西部水泥

中國西部水泥有限公司

WEST CHINA CEMENT LIMITED

(Incorporated in Jersey with limited liability with registered number 94796)
Stock code: 2233

INTERIM REPORT 2018

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

47 Esplanade
St Helier
Jersey JE1 0BD
Channel Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Harbour City, 7 Canton Road
Tsim Sha Tsui
Hong Kong

COMPANY WEBSITE

www.westchinacement.com

BOARD OF DIRECTORS

Executive Directors

Zhang Jimin *(Chairman)*
Ma Weiping *(Chief Executive Officer)*

Non-Executive Directors

Ma Zhaoyang
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

Computershare Investor Services
(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 2018 (Unaudited)**	Six months ended 30 June 2017 (Unaudited)	% Change
Total Cement and Clinker Sales Volume (million tons)	**8.19**	8.76	(6.5%)
Cement Sales Volume (million tons)	**8.14**	8.54	(4.7%)
Revenue	**2,601.9**	2,111.9	23.2%
Gross Profit	**966.5**	466.9	107.0%
EBITDA	**1,301.1**	761.6	70.8%
Profit Attributable to Owners of the Company	**646.7**	218.1	196.5%
Basic Earnings Per Share	**11.9 cents**	4.0 cents	197.5%
Interim Dividend	**1.2 cents**	Nil	Nil
Gross Profit Margin	**37.1%**	22.1%	15.0 ppt
EBITDA Margin	**50.0%**	36.1%	13.9 ppt

	30 June 2018 (Unaudited)	31 December 2017 (Audited)	% Change
Total Assets	**12,230.5**	11,671.9	4.8%
Net Debt[(1)]	**2,064.0**	2,287.7	(9.8%)
Net Gearing[(2)]	**28.9%**	34.5%	(5.6 ppt)
Net Assets Per Share	**132 Cents**	122 Cents	8.2%

Notes:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") faced an improving operating environment in the first half of 2018. Sales volumes in Shaanxi Province have remained stable. Sales volumes in Xinjiang and Guizhou Provinces have recorded a 11.0% decrease and a 15.8% increase, respectively. The Group's sales volumes of cement and clinker for the six months ended 30 June 2018 were 8.19 million tons, representing a slight decrease from the 8.76 million tons recorded in the first half of 2017.

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 prices ("ASPs") premiums and more stable margins. ASPs in Central Shaanxi have significantly improved even under the continuing low demand scenario through the continuation of occasional peak-shifting production halts during low season periods and improved market discipline with lower supply among all producers since the fourth quarter of 2016. Moreover, the Group has continued to implement efficiency gains and cost-cutting measures and has been able to maintain a stable cost in the first half of 2018. Taken together, these have significantly improved the Group's margins in the first half of 2018.

The Group has maintained healthy and improving cash flows, with EBITDA of RMB1,301.1 million for the first half of 2018, which is significantly higher than the RMB761.6 million recorded in the first half of 2017. Moreover, the Group's interim results at the net profit level have been significantly affected by the depreciation of RMB against USD in the first half of 2018. The Group has recorded a foreign exchange loss of RMB33.8 million mainly arising from the foreign exchange translation from USD to RMB of the 2019 Senior Notes issued by the Company in September 2014 (the "Senior Notes"), as compare to the foreign exchange gain of RMB60.6 million in the first half of 2017.

The Group's capacity as at 30 June 2018 has reached 29.2 million tons of cement. The Group has no other plants under construction.

Operating Environment

A key feature of the Group's operational performance in 2018 has been the significant narrowing of the 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 and strong, as compared with those in Central Shaanxi (where the Group's cement capacity amounts to 13.6 million tons) which have been significantly improved to a similar price level. Such significant improvement in ASPs in Central Shaanxi even under the continuing low demand scenario was through the continuation of occasional peak shifting production halts during low season periods and improved market discipline with lower supply among all producers.

Shaanxi Province as a whole has seen a stable Fixed Asset Investment ("FAI") growth rates in the first half of 2018. FAI growth rate in the first half of 2018 was approximately 13%, as compared with the 14% recorded in the full year of 2017. The stable FAI growth rate 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 affecting the ASPs in Central Shaanxi. Southern Shaanxi has continued to enjoy higher infrastructure-led construction growth. FAI growth rates in Southern Shaanxi have been above the provincial average and have supported a more stable cement market with continued ASPs premiums as compared to Central Shaanxi.

Another important factor contributing to the improvement of the Group's margins was the maintenance of a stable cost in the first half of 2018. This resulted from the Group's implementation of efficiency gains and cost-cutting measures since 2015.

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi have remained stable and strong during the first half of 2018. The supply side has remained rational and stable, as a result of little new capacity and effective closure of obsolete and small-scale clinker kiln and cement grinding capacity over past 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 2018, supported by continued growth in railway and road infrastructure project construction. The Pingli to Zhenping Expressway and the Ankang to Langao Expressway, have been, amongst others, particularly important demand drivers; and the construction of the Taoba Expressway, the Taibai to Fengxian Expressway, the Xixiang to Zhenba Expressway, the Ankang Airport, the Zhen'an Hydropower Station and the Xunyang Hydropower Station have also contributed to support the demand. Rural and urban developments 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 decreased slightly by approximately 7.5% to approximately 3.43 million tons in the first half of 2018 (2017: 3.71 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 high infrastructure project demand and insulation from outside competition have supported pricing in Ankang District in particular. During the first half of 2018, the Group has recorded cement ASP in Southern Shaanxi of approximately RMB322 per ton (2017: RMB242 per ton) (excluding VAT), which is slightly higher than the Group's overall ASP of RMB313 per ton (2017: RMB240 per ton) (excluding VAT), with capacity utilization rate at approximately 71% (2017: 79%).

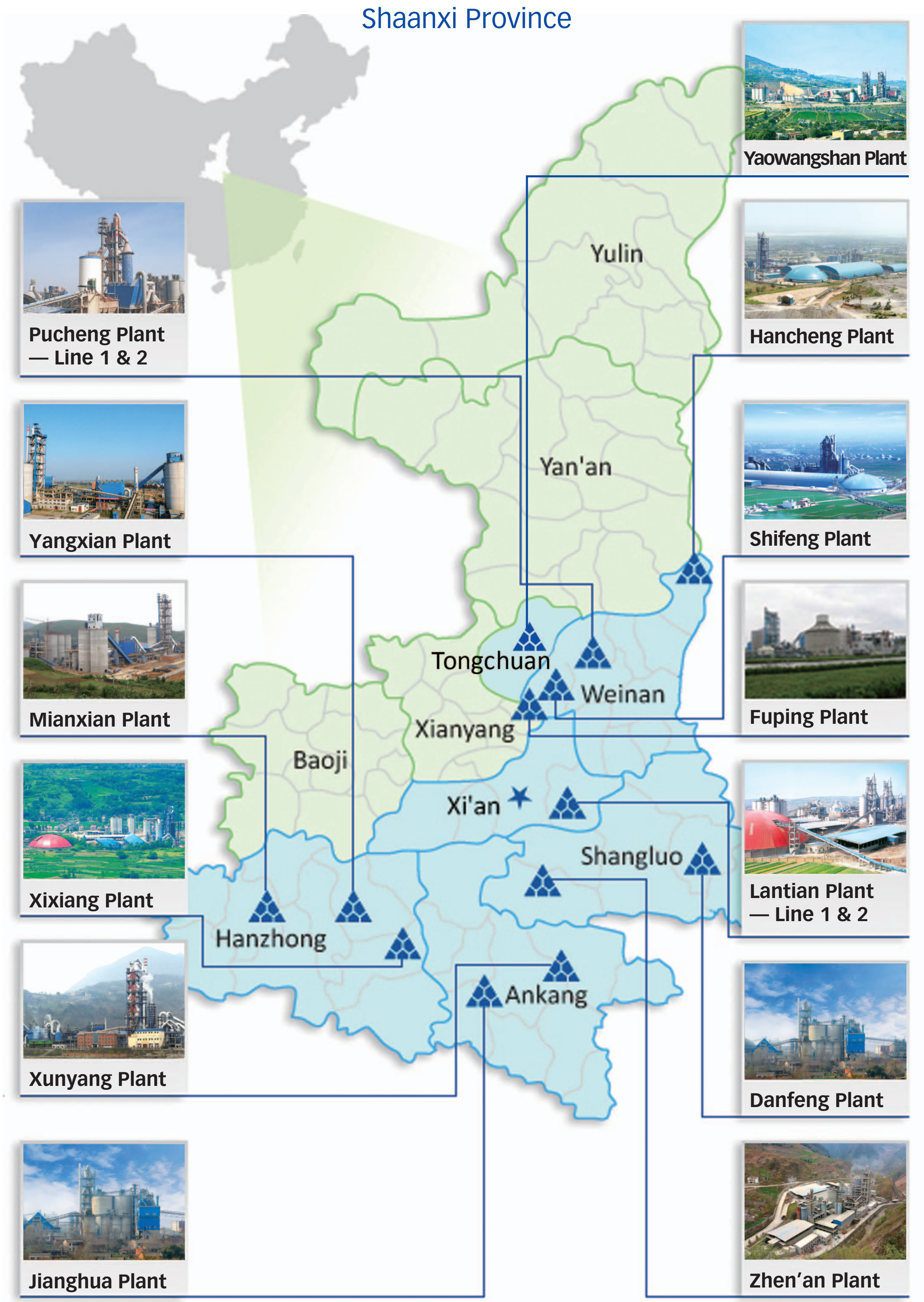
Central Shaanxi

The demand in Central Shaanxi market has remained low, especially in the Xi'an Metropolitan market. This low demand scenario has been exacerbated by the imbalance between supply and demand already existing in the area. Central Shaanxi is an area with 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. Fortunately, through the continuation of peak shifting production halts during low season periods and improved market discipline with lower supply among all producers since the fourth quarter of 2016, ASPs in Central Shaanxi have significantly improved even under the abovementioned continuing low demand scenario in the first half of 2018.

During the first half of 2018, 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 constructions of Line 5 and Line 6 of the Xi'an Metro, the Yinchuan to Xi'an High Speed Railway, the Nangoumen Reservoir, the expansion of Xi'an Train Station, the Heyang to Tongchuan Expressway and the Yan'an to Huanglong Expressway. The largest of these, the Inner Mongolia to Jiangxi Coal Transportation Railway (Shaanxi Section) has commenced construction in March 2016 and consumed over 0.15 million tons of cement in the first half of 2018.

Sales volumes in Central Shaanxi have slightly decreased by approximately 3.5% to approximately 3.32 million tons in the first half of 2018 (2017: 3.44 million tons) and have been accompanied by improved ASPs. Over the period as a whole, the Group has recorded cement ASP in Central Shaanxi of RMB298 per ton (2017: RMB232 per ton) (excluding VAT), which is slightly lower than the Group's overall ASP of RMB313 per ton (2017: RMB240 per ton) (excluding VAT), with capacity utilization rate at approximately 49% (2017: 52%).

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

Xinjiang Province

Guizhou Province

MANAGEMENT DISCUSSION AND ANALYSIS

Xinjiang & Guizhou Provinces

Operations at the Group's plants in Xinjiang Province remained slow in the first half of 2018. Sales volume in Xinjiang have decreased by close to 11.0% to approximately 0.73 million tons (2017: 0.82 million tons). During the first half of 2018, ASPs in Xinjiang have improved through the peak shifting production halts by all producers during the low season periods and the improved market discipline as well as the elimination of the use of low grade (32.5) cement since May 2017, the Group has recorded cement ASP at approximately RMB363 per ton (2017: RMB287 per ton) (excluding VAT), with capacity utilization rate at approximately 36% (2017: 40%).

In Guizhou Province, the Group's plant contributed approximately 0.66 million tons of cement as compared to the sales volume of 0.57 million tons in the first half of 2017, which represented an approximately 15.8% increase. Whilst production volumes at the Huaxi Plant have been good, due to its location being in close proximity to Guiyang City and the Guiyang — Anshun ("Gui-An") New Area, ASPs have also improved after entering market with improving market discipline since 2016. During the first half of 2018, the Group has recorded cement ASP in Guizhou of approximately RMB290 per ton (2017: RMB212 per ton) (excluding VAT), with capacity utilization rate at approximately 74% (2017: 65%).

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 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 is also 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 2018, these systems are operated 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 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, so that NOx emissions at the Group's plants comply with the Cement Industrial Air Pollution Emissions Standards. 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. Moreover, the Group has effectively reduced the emission of dust through the technical renovation of the kiln-head and kiln-end dust collectors and also further reduced the emission of nitrogen oxide and the consumption of ammonia water through the implementation of de-nitration spray guns and automated technological innovation in five plants. During the period, two green limestone mines projects, including soil reclamation and mine re-greening, already commenced construction to comply with the new environmental protection policy. The Group will continue to implement the green mine projects to all our limestone mines to reduce the pollution to the soil and mines during mining in order to comply with the government policy of "managing while mining" in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Yaobai Environmental — Waste Treatment

In November 2015, the Company announced that its wholly-owned subsidiary, Yaobai Special Cement Group Co., Ltd. ("Yaobai Special Cement"), entered into an investment agreement ("Investment Agreement") with 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 Xi'an Yaobai Environmental Technology Engineering Co., Ltd. ("Yaobai Environmental"), the Group's waste treatment subsidiary at the relevant time.

Yaobai Environmental is now owned as to 60% by Wuhu Conch, 20% by 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. 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 Group's plants that are cooperating with Yaobai Environmental's operations currently including: Phase I & Phase II of the Waste Sludge Treatment Facility at the Group's Lantian Plant ("Lantian Waste Sludge Treatment Facility"), which have been in full operations since 2015; the Municipal Waste Treatment Facility at the Group's Fuping Plant ("Fuping Waste Treatment Facility"), which has been operating since March 2016; and the Solid Waste Treatment Facility at the Group's Mianxian Plant ("Mianxian Waste Treatment Facility") which has been in full operations since October 2017. In 2018, Yaobai Environmental will continue to actively look for new opportunities in setting up cement kilns co-processing solid waste disposal projects in response to the development need of China's recycling economy and relevant specific policies for the industry, as well as taking into account specific conditions in the solid waste market of Shaanxi.

Financial leasing business

In June 2017, Guangxin International Financial Leasing Co., Ltd ("Guangxin International"), a wholly-owned subsidiary of the Group, was approved by the Ministry of Commerce of the People's Republic of China (the "PRC") as a licensed lessor. During the second half of 2017, Guangxin International commenced a new financial leasing business under the support of the national policies of the PRC government, in order to ride on the rapid development opportunities present in the financial leasing industry.

In 2017, Guangxin International entered into certain financial leasing arrangements under which Guangxin International received ownership titles of certain assets from third parties and then leased those assets back to such third parties. The ownership title of those assets would be returned to the third parties upon discharge of all their obligations under the financial leasing arrangements. Guangxin International also entered into certain entrusted loan and factoring contracts with third parties with fixed interest rates over the term of the contract. The aforementioned financial leasing arrangements were accounted as loan receivables.

As at 30 June 2018, the Group recorded loan receivables of approximately RMB1,234.2 million (31 December 2017: RMB844.1 million) arising from the abovementioned financial leasing business and interest income derived from loan receivables amounted to approximately RMB62.4 million for the six months ended 30 June 2018 (For the year ended 31 December 2017: RMB21.1 million). The Group intends to continue the financial leasing business in order to maximize the returns of the surplus funds for the Group's steady growth.

Safety and Social Responsibility

The Group's safety and environmental protection department continuously monitors and reviews safety procedures in accordance with evolving environmental and safety regulations in the PRC. In 2018, the Group has focused its EHS (Environmental, Health & Safety) efforts on revising and improving the safety emergency response plan by employing independent safety experts to strengthen the handling capacity of all employees in emergency accidents. Moreover, several handbooks and guidelines were revised significantly to improve the work safety measures as well as numerous of safety related training courses were initiated to strengthen the staff's safety awareness. In addition, the Group will continue to implement a "Sustainable Safety Development Project", which 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 RMB3.7 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

Material Acquisitions and Disposal

The Group had no significant material acquisitions or disposals during the six months ended 30 June 2018.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 23.2% from RMB2,111.9 million for the first half of 2017 to RMB2,601.9 million for the first half of 2018. Cement sales volume decreased slightly by 4.7%, from approximately 8.54 million tons to approximately 8.14 million tons during the period. Including clinker sales, total sales volume for the first half of 2018 amounted to approximately 8.19 million tons, compared to the 8.76 million tons sold in the first half of 2017. The Group has maintained a stable sales volume during the period.

Overall cement prices in the first half of 2018 were higher than those in the first half of 2017, and this has resulted in higher revenue. Cement ASP for the first half of 2018 was RMB313 per ton as compared with RMB240 per ton in the first half of 2017. The reasons for these fluctuations in ASPs are discussed in the "Operating Environment" section above.

Cost of Sales

Cost of sales decreased by 0.6% from RMB1,645.0 million for the first half of 2017 to RMB1,635.4 million for the first half of 2018.

Coal costs were stable in the PRC over the previous 12 months. The average cost per ton of coal increased slightly by approximately 5.0% to approximately RMB506 per ton from approximately RMB482 per ton in the first half of 2017. This has resulted in a slight cost increase of approximately RMB6.0 per ton of total cement and clinker produced, with total coal costs increasing by approximately 4.7% as compared with that of the first half of 2017.

There have been no significant changes in the costs of electricity, material, depreciation and staff during the period.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB499.6 million, or 107.0%, from RMB466.9 million for the first half of 2017 to RMB966.5 million for the first half of 2018. The rise in gross profit was mainly due to the increase in ASPs described above. Gross profit margins therefore increased from 22.1% for the first half of 2017 to 37.1% for the first half of 2018.

Other Expenses

The prior period amount represented a payment of RMB34.1 million made by the Company to the tax authority settling for a former shareholder ("Former Shareholder") of a wholly owned subsidiary of the Group, YaoWangShan Cement Co., Ltd. ("Yaowangshan"), in relation to the Former Shareholder's individual income tax accrued from his disposal of 100% equity interest in Yaowangshan to the immediate previous shareholder of Yaowangshan, before the 100 % equity interest of Yaowangshan was disposed by the immediate previous shareholder to the Group in 2015. Both the Former Shareholder and immediate previous shareholder of Yaowangshan are independent third parties to the Group and the Group has no past obligating events for settling the payment. As at 31 December 2017, the Group received RMB25 million from the Former Shareholder to settle part of these expenses. The Board has resolved to continue to take legal action to claim the Former Shareholder for the remaining RMB9.1 million paid to the PRC tax authority.

Other Income

Other income mainly comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as production input, and other government subsidies. Other income increased by approximately 47.9% from RMB96.8 million for the first half of 2017 to RMB143.2 million for the first half of 2018. The ratio of VAT rebates over revenue was 4.9% for the first half of 2018 (the first half of 2017: 4.2%). The increase in the VAT rebates was mainly due to the increases in ASPs, with higher ASPs resulting in higher output VAT which in turn resulted in higher net VAT and rebates, as well as the increase in the ratio of cement produced by using recycled industrial waste. VAT rebates increased by approximately 43.4% as compared with that of the first half of 2017.

Other Gains and Losses, net

Other losses increased by RMB82.5 million from gains of RMB45.2 million for the first half of 2017 to losses of RMB37.3 million for the first half of 2018. The increase was mainly due to the net effect of the unrealized foreign exchange loss of RMB33.8 million relating to the Group's Senior Notes, as a result of the depreciation of the RMB against the USD recorded for the first half of 2018 (the first half of 2017: gain of RMB60.6 million), and the gain on disposal of property, plant and equipment ("PPE") of 0.1 million recorded for the first half of 2018 (the first half of 2017: loss of RMB14.1 million) as most obsolete PPE were already disposed under the technology improvement of PPE to meet the environmental policy requirement of the PRC government in the prior period.

Interest Income

Interest income increased by RMB64.0 million from RMB7.1 million for the first half of 2017 to RMB71.1 million for the first half of 2018. The increase was mainly due to the interest income arising from the newly established finance leasing business of RMB62.4 million recorded for the first half of 2018 (the first half of 2017: Nil).

Finance Costs

Finance costs decreased by RMB13.9 million, or 11.0%, from RMB126.9 million for the first half 2017 to RMB113.0 million for the first half of 2018. The decrease was mainly due to the repayment of the short term notes during the first quarter of 2018.

Income Tax Expense

Income tax expenses increased by RMB136.1 million, from RMB80.7 million for the first half of 2017 to RMB216.8 million for the first half of 2018. Current income tax expense increased by RMB133.7 million to RMB213.5 million, whereas deferred tax expense increased by RMB2.5 million to RMB3.3 million for the first half of 2018.

The increase in the current income tax is primarily due to the significant increase in the Group's profit margins as a result of the increase in ASPs during the period.

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

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

Profit attributable to the owners of the Company increased from RMB218.1 million for the first half of 2017 to RMB646.7 million for the first half of 2018. This increase is primarily due to the increase in gross profit as a result of the increase in ASPs as mentioned above.

Basic earnings per share increased from RMB4.0 cents for the first half of 2017 to RMB11.9 cents for the first half of 2018.

FINANCIAL AND LIQUIDITY POSITION

As at 30 June 2018, the Group's total assets increased by 4.8% to RMB12,230.5 million (31 December 2017: RMB11,671.9 million) while total equity increased by 7.9% to RMB7,151.0 million (31 December 2017: RMB6,628.7 million).

As at 30 June 2018, the Group had cash and cash equivalents, as well as restricted bank deposits, amounting to RMB1,415.5 million (31 December 2017: RMB1,452.4 million). After deducting total borrowings, Senior Notes and short-term notes ("STN") of RMB3,479.5 million (31 December 2017: RMB3,740.1 million), the Group had net debt of RMB2,064.0 million (31 December 2017: RMB2,287.7 million). 76.4% (31 December 2017: 73.1%) of borrowings are at a fixed interest rate.

Please refer to notes 20, 21 and 26 to the condensed consolidated financial statements below for the details of the borrowings, STN and the respective pledge of assets.

As at 30 June 2018, the Group's net gearing ratio, measured as net debt to equity, was 28.9% (31 December 2017: 34.5%).

MANAGEMENT DISCUSSION AND ANALYSIS

Consistent with industry norms, the Group continuously monitors its net 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 2018, the Group had net current assets of RMB860.1 million (31 December 2017: RMB853.6 million),which represented a stable liquidity position of the Group.

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

CONTINGENT LIABILITIES

As at 30 June 2018, 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 2018 amounted to RMB399.6 million (the first half of 2017: RMB46.0 million). Capital commitments as at 30 June 2018 amounted to RMB152.3 million (31 December 2017: RMB202.0 million). Both capital expenditure and capital commitments were mainly related to the 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 2018, the Group employed a total of 4,848 (30 June 2017: 4,354) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2018, employees benefit expenses were RMB179.6 million (six months ended 30 June 2017: RMB173.0 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

FOREIGN EXCHANGE RISK MANAGEMENT

During the six months ended 30 June 2018, 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 and a bank loan 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 depreciation 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.

CREDIT RISK MANAGEMENT

The Group's credit risk is primarily attributable to its trade receivables and loan receivables. It is the risk of loss arising from a customer's, a lessee's or counterparty's inability to meet its obligations.

The Group has made various efforts to control credit risks. In accordance with the policy of the Group, it will only enter into transactions with recognised and creditworthy customers, lessees and counterparties. In respect of its financial leasing business, it would examine and verify the credit risk of all lessees and counterparties that the Group has financial leasing, factoring and entrusted loan arrangements with. In respect of its main cement business, it would carry out credit assessment before entering into contracts with its customers and build credit records of its customers, in order to mitigate credit risk and reduce the overdue receivables.

In addition, the Group will also carry out regular reviews on the trade receivables and loan receivables balances and will write off bad debts, if any. The maximum exposure to credit risk arising from its financial leasing business equals to the carrying amount of the loan receivables.

PROSPECTS

The improving operating environment in the first half of 2018 reflected that improved market discipline with lower supply among all producers is the solution to the problem of lacklustre demand in Shaanxi Province and in the PRC as a whole. However, the resolution of the fragmented nature of the supply side is still of primary importance in promoting a more stable market and improvement to production capacity for the region, which in turn will benefit the Group.

Whilst demand in Shaanxi Province remained low in the first half of 2018, with only a stable cement sales volume as compared with that of the first half of 2017, the Company is cautiously optimistic about the outlook of the demand from the infrastructure construction and urbanisation for the region into the second half of 2018 and beyond.

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 21.11% of the Company's issued share capital as at 30 June 2018. 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 2018 and beyond.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2018. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2018, but significant growth is not expected. Both urban property demand and rural demand is expected to remain stable with continued urbanisation trends supporting rural growth rates.

In regards to the supply side, the Group expects an increasing discipline amongst producers with increasing prices in the second half of 2018, both as a result of the low pricing environment in the past periods, the limited supply as a result of the increasingly strict environmental policies imposed by the government as well as 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, peak shifting production halts by all producers with improved market discipline 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 2018, including the constructions of the Xi'an to Yan'an High Speed Railway, several Central Shaanxi Intercity Railways, the Xi'an to Xianyang South Ring Expressway, the Pucheng to Huanglong Expressway, the Dongzhuang Reservoir, the Xi'an Xianyang International Airport (Phase 3) and the Yan'an airport, which will consume up to 3.2 million tons of cement. In addition, the constructions of Line 8 and Line 9 of Xi'an Metro, the Xunyi to Fengxiang Expressway and the reconstruction and extension of Pucheng-Laoyukou Expressway of the Beijing-Kunming line as well as the 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 and road projects in Southern Shaanxi are expected to proceed in accordance with the respective plans in 2018. The Pingli to Zhenping Expressway, the Ankang to Langao Expressway, the Taoba Expressway, the Taibai to Fengxian Expressway and the Xixiang to Zhenba Expressway have commenced construction and are expected to generate increasing demand in 2018. In addition, the Group expects to see substantial demand from a number of new railways, expressways and airport projects in 2018 and 2019, including the constructions of High Speed Railways from Xi'an to Wuhan, from Xi'an to Chongqing, and the Shiquan to Ningshan Expressway as well as other projects related to the Hanjiang to Weihe River Water Transfer Project.

Operations — Xinjiang & Guizhou

Operations in Xinjiang is likely to remain subdued in 2018. However, with the elimination of the use of low grade (32.5) cement since May 2017 in Xinjiang, which led to the closure of inefficient facilities with small production capacity, the Group expects to see a more stable market of the cement industry with better market discipline and increased ASP in 2018 and beyond. 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 support the demand in 2018 and beyond. These include the constructions of the Yutian Airport and the Yutian Characteristic Towns Project. In Northern Xinjiang, the 1.5 million-ton Yili Plant with production volumes remained low but improved pricing in the first half of 2018. The Group expects to see higher volume sold from the Yili Plant and an improvement in pricing with better market discipline in 2018 and beyond. In Guizhou, the 1.8 million-ton Huaxi Plant was located close to Guiyang City Centre and the Group expects it can keep benefiting from its location advantage, with a continuation of strong volumes coupled with ASPs improvements with better market discipline in 2018 and beyond.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2018. These measures include administrative and head office cost cuts and staff incentives to promote efficient use of raw materials and resources. The Group has already seen a positive effect from these cost-cutting measures since 2015 and expects to see increased benefits in 2018 and beyond.

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 2018 and will continue to implement the "Sustainable Safety Development Project". 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. Moreover, the Group will continue to implement the green mine project to all our limestone mines to reduce the pollution to the soil and mines during mining in order to comply with the government policy of "managing while mining" in the future.

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, Fuping and Mianxian 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 has been in full operations since October 2017.

Capital Expenditure

Other than the capital expenditure spent for maintenance and upgrading of existing production facilities, the Group has no particular plans for capacity expansion in 2018.

DISCLOSURE OF INTEREST

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2018, 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 2018:

Name of Director	Capacity	Number of ordinary shares held as at 30 June 2018 Total *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2018
Zhang Jimin	Interest in a controlled corporation	1,756,469,900 (L) *(Note 2)*	32.30%
Ma Zhaoyang	Interest in a controlled corporation	221,587,950 (L) *(Note 3)*	4.08%
Wong Kun Kau	Beneficial owner	1,425,000 (L)	0.03%

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 2018:

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 2018
Zhang Jimin	Beneficial owner	8,175,000	0.150%
Ma Weiping	Beneficial owner	9,075,000	0.167%
Ma Zhaoyang	Beneficial owner	1,775,000	0.033%
Lee Kong Wai, Conway	Beneficial owner	1,275,000	0.023%
Wong Kun Kau	Beneficial owner	350,000	0.006%
Tam King Ching, Kenny	Beneficial owner	1,775,000	0.033%

Save as disclosed above, as at 30 June 2018, 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 2018, 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 2018 *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2018
Asia Gain *(Note 2)*	Beneficial owner	1,756,469,900 (L)	32.30%
Conch International Holdings (HK) Limited ("Conch") *(Note 3)*	Beneficial owner	1,147,565,970 (L)	21.11%
Anhui Conch Cement Co., Ltd. ("Anhui Conch") *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.11%
安徽海螺集團有限責任公司 *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.11%
China Conch Venture Holdings Limited ("China Conch") *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.11%
Citigroup Inc.	Beneficial owner	368,994,509 (L)	6.79%
		1,322,000 (S)	0.02%
Morgan Stanley	Beneficial owner	360,069,724 (L)	6.62%
		127,714,084 (S)	2.35%
GIC Private Limited	Beneficial owner	273,766,000 (L)	5.04%
AllianceBernstein L.P.	Beneficial owner	271,782,000 (L)	5.00%

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 2018 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 23 August 2010 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 339,453,185 as at the date of this interim report, representing approximately 6.25% of the Company's issued share capital 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.

DISCLOSURE OF INTEREST

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

During the six months ended 30 June 2018:

Category and name of participant	Date of grant of share options *(Note 1)*	Exercise price (HKD)	Exercise period	Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme: Outstanding as at 1 January 2018	Granted during the period ended 30 June 2018	Exercised during the period ended 30 June 2018	Lapsed during the period ended 30 June 2018	Outstanding as at 30 June 2018
Directors								
Zhang Jimin	22 March 2013	1.25	22 March 2014 to 21 March 2023	2,000,000	–	–	–	2,000,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	2,775,000	–	–	–	2,775,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	3,400,000	–	–	–	3,400,000
Ma Zhaoyang	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	750,000	–	–	–	750,000
	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	325,000	–	–	–	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	750,000	–	–	–	750,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	8,000,000	–	–	–	8,000,000
Lee Kong Wai, Conway	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	250,000	–	–	–	250,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	700,000	–	–	–	700,000
Wong Kun Kau	24 March 2014	0.91	24 March 2015 to 23 March 2024	250,000	–	250,000 *(Note 3)*	–	–
	13 April 2015	1.45	13 April 2016 to 12 April 2025	700,000	–	350,000 *(Note 4)*	–	350,000
Tam King Ching, Kenny	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	750,000	–	–	–	750,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	700,000	–	–	–	700,000

DISCLOSURE OF INTEREST

Category and name of participant	Date of grant of share options *(Note 1)*	Exercise price (HKD)	Exercise period	Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme: Outstanding as at 1 January 2018	Granted during the period ended 30 June 2018	Exercised during the period ended 30 June 2018	Lapsed during the period ended 30 June 2018	Outstanding as at 30 June 2018
Other employees (Group A)	22 March 2013	1.25	22 March 2014 to 21 March 2023	11,875,000	–	3,900,000 *(Note 5)*	–	7,975,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	27,875,000	–	8,100,000 *(Note 6)*	975,000	18,800,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	11,200,000	–	–	–	11,200,000
Other employees (Group B)	23 March 2011	3.41	23 March 2012 to 22 March 2021	1,100,000	–	–	–	1,100,000
Total				75,075,000	–	12,600,000	975,000	61,500,000

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. No options were granted pursuant to the Post — IPO Share Option Scheme during the six months ended 30 June 2018.*

2. *The vesting of Share Options granted under the Share Option Scheme on each of 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015 is conditional upon the achievement of certain performance targets as set out in the respective offer letters, including among others, achievement of strategic goals and financial and operational performance targets, during the vesting period and the exercise period of the Share Options.*

   Subject to the abovementioned vesting or performance conditions, the Share Options with respect to a grantee will be exercisable in the following manner:

   (i) 25% of the Share Options will be exercisable at any time on and after the end of first anniversary (or the end of third anniversary for some of the other employees of the Group) of the grant of the Share Options;

   (ii) up to 25% of the Share Options and any Share Options that have not been exercised as referred in paragraph (i) above will be exercisable at any time commencing from end of the second anniversary (or the end of fourth anniversary for some of the other employees of the Group) of the grant of the Share Options;

   (iii) up to 25% of the Share Options and any Share Options that have not been exercised as referred in paragraphs (i) and (ii) above will be exercisable at any time commencing from the end of third anniversary (or the end of fifth anniversary for some of the other employees of the Group) of the grant of the Share Options; and

   (iv) up to 25% of the Share Options and any Share Options that have not been exercised as referred in paragraphs (i) to (iii) above will be exercisable at any time commencing from the end of fourth anniversary (or the end of sixth anniversary for some of the other employees of the Group) of the grant of the Share Options.

   No Share Options will be exercisable after the expiry of its term.

3. *The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$1.57.*

4. *The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$1.57.*

5. *The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$1.42.*

6. *The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$1.41.*

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB0.012 per share for the six months ended 30 June 2018 (30 June 2017: Nil), amounting to approximately RMB65.2 million in total, to shareholders of the Company whose names appear on the register of members of the Company on Monday, 3 September 2018.

The interim dividend will be paid in Hong Kong Dollars on Friday, 28 September 2018. Based on the exchange rate of RMB 1: Hong Kong Dollar 1.1438, being the median exchange rate of Renminbi to Hong Kong dollars as published by the People's Bank of China prevailing on 13 August 2018, the declare date of the interim dividend, the amount of the interim dividend payable per ordinary share for the six months ended 30 June 2018 is HK$0.0137.

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends

CLOSURE OF REGISTER OF MEMBERS

In order to determine shareholders who qualify for the interim dividend, the register of members will be closed from 30 August 2018 (Thursday) to 3 September 2018 (Monday), both dates inclusive and during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 29 August 2018 (Wednesday).

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 optimise returns for the shareholders of the Company.

Code provision A.6.7 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code") provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Qin Hongji, non-executive Director, and Mr. Wong Kun Kau, independent non-executive Director, were unable to attend the Company's annual general meeting held on 18 May 2018 due to other business engagements.

Save as disclosed above, the Board is of the view that the Company has complied with all code provisions as set out in the Corporate Governance Code throughout the six months ended 30 June 2018.

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 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDITORS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018 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 2018, 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 2018.

On behalf of the Board of Directors
Zhang Jimin
Chairman
13 August 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF WEST CHINA CEMENT LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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 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") issued by the International Accounting Standards Board. 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" issued by the International Auditing and Assurance Standards Board. 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

13 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	4	**2,601,888**	2,111,890
Cost of sales		**(1,635,424)**	(1,644,968)
Gross profit		**966,464**	466,922
Other income	5	**143,163**	96,761
Selling and marketing expenses		**(26,093)**	(23,594)
Administrative expenses		**(137,141)**	(126,863)
Other expenses		**–**	(34,100)
Other gains and losses, net	6	**(37,341)**	45,233
Impairment losses, net of reversal	16	**(6,102)**	(6,121)
Share of profit of an associate		**12,249**	7,497
Interest income	7	**71,110**	7,077
Finance costs	8	**(112,997)**	(126,862)
Profit before tax		**873,312**	305,950
Income tax expense	9	**(216,843)**	(80,651)
Profit and total comprehensive income for the period	10	**656,469**	225,299
Attributable to:			
— Owners of the Company		**646,700**	218,058
— Non-controlling interests		**9,769**	7,241
		656,469	225,299
Earnings per share			
— Basic (RMB)	12	**0.119**	0.040
— Diluted (RMB)	12	**0.119**	0.040

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	7,222,895	7,137,420
Prepaid lease payments		465,006	471,487
Mining rights		238,836	245,611
Other intangible assets		196,273	191,122
Investment in an associate		69,227	56,978
Loan receivables	14	796,345	406,851
Deferred tax assets		34,040	36,521
Amount due from non-controlling shareholder of a subsidiary		23,218	23,218
Prepayments for construction in progress		7,055	106,796
		9,052,895	8,676,004
Current assets			
Inventories		508,827	436,160
Trade and other receivables and prepayments	15	627,086	670,136
Loan receivables	14	437,843	437,273
Debt instruments at fair value through other comprehensive income	17	188,397	–
Restricted bank deposits		185,877	77,013
Bank balances and cash		1,229,605	1,375,353
		3,177,635	2,995,935
Total assets		12,230,530	11,671,939
EQUITY			
Share capital	18	141,771	141,549
Share premium and reserves		6,943,397	6,437,125
Equity attributable to owners of the Company		7,085,168	6,578,674
Non-controlling interests		65,868	50,032
Total equity		7,151,036	6,628,706

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	20	–	160,000
Senior notes		2,633,883	2,596,470
Asset retirement obligation		24,110	23,417
Deferred tax liabilities		59,216	71,296
Deferred income		44,770	49,742
		2,761,979	2,900,925
Current liabilities			
Borrowings	20	845,571	584,000
Short-term notes	21	–	399,586
Trade and other payables	22	1,062,387	1,056,431
Contract liabilities	3.1.2	220,760	–
Income tax payable		188,797	102,291
		2,317,515	2,142,308
Total liabilities		5,079,494	5,043,233
Total equity and liabilities		12,230,530	11,671,939
Net current assets		860,120	853,627
Total assets less current liabilities		9,913,015	9,529,631

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	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 31 December 2017 (Audited)	**141,549**	**3,291,021**	**(305,868)**	**28,858**	**581,360**	**2,841,754**	**6,578,674**	**50,032**	**6,628,706**
Adjustments *(Note 3.2.2)*	**–**	**–**	**–**	**–**	**–**	**(10,098)**	**(10,098)**	**–**	**(10,098)**
At 1 January 2018 (Restated)	**141,549**	**3,291,021**	**(305,868)**	**28,858**	**581,360**	**2,831,656**	**6,568,576**	**50,032**	**6,618,608**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**646,700**	**646,700**	**9,769**	**656,469**
Recognition of equity-settled share-based payments *(Note 19)*	**–**	**–**	**–**	**640**	**–**	**–**	**640**	**–**	**640**
Exercise of share-based payments *(Note 19)*	**222**	**15,153**	**–**	**(4,672)**	**–**	**–**	**10,703**	**–**	**10,703**
Acquisition of a subsidiary *(Note 24)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19,467**	**19,467**
Purchase of shares of a non-controlling shareholder	**–**	**–**	**(138)**	**–**	**–**	**–**	**(138)**	**(950)**	**(1,088)**
Appropriation of maintenance and production funds *(note)*	**–**	**–**	**–**	**–**	**4,744**	**(4,744)**	**–**	**–**	**–**
Utilization of maintenance and production funds *(note)*	**–**	**–**	**–**	**–**	**(145)**	**145**	**–**	**–**	**–**
Dividend recognised as distribution *(Note 11)*	**–**	**–**	**–**	**–**	**–**	**(141,313)**	**(141,313)**	**(12,450)**	**(153,763)**
At 30 June 2018 (Unaudited)	**141,771**	**3,306,174**	**(306,006)**	**24,826**	**585,959**	**3,332,444**	**7,085,168**	**65,868**	**7,151,036**
At 1 January 2017 (Audited)	141,519	3,288,975	(305,868)	25,733	520,941	2,191,330	5,862,630	50,727	5,913,357
Profit and total comprehensive income for the period	–	–	–	–	–	218,058	218,058	7,241	225,299
Recognition of equity-settled share-based payments *(Note 19)*	–	–	–	2,365	–	–	2,365	–	2,365
Shares issued for share options exercised *(Note 19)*	24	1,553	–	(448)	–	–	1,129	–	1,129
At 30 June 2017 (Unaudited)	141,543	3,290,528	(305,868)	27,650	520,941	2,409,388	6,084,182	57,968	6,142,150

Note: *During the six months period ended 30 June 2018, the Group commenced to engage in limestone mining activities. Pursuant to the relevant PRC regulations, the Group is required to transfer production and maintenance funds at fixed rates based on relevant bases, such as production volume, to a specific reserve account. The production and maintenance funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilised would be transferred from the specific reserve account to retained earnings.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Net cash from operating activities		**1,019,409**	538,305
INVESTING ACTIVITIES			
Interest received		**62,690**	3,452
Loans to third parties		**(452,000)**	–
Collection of loan receivable from third parties		**49,469**	–
Purchase of property, plant and equipment		**(282,690)**	(62,107)
Payment of mining rights renewal fee		**–**	(1,918)
Payment to non-controlling shareholder of a subsidiary		**–**	(3)
Payment received from non-controlling shareholder of a subsidiary		**2,945**	–
Proceeds from disposal of property, plant and equipment		**1,855**	4,392
Government grants received for acquisition of property, plant and equipment		**–**	10,000
Net cash inflow on acquisition of a subsidiary	24	**11**	–
Withdrawal of restricted bank deposits		**13,721**	93,303
Placement of restricted bank deposits		**(122,585)**	(79,361)
Net cash used in investing activities		**(726,584)**	(32,242)
FINANCING ACTIVITIES			
New borrowings raised		**343,171**	645,000
Repayment of borrowings		**(241,600)**	(334,600)
Proceeds from issuance of short-term notes		**–**	400,000
Short-term notes issue costs paid		**–**	(1,600)
Repayment of short-term notes *(Note 21)*		**(400,000)**	(800,000)
Dividend paid to a non-controlling shareholder		**(12,450)**	–
Acquisition of additional interests in a subsidiary		**(1,088)**	–
Proceeds from issue of shares		**10,703**	1,129
Interest paid		**(137,582)**	(149,555)
Net cash used in financing activities		**(438,846)**	(239,626)
Net (decrease) increase in cash and cash equivalents		**(146,021)**	266,437
Cash and cash equivalents at 1 January		**1,375,353**	1,258,668
Effect of foreign exchange rate changes		**273**	(254)
Cash and cash equivalents at 30 June, represented by bank balances and cash		**1,229,605**	1,524,851

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board 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.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (''IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers and the related Amendments*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
Amendments to IAS 28	*As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle*
Amendments to IAS 40	*Transfers of Investment Property*

In addition, the Group has applied Amendments to IFRS 9 *Prepayment Features with Negative Compensation* in advance of the effective date, i.e. 1 January 2019.

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers*

The Group recognises revenue from the sales of cement products. The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group' s performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

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

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* (Cont'd)

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 (Cont'd)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3.1.2 Summary of effects arising from initial application of IFRS 15

The initial application of IFRS 15 did not have material impact on the Group's major revenue generating operation and retained earnings at 1 January 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Remeasurement	Carrying amounts under IFRS 15 at 1 January 2018*
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables *(note)*	1,056,431	(158,559)	–	897,872
Contract liabilities *(note)*	–	158,559	–	158,559

* *The amounts in this column are before the adjustments from the application of IFRS 9.*

Note: As at 1 January 2018, advances from customers of RMB158,559,000 in respect of cement sales contracts previously included in trade and other payables were reclassified to contract liabilities.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* (Cont'd)

3.1.2 Summary of effects arising from initial application of IFRS 15 (Cont'd)

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included. There is no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the current interim period.

Impact on the condensed consolidated statement of financial position

	As reported	Adjustments	Amount without application of IFRS 15
	RMB'000	RMB'000	RMB'000
Trade and other payables	1,062,387	220,760	1,283,147
Contract liabilities	220,760	(220,760)	–

3.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* and related amendments

In the current period, the Group has applied IFRS 9 *Financial Instruments*, Amendments to IFRS 9 *Prepayment Features with Negative Compensation* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at I January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* and related amendments (Cont'd)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at date of initial application/initial recognition of a financial asset that Group may irrevocably elect to present subsequent changes in fair values of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combination* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Group held no financial assets (or financial liabilities) at FVTPL during the current interim period.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* and related amendments (Cont'd)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Cont'd)

Classification and measurement of financial assets (Cont'd)

Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as a FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in other comprehensive income ("OCI") and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments/receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments/receivables had been measured at amortised cost. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 3.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including bank balances and cash, restricted bank deposits, trade and other receivables, loan receivables, amount due from a non-controlling shareholder of a subsidiary and debt instruments at FVTOCI). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* and related amendments (Cont'd)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Cont'd)

Impairment under ECL model (Cont'd)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* and related amendments (Cont'd)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Cont'd)

Impairment under ECL model (Cont'd)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default ("PD"), loss given default (i.e. the magnitude of the loss if there is a default) ("LGD") and the exposure at default ("EAD"). The assessment of the PD and LGD is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments/receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, loan receivables, interest receivables and amount due from a non-controlling shareholder of a subsidiary where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments/receivables.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* and related amendments (Cont'd)

3.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Note	Debt instruments at FVTOCI RMB'000	Amortised cost (previously classified as loans and receivables) RMB'000	Financial liabilities at amortised cost RMB'000	Deferred tax assets RMB'000	Retained earnings RMB'000
Closing balance at 31 December 2017 — IAS 39		–	2,822,478	4,559,334	36,521	2,841,754
Effect arising from initial application of IFRS 9:						
Reclassification						
From loans and receivables	*(a)*	316,335	(316,335)	–	–	–
Remeasurement						
Impairment under ECL model	*(b)*	–	(13,042)	–	2,944	(10,098)
Opening balance at 1 January 2018		316,335	2,493,101	4,559,334	39,465	2,831,656

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* and related amendments (Cont'd)

3.2.2 Summary of effects arising from initial application of IFRS 9 (Cont'd)

Notes:

(a) As part of the Group's cash flow management, the Group has the practice of endorsing some of the bills receivable to its suppliers before the bills are due for payment and derecognises bills endorsed on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, the Group's bills receivable of RMB316,335,000 were considered as within the hold to collect contractual cash flows and to sell business model, and reclassified to debt instruments at FVTOCI. The related fair value gains/losses was considered immaterial to the Group's financial position as at 1 January 2018 hence no further adjustment is made for the fair value gains/losses.

(b) The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables are assessed individually for debtors with significant balances and/or collectively using a provision matrix by grouping debtors based on shared credit risk characteristics as discussed in Note 16.

Loss allowances for other financial assets at amortised cost mainly comprise of pledged bank deposits, cash and cash equivalent, other receivables, loan receivables, interest receivables and amount due from a non-controlling shareholder of a subsidiary, are measured on 12m ECL basis. The 12m ECL are assessed individually for significant balances and/or collectively using provision matrix with groupings. There had been no significant increase in credit risk since initial recognition.

All of the Group's debt instruments at FVTOCI are bill receivables that are issued by financial institutions and due within 12 months. These debt instruments are considered to be low credit risk investments and the loss allowance is measured on 12m ECL basis.

As at I January 2018, an additional credit loss allowance of RMB13,042,000 and the related deferred tax assets of RMB2,944,000 have been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* and related amendments (Cont'd)

3.2.2 Summary of effects arising from initial application of IFRS 9 (Cont'd)

All loss allowances for financial assets including trade receivables, loan receivables, other financial assets at amortised cost, and debt instruments at FVTOCI as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivables RMB'000	Loan receivables RMB'000	Other financial assets at amortised cost RMB'000	Debt instruments at FVTOCI RMB'000
At 31 December 2017	13,010	–	1,110	N/A
Amounts remeasured through opening retained earnings	4,792	8,250	–	–
At 1 January 2018	17,802	8,250	1,110	–

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited) RMB'000	IFRS 15 RMB'000	IFRS 9 RMB'000	1 January 2018 (Restated) RMB'000
Non-current assets				
Loan receivables	406,851	–	(3,976)	402,875
Deferred tax assets	36,521	–	2,944	39,465
Others with no adjustments	8,232,632	–	–	8,232,632
	8,676,004	–	(1,032)	8,674,972
Current assets				
Trade and other receivables and prepayments	670,136	–	(321,127)	349,009
Loan receivables	437,273	–	(4,274)	432,999
Debt instruments at FVTOCI	–	–	316,335	316,335
Others with no adjustments	1,888,526	–	–	1,888,526
	2,995,935	–	(9,066)	2,986,869
Total assets	11,671,939	–	(10,098)	11,661,841
Equity				
Share capital	141,549	–	–	141,549
Share premium and reserves	6,437,125	–	(10,098)	6,427,027
Equity attributable to owners of the Company	6,578,674	–	(10,098)	6,568,576
Non-controlling interests	50,032	–	–	50,032
Total equity	6,628,706	–	(10,098)	6,618,608
Non-current liabilities				
Items with no adjustments	2,900,925	–	–	2,900,925
Current liabilities				
Trade and other payables	1,056,431	(158,559)	–	897,872
Contract liabilities	–	158,559	–	158,559
Others with no adjustments	1,085,877	–	–	1,085,877
	2,142,308	–	–	2,142,308
Total liabilities	5,043,233	–	–	5,043,233
Total equity and liabilities	11,671,939	–	(10,098)	11,661,841
Net current assets	853,627	–	(9,066)	844,561
Total assets less current liabilities	9,529,631	–	(10,098)	9,519,533

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Except as described above, the application of other amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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 four areas, namely eastern and southern Shaanxi, Xinjiang and Guizhou. 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.

	Six months ended 30 June 2018 RMB'000
Geographical markets	
Eastern Shaanxi	**1,020,887**
Southern Shaanxi	**1,123,193**
Xinjiang	**265,272**
Guizhou	**192,536**
Total	**2,601,888**

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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Tax refund *(note)*	**128,213**	89,418
Government grant — others	**14,950**	7,343
	143,163	96,761

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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange (losses) gains *(note)*	**(33,840)**	60,584
Gains (losses) on disposal of property, plant and equipment	**64**	(14,142)
Gains arising from derecognition of payables	**309**	33
Others	**(3,874)**	(1,242)
	(37,341)	45,233

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 loan receivables.

8. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other loans wholly repayable within five years:		
Bank borrowings	**21,594**	14,221
Senior notes	**87,534**	92,406
Short-term notes	**5,068**	19,559
	114,196	126,186
Less: amount capitalised	**(1,892)**	–
	112,304	126,186
Unwinding of discount	**693**	676
	112,997	126,862

Borrowing costs capitalised during the period arose on the general borrowing pool, and are calculated by applying a weighted average capitalisation rate on funds borrowed of 6.15% (six months ended 30 June 2017: Nil) per annum to expenditure on qualifying assets.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
Current period	**213,498**	79,849
Deferred tax		
Current period	**2,054**	(326)
Attributable to change in tax rate	**1,291**	1,128
	3,345	802
Income tax expense	**216,843**	80,651

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	**873,312**	305,950
Tax at domestic income tax rate of 25% (six months ended 30 June 2017: 25%)	**218,328**	76,488
Tax effects of:		
Expenses not deductible for tax purpose	**27,879**	31,439
Tax exemption and reduced tax rate *(note (a))*	**(33,532)**	(12,338)
Tax effect of income not taxable for tax purpose	**–**	(15,928)
Tax effect on share of profit of an associate	**(3,062)**	(1,874)
Change in tax rate for deferred tax recognised	**1,291**	1,128
Tax effect on interest income on intra-group loans *(note (b))*	**3,510**	3,510
Tax losses not recognised as deferred tax assets	**4,109**	889
Utilisation of tax losses previously not recognised as deferred tax assets	**–**	(2,663)
Recognition of deferred tax assets on tax losses generated in previous years	**(1,680)**	–
Tax expense for the period	**216,843**	80,651

9. INCOME TAX EXPENSE (Cont'd)

Notes:

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 concession rate of 15% from 2018. The applicable tax rate for the six months ended 30 June 2018 is 15% (six months ended 30 June 2017: 12.5%).*

Luxin Building Materials Co., Ltd. ("Luxin"), the Company's subsidiary, was established in Xinjiang. Pursuant to the relevant laws and regulations of Xinjiang, Luxin is subject to a tax concession rate of 15% for each of the three years ending 31 December 2018.

The Company's subsidiaries, Xi'an Lantian Yaobai Cement Co., Ltd ("Lantian"), Fuping Cement Co., Ltd ("Fuping") and Shifeng Cement Co., Ltd ("Shifeng"), were established in Shaanxi. Pursuant to the approval of tax bureau received in 2017, Lantian, Fuping and Shifeng are entitled to a tax reduction pursuant to PRC enterprise income tax law from 2017. The applicable tax rate for the six months ended 30 June 2018 is 15% (six months ended 30 June 2017: 15%).

b. *Interest income in respect of intra-group loans within the Group is subject to a tax rate of 10% based on the double taxation arrangement between Hong Kong and Mainland China.*

10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**336,518**	377,722
Amortisation of prepaid lease payments	**7,036**	7,329
Amortisation of mining rights	**6,775**	8,014
Amortisation of other intangible assets	**1,056**	1,043
Total depreciation and amortisation	**351,385**	394,108
Capitalised in inventories	**(331,072)**	(370,022)
	20,313	24,086
Staff costs (including directors' emoluments)		
Wages and salaries	**161,885**	156,650
Recognition of share option expenses, net	**640**	2,365
Defined contribution retirement plan expenses	**17,042**	13,987
Total staff cost	**179,567**	173,002
Capitalised in inventories	**(108,359)**	(104,078)
	71,208	68,924
Impairment loss recognised/(reversed) in respect of:		
Loan receivables	**4,217**	–
Trade and other receivables	**1,885**	6,121

11. DIVIDEND

During the six months ended 30 June 2018, a final dividend of RMB2.6 cents per share in respect of the year ended 31 December 2017 (six months ended 30 June 2017: Nil) in total of approximately RMB141,313,000 (six months ended 30 June 2017: Nil) was declared and approved by the shareholders in annual general meeting.

The directors of the Company proposed an interim dividend of RMB1.2 cents per share in respect of the current interim period. No dividend was proposed during the six months ended 30 June 2017.

12. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**646,700**	218,058

Number of shares	Six months ended 30 June	
	2018	2017
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,432,808**	5,421,496
Effect of dilutive potential ordinary shares from share options issued by the Company *(note)*	**11,131**	5,225
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,443,939**	5,426,721
Basic earnings per share	**0.119**	0.040
Diluted earnings per share	**0.119**	0.040

Note:

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2018 and 2017 has been adjusted for exercise of share options during the period.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group purchased property, plant and equipment of approximately RMB40,989,000 (six months ended 30 June 2017: RMB10,268,000) from third parties and incurred approximately RMB358,647,000 on the construction of its plants and buildings (six months ended 30 June 2017: RMB33,857,000). The Group's property, plant and equipment's addition on the acquisitions from a new subsidiary is approximately RMB 24,148,000 (six months ended 30 June 2017: Nil).

The amounts of construction in progress transferred to other classes of property, plant and equipment during the six months ended 30 June 2018 are RMB259,818,000 (six months ended 30 June 2017: RMB8,228,000).

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB1,791,000 (six months ended 30 June 2017: RMB18,534,000), resulting in a gain on disposal of RMB64,000 (six months ended 30 June 2017: loss on disposal of RMB14,142,000).

14. LOAN RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Collateralised loans *(note)*	**796,655**	364,124
Entrusted loan	**200,000**	200,000
Factoring receivables with recourse	**250,000**	280,000
Less: allowance for impairment	**(12,467)**	–
	1,234,188	844,124
Analysed as:		
Current	**437,843**	437,273
Non-current	**796,345**	406,851
	1,234,188	844,124

14. LOAN RECEIVABLES (Cont'd)

Note: As of 30 June 2018, the Group has entered into certain arrangements (the "Arrangements") with third parties for periods ranging from 1 to 4 years under which:

(i) The third parties transferred the ownership titles of its certain assets to the Group and leased back those assets;

(ii) The third parties pledged those assets to the Group;

(iii) The shareholders of the third parties provided guarantees for the due performance of the obligations of the third parties under the Arrangements; and

(iv) Upon discharging all the obligations by the third parties under the Arrangements, the Group will return the ownership title of the assets to the lessees automatically.

Despite the Arrangements involve a legal form of a lease, the Group accounted for the Arrangements as collateralised loans in accordance with the actual substance of the Arrangements. All interest rates inherent in the Arrangements are fixed at the contract dates over the contract terms.

The exposure of the Group's fixed-rate loan receivables to fair value interest risks and their contractual maturity dates are as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	**437,843**	437,273
In more than one year but not more than two years	**485,103**	319,341
In more than two years but not more than five years	**311,242**	87,510
	1,234,188	844,124

The ranges of effective rates on the Group's loan receivables was 6.0% to 18.3% per annum (31 December 2017: 6.0% to 18.3% per annum).

All of the Group's loan receivables are dominated in RMB.

As at 30 June 2018 and 31 December 2017, no loan receivables have been past due.

Details of the impairment assessment are set on in Note 16.

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**298,794**	160,431
Less: Allowance for doubtful debts	**19,687**	13,010
	279,107	147,421
Other receivables	**42,799**	30,124
Less: Allowance for doubtful debts	**1,110**	1,110
	41,689	29,014
Bills receivable	**–**	316,335
Amount due from non-controlling shareholder of a subsidiary *(note)*	**30,273**	33,218
Interest receivables	**8,420**	–
VAT recoverable	**82,229**	69,578
VAT refund receivable	**55,881**	24,442
Prepayments to suppliers	**138,632**	58,718
Prepaid lease payments	**14,073**	14,628
	650,304	693,354
Less: Non-current portion *(note)*	**23,218**	23,218
	627,086	670,136

Note: The amount due from non-controlling shareholder of a subsidiary represents advances for procuring the acquisition of various mining rights by the non-controlling shareholder. Pursuant to the notice from the local government authority received in September 2017, the prospective mining rights would not be granted due to rearrangement of local mining resources. The non-controlling shareholder repaid RMB30,007,000 and RMB2,945,000 to the Company in December 2017 and June 2018, respectively in accordance with a repayment schedule without interest. The remaining balance of RMB30,273,000 will be repaid in 2018, 2019 and 2020 based on the repayment schedule. After due assessment prescribed by IFRS 9, the directors are of a view that no impairment provision is necessary on the remaining balance.

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Cont'd)

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
0 to 90 days	**244,931**	105,541
91 to 180 days	**13,849**	18,711
181 to 360 days	**9,836**	4,549
361 to 720 days	**6,955**	12,642
Over 720 days	**3,536**	5,978
	279,107	147,421

As at 30 June 2018 and 31 December 2017, the majority of the balance of trade receivables are due from certain cement mixing companies and customers who are in construction related businesses usually settle the amounts due within 360 days.

Details of the impairment assessment are set on in Note 16.

16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS

Impairment assessment on loan receivables

The Group continues to manage its loan receivables based on the credit management policies as disclosed in annual financial statements for the year ended 31 December 2017, including the estimation of credit exposure. Such estimation requires consideration over changes in market conditions, expected cash flows and the passage of time, for the assessment of the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The credit risk of the loan receivables has been measured using PD, EAD and LCD, which are in line with the approach used for the purposes of measuring ECL under IFRS 9.

The Group measures ECL for significant individual balances and on a collective basis for the remaining balances, grouped by their shared risk characteristics and past due status. ECL model used by the Group for the assessment and provision of impairment for loan receivables is based on the "three-stages" model by referring to the changes in credit quality since initial recognition, and is summarized as below:

- The loan receivables that are not credit-impaired on initial recognition are classified in 'Stage l' and have their credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.

- If a significant increase in credit risk since initial recognition, i.e., the borrower is more than 30 days past due on its contractual payments, is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.

- If the loan receivables is credit-impaired, that is when the borrower is more than 90 days past due on its contractual payments, the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis.

16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS (Cont'd)

Impairment assessment on loan receivables (Cont'd)

- In Stage 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired as Stage 3, the Group calculates the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The calculation of ECL incorporate forward-looking information. The Group identified the borrowers' underlying business performance and market trends of the industries the borrowers are engaged in together with the regional gross domestic product the borrowers are incorporated as the key economic variables impacting credit risk and expected credit losses.

There has been no change from Stage 1 to other stages as of the date of this interim report. The following table provides information about the exposure to credit risk and ECL for loan receivables as at 30 June 2018.

	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Not past due	1%	1,246,655	12,467

Impairment assessment on trade receivables

In addition to the individual assessment of significant balances, the Group also assesses the impairment for its customers, grouped by a matrix of shared credit risk characteristics and the days past due, in relation to its sales of cement products operation because each of these customer groupings consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The following table provides information about the exposure to credit risk and ECL for trade receivables that are assessed collectively based on provision matrix as at 30 June 2018.

	Expected average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Current (not past due)	0%	203,042	–
1 to 90 days past due	0%	13,849	–
91 to 360 days	2%	11,127	208
361 to 720 days	9%	7,940	711
Over 720 days	90%	20,947	18,768
		256,905	19,687

16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS (Cont'd)

Impairment assessment on trade receivables (Cont'd)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the current interim period, the Group provided RMB19,687,000 impairment allowance based on the provision matrix. In addition, debtors with significant balances amounting to RMB41,889,000 as at 30 June 2018 were assessed individually and no impairment allowance were made on these debtors for the current interim period as the directors of the Company is of the view that the credit risk of these debtors did not increase significantly since 1 January 2018.

Impairment assessment on other receivables

Other receivables that are measured at amortised costs were considered low credit risk, and thus the impairment provision recognised during the interim period was limited to 12 m ECL. After due assessment prescribed by IFRS 9, the directors are of a view that no additional impairment provision is required from that of 1 January 2018.

The projections and likelihoods of occurrence involved in ECL are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Allowance for impairment

The movement in the allowance for impairment in respect of loan receivables and trade and other receivables during the current interim period was as follows:

	RMB'000
Balance at 1 January 2018*	(27,162)
Net remeasurement of loss allowance	(6,102)
Balance at 30 June 2018	(33,264)

* *The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.*

17. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt instruments at fair value through other comprehensive income amounted to RMB188,397,000 represents bill receivables that are held under a business model of collecting cash flows and endorsing to suppliers classified as debt instruments at FVTOCI. The related fair value gains/losses was considered immaterial to the Group's financial position as at 30 June 2018 hence no adjustment is made for the fair value gains/losses.

18. 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 2017, 31 December 2017, and 30 June 2018	10,000,000	20,000	
Issued and fully paid:			
Balance as at 1 January 2017	5,420,808	10,840	141,519
Exercise of share options	1,725	3	30
Balance as at 31 December 2017	5,422,533	10,843	141,549
Exercise of share options *(Note 19)*	12,600	25	222
Balance as at 30 June 2018	5,435,133	10,868	141,771

19. 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 ("Fourth Issuance"), respectively, to directors, senior management and staff, and the estimated fair value of the four option issuances using the Black-Scholes option pricing model was approximately HK$1.04, HK$0.58, HK$0.41 and HK$0.56 at the respective grant date.

The share options granted are exercisable within a period of 10 years after the corresponding vesting periods (from 1 to 2 years) succeeding the specific grant date of each individual tranche under a particulars issuance, subject to the fulfilment of certain non-market performance condition, for example, the share options of a specific tranche would vest if the growth in profit after tax of the Group during the year ending on the vesting date (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. Where profit after tax of the Group does not meet the growth requirements in both circumstances above, the share options of the said tranche will not vest.

During the six months ended 30 June 2018, a share-based payment expense of RMB640,000 was recognised in relation to share options granted by the Company (six months ended 30 June 2017: RMB2,365,000). Included in the amount of share-based payments expenses for the six months period ended 30 June 2018 was a reversal of expenses amounting to RMB318,000 (six months period ended 30 June 2017: Nil) against profit or loss due to employee resignation.

During the current interim period, 12,600,000 (six months ended 30 June 2017: 1,400,000) share options were exercised at the exercise price of HK$1.03 per share or approximately RMB0.85 per share at the weighted average exchange rate of HK$1: RMB0.825 (six months ended 30 June 2017: HK$0.91 per share or approximately RMB0.81 per share at the weighted average exchange rate of HK$1: RMB0.886), with the weighted average share price of HK$1.42 per share (six months ended 30 June 2017: HK$1.11 per share).

20. BORROWINGS

During the current interim period, the Group received the proceeds of approximately RMB343,171,000 (six months ended 30 June 2017: RMB645,000,000) related to its renewed and newly obtained bank loans and made repayments amounting to approximately RMB241,600,000 (six months ended 30 June 2017: RMB334,600,000). The new loans are secured by property, plant and equipment and prepaid lease payment, carry annual interest rates range from 2.90% to 5.46% per annum (six months ended 30 June 2017: 4.35% to 5.5% per annum) and repayable from 2018 to 2019.

21. SHORT-TERM NOTES

On 15 March 2016, Yaobai Special Cement Group Co., Ltd. ("Shaanxi Yaobai"), a subsidiary of the Company, 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.

On 13 March 2017, Shaanxi Yaobai repaid the entire First Tranche of the Short-term Notes due in 2017, equal to 100% of the principal amount of RMB800 million, plus accrued and unpaid interest of RMB44,000,000.

On 3 March 2017, Shaanxi Yaobai issued 6.98% per annum, unsecured one-year short-term notes of RMB400 million (the "Second Tranche of the Short-term Notes") at 100% of the face value, with effective interest rate of approximately 7.17% per annum after adjusted for transaction costs of RMB1,600,000.

On 1 March 2018, Shaanxi Yaobai repaid the entire Second Tranche of the Short-term Notes due in 2018, equal to 100% of the principal amount of RMB400 million, plus accrued and unpaid interest of RMB27,920,000.

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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
0 to 90 days	**471,440**	494,910
91 to 180 days	**33,815**	72,482
181 to 360 days	**25,218**	16,038
361 to 720 days	**8,229**	11,303
Over 720 days	**7,670**	7,851
	546,372	602,584

23. CAPITAL COMMITMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 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	**152,317**	201,968

24. ACQUISITION OF A SUBSIDIARY

On 2 May 2018, the Group acquired a 55% controlling equity interest in 陝西豐盛德遠實業有限公司 (Shaanxi Fengsheng Deyuan Industrial Limited Company, "Shaanxi Fengsheng") by an agreed capital injection of RMB30,000,000 to Shaanxi Fengsheng. As of the date of issuance this interim report, the Group has injected RMB20,000,000, the rest RMB10,000,000 will be injected before 31 December 2018 according to the agreement.

Shaanxi Fengsheng is principally engaged in production and sales of concrete and other cement products in Shaanxi Province, China. It was acquired with the primary objective of further improving the Group's presence in the local market.

Acquisition-related costs incurred are immaterial and have been recognised as administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition, determined on a provisional basis

	Shaanxi Fengsheng RMB'000
Assets	
Trade and other receivables	19,581
Inventories	4,644
Cash and cash equivalents	20,011
Property, plant and equipment	24,148
Liabilities	
Trade and other payables	(25,124)
Net Assets	43,260

The trade and other receivables acquired (which principally comprised trade receivables) with gross contractual amounts of RMB19,581,000 represents its fair value, of which in the opinion of the directors of the Company is expected to be fully recoverable within one year.

The fair value of the acquired property, plant and equipment of RMB24,148,000 is provisional, awaiting the completion of final valuation.

Non-controlling interests

The non-controlling interest of 45% in Shaanxi Fengshang at the acquisition date was measured by reference to the fair value of the non-controlling interest of Shaanxi Fengshang and amounted to RMB19,467,000, respectively.

24. ACQUISITION OF A SUBSIDIARY (Cont'd)

Goodwill arising on acquisition, determined on a provisional basis

	Shaanxi Fengsheng RMB'000
Consideration	30,000
Add: Non-controlling interest	19,467
Less: Recognised amount of net identifiable assets acquired	43,260
Goodwill arising on acquisition	6,207

The consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies and future market development in downstream cement industry. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash inflow arising on acquisition

	Shaanxi Fengsheng RMB'000
Consideration paid in cash	(20,000)
Cash and cash equivalent balances acquired	20,011
	11

Impact of acquisition on the results of the Group

Included in the profit for the interim period is a loss of RMB882,000 attributable to Shaanxi Fengsheng. Revenue for the interim period includes RMB11,205,000 in respect of Shaanxi Fengsheng.

Had the acquisition been effected at the beginning of the interim period, the revenue of the Group for the six months ended 30 June 2018 would have been RMB2,604,785,000, and the profit for the interim period would have been RMB654,600,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and loss of the Shaanxi Fengsheng had been acquired at the beginning of the interim period, the directors have calculated depreciation and amortisation of property, plant and equipment acquired based on recognized amounts of property, plant and equipment at the date of the acquisition.

25. RELATED PARTY DISCLOSURES

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

Key management compensation

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**4,100**	4,741
Post-employment benefits	**73**	106
Share-based payments	**572**	1,709
	4,745	6,556

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	31 December
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Restricted bank deposits	**122,007**	–
Trade receivables	**–**	7,265
Prepaid lease payments	**168,960**	108,691
Property, plant and equipment	**2,156,320**	2,263,523
	2,447,287	2,379,479

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Except for bill receivables classified as debt instruments at FVTOCI, the Group does not hold any other financial instruments measured at fair value.

Bill receivables are measured at fair value at the end of each reporting period. However, the directors of the Company are of the view that the fair value of bill receivables is close to its carrying amounts given all bill receivables will mature within one year.

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.

	30 June 2018		31 December 2017	
	Carrying amount RMB'000 (Unaudited)	**Fair value RMB'000 (Unaudited)**	Carrying amount RMB'000 (Audited)	Fair value RMB'000 (Audited)
Senior notes*	**2,685,421**	**2,665,000**	2,647,365	2,686,000
Short-term notes*	**–**	**–**	422,853	422,013

* *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 short-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.