financial year (Year 2) equal or exceed 15% as compared to the net loss in Year 0, and so on. Where net loss of the Group does not meet the decrease requirements in both circumstances above, the share options will not vest.

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 granted during the six months ended 30 June 2015:

	Fourth Issuance
Grant date share price	HK$1.45
Exercise price	HK$1.45
Expected option life	5.5 years to 7 years
Expected volatility	43.58% to 51.38%
Dividend yield	1.80%
Risk-free interest rate	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.

During the six months ended 30 June 2016, the Group recognised a reversal of net expense of RMB8,282,000 (six months ended 30 June 2015: total expenses of RMB4,824,000) in relation to share options granted by the Company. Included in the amount of share-based payments expenses for the six months ended 30 June 2016 was a reversal of expenses against profit or loss due to non-fulfillment of performance conditions amounting to RMB12,453,000 (six months ended 30 June 2015: Nil).

19. BORROWINGS

During the current interim period, the Group received the proceeds of approximately RMB385,600,000 (six months ended 30 June 2015: RMB216,200,000) related to its renewed and newly obtained bank loans and made repayments amounting to approximately RMB439,000,000 (six months ended 30 June 2015: RMB190,000,000). The new loans are secured by property, plant and equipment and prepaid lease payment, carry annual interest rates range from 4.35% to 5.88% (six months ended 30 June 2015: 5.36% to 6.12%) and repayable from 2017 to 2018.

20. MEDIUM-TERM NOTES

On 28 March 2016, Shaanxi Yaobai repaid the entire outstanding medium-term notes due in 2016, equal to 100% of the principal amount outstanding of RMB800 million, plus accrued and unpaid interest of RMB48,800,000.

21. SHORT-TERM NOTES

On 15 March 2016, Shaanxi Yaobai issued 5.5% per annum, unsecured one-year short-term notes with a principal amount of RMB800,000,000 (the "First Tranche of the Short-term Notes") at 100% of the face value. The First Tranche of the Short-term Notes was issued to investors in the national inter-bank market in the PRC. The short-term notes have been registered with the National Association of Financial Market Institutional Investors of the PRC with an aggregate approved facility of RMB1,200,000,000 granted to Shaanxi Yaobai. The short-term notes, including the first tranche, were used for the repayment of part of the bank loans and to supplement general working capital of the Group.

Subsequent to the issuance of the First Tranche of the Short-term Notes, Shaanxi Yaobai may at any point in time within two years effective period until March 2018, being the validity period for the registration of the short-term notes, determine whether or not to issue further notes.

The effective interest rate of the First Tranche of the Short-term Notes is approximately 5.77% per annum after adjusted for transaction costs.

22. TRADE PAYABLES

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 to 90 days	**506,733**	447,674
91 to 180 days	**55,033**	139,881
181 to 360 days	**52,870**	47,413
361 to 720 days	**19,024**	24,550
Over 720 days	**8,296**	4,559
	641,956	664,077

23. CAPITAL COMMITMENTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 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	**7,595**	14,329

24. DEEMED DISPOSAL OF A SUBSIDIARY

During the current interim period, Wuhu Conch Investment Ltd. and Red Day Limited, two third parties, made capital injections of RMB90 million and RMB30 million respectively to Xi'an Yaobai Environmental Technology Engineering Co., Ltd. ("Yaobai Environmental") and the Group's equity interest in Yaobai Environmental was then diluted from 100% to 20%. The Group loses control of Yaobai Environmental but still has significant influence over this entity. The Group accounted for the remaining 20% equity interest in Yaobai Environmental as an associate using the equity method in the condensed consolidated financial statements. The net assets of Yaobai Environmental at the date of deemed disposal were as follows:

Analysis of assets and liabilities over which control was lost

	RMB'000
Assets	
Other receivables	4,849
Inventories	1
Cash and cash equivalents	115,097
Property, plant and equipment	39,910
Liabilities	
Other payables	(2,730)
	157,127

Loss on deemed disposal of a subsidiary

	RMB'000
Fair value of investment retained	31,425
Capital injection for 80% interest in Yaobai Environmental	120,000
Less: net assets disposed of	157,127
Loss on deemed disposal	(5,702)

Net cash outflow on deemed disposal of a subsidiary

	RMB'000
Capital injection received in cash and cash equivalents	75,000
Less: cash and cash equivalents disposed of	115,097
	(40,097)

25. RELATED PARTY DISCLOSURES

Key management compensation

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**3,764**	4,341
Post-employment benefits	**67**	78
Share-based payments (note)	**3,089**	2,960
	6,920	7,379

During the six months ended 30 June 2016, as the result of the non-fulfilment of performance condition attached to the share option scheme (Note 18), the share-based payments expenses charged to profit or loss in the prior periods were reversed against current year profit or loss. For the purpose of this presentation, such reversal of RMB5,648,000 (2015: Nil) was not reflected under the total emoluments paid or payable to key management personnel above.

26. PLEDGE OF ASSETS

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

	30 June 2016	31 December 2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Restricted bank deposits	**34,600**	25,500
Trade receivables	**10,000**	10,000
Prepaid lease payments	**46,586**	90,149
Property, plant and equipment	**1,640,116**	2,154,597
	1,731,302	2,280,246

27. 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 2016		31 December 2015	
	Carrying amount RMB'000 (Unaudited)	Fair value RMB'000 (Unaudited)	Carrying amount RMB'000 (Audited)	Fair value RMB'000 (Audited)
Senior notes*	2,673,540	2,682,000	2,614,060	2,734,000
Medium-term notes*	–	–	835,660	829,360

* *including interest payable*

The fair value of senior notes is included in the Level 1 category, which has been derived from the quoted prices (unadjusted) in active markets, while the fair value of medium-term notes is included in the Level 2 category, which are derived from the observable over-the-counter trading market without any significant adjustments made to the observable data.