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

2019
INTERIM REPORT

CONTENTS

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
10/F, Wharf T&T Centre
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
Fan Chanhong (appointed with effect from 15 July 2019)
Qin Hongji (resigned with effect from 15 July 2019)

Independent Non-Executive Directors
Lee Kong Wai Conway
Tam King Ching Kenny
Zhu Dong (appointed with effect from 15 July 2019)
Wong Kun Kau (resigned with effect from 16 May 2019)

COMPANY SECRETARY
Chan King Sau *HKICPA*

AUTHORIZED REPRESENTATIVES
Ma Weiping
Chan King Sau *HKICPA*

MEMBERS OF THE AUDIT COMMITTEE
Lee Kong Wai Conway *(Chairman)*
Tam King Ching Kenny
Zhu Dong

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

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

RMB' Million (unless otherwise specified)	**Six months ended 30 June 2019 (Unaudited)**	Six months ended 30 June 2018 (Unaudited)	% Change
Total Cement and Clinker Sales Volume (million tons)	**8.61**	8.19	5.1%
Cement Sales Volume (million tons)	**8.45**	8.14	3.8%
Revenue	**3,310.6**	2,601.9	27.2%
Gross Profit	**1,130.9**	966.5	17.0%
EBITDA[(1)]	**1,377.6**	1,301.1	5.9%
Profit Attributable to Owners of the Company	**793.5**	646.7	22.7%
Basic Earnings Per Share	**14.6 cents**	11.9 cents	22.7%
Interim Dividend	**3.6 cents**	1.2 cents	200.0%
Gross Profit Margin	**34.2%**	37.1%	(2.9 ppt)
EBITDA Margin[(2)]	**41.6%**	50.0%	(8.4 ppt)

	30 June 2019 (Unaudited)	31 December 2018 (Audited)	% Change
Total Assets	**13,543.3**	12,392.1	9.3%
Net Debt[(3)]	**1,489.8**	1,976.5	(24.6%)
Net Gearing[(4)]	**17.8%**	26.0%	(8.2 ppt)
Net Assets Per Share	**154 cents**	140 cents	10.0%

Notes:

(1) EBITDA equal to profit before tax plus finance cost, depreciation and amortization, recognition of share option expenses net, and net foreign exchange losses less interest income

(2) EBITDA margin equal to EBITDA to revenue

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

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

BUSINESS REVIEW

Overview

West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") faced an improving operating environment in the first half of 2019. Sales volumes in Shaanxi Province have remained stable. Sales volumes in Xinjiang and Guizhou Provinces have recorded a 5.5% increase and a 16.7% decrease, respectively. The Group's sales volumes of cement and clinker for the six months ended 30 June 2019 were 8.61 million tons, representing a slight increase from the 8.19 million tons recorded in the first half of 2018.

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 moderately improved even under the continuing low demand scenario through the continuation of occasional peak -shifting production halts during low season periods under the stringent environmental policy. 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 2019. Taken together, these have contributed to the Group's stable margins in the first half of 2019.

The Group has maintained healthy and improving cash flows, with EBITDA of RMB1,377.6 million for the first half of 2019, which is higher than the RMB1,301.1 million recorded in the first half of 2018. 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 2019. The Group has recorded a foreign exchange loss of RMB3.9 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 compared to RMB33.8 million in the first half of 2018.

The Group's capacity as at 30 June 2019 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 2019 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 improved to a similar price level. Such improvement in ASPs in Central Shaanxi even under the continuing low demand scenario was made through the continuation of occasional peak shifting production halts during low season periods under the stringent environmental policy.

Shaanxi Province as a whole has seen a stable Fixed Asset Investment ("FAI") growth rates in the first half of 2019. 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 Group's stable margins was the maintenance of a stable cost in the first half of 2019. This resulted from the Group's implementation of efficiency gains and cost-cutting measures.

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi have remained stable and strong during the first half of 2019. 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 2019, supported by continued growth in railway and road infrastructure project construction. The Xixiang to Zhenba Expressway, the Ningshan to Shiquan Expressway and the Ankang to Langao Expressway, have been, amongst others, particularly important demand drivers; and the construction of the Pingli to Zhenping Expressway, the Zhengxi Expressway, Henan China National Highway 312, the Ankang Airport, the Shanyang County Mogou Reservoir, the Zhen'an Hydropower Station and the Xunyang Hydropower Station have also supported the demand. Rural and urban development in Southern Shaanxi have continued to be supported by the Hanjiang to Weihe River Water Transport Project and the Southern Shaanxi Resettlement Project which have continued to be important for both cement demand and development in this region.

Whilst sales volumes of cement in Southern Shaanxi have increased by approximately 15.5% to approximately 3.96 million tons in the first half of 2019 (2018: 3.43 million tons), the above supply and demand scenario has led to relatively strong pricing for the Group's products in this area. There have been some increases in ASPs mainly due to the high infrastructure project demand and insulation from outside competition have supported pricing in Ankang District in particular. During the first half of 2019, the Group has recorded cement ASP in Southern Shaanxi of approximately RMB341 per ton (2018: RMB322 per ton) (excluding VAT), which is similar to the Group's overall ASP of RMB342 per ton (2018: RMB313 per ton) (excluding VAT), with capacity utilization rate at approximately 82% (2018: 71%).

Central Shaanxi

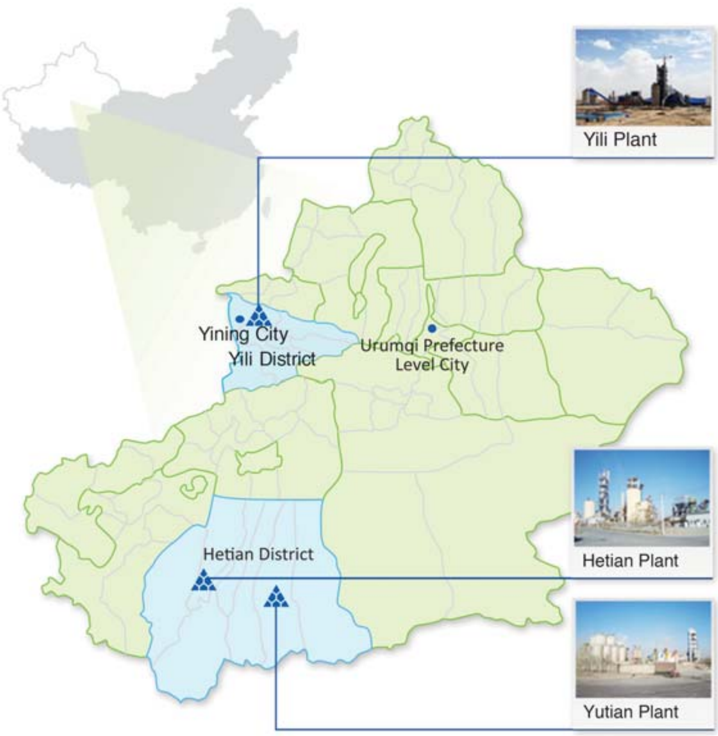
The demand in Central Shaanxi market has remained low, especially in the Xi'an Metropolitan market. This low demand scenario has been exacerbated by the imbalance between supply and demand already existing in the area. Central Shaanxi is an area with a significant build-out of new capacity since 2010 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 occasional peak-shifting production halts under the stringent environmental policy, ASPs in Central Shaanxi still moderately improved even under the abovementioned continuing low demand scenario in the first half of 2019.

During the first half of 2019, 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 Xi'an to Hancheng Intercity Railway, the Dongzhuang Reservoir, the Nangoumen Reservoir, the Shuinangou Reservoir, the Gongzhaigou Reservoir, the Chunhua Tunzhuang Reservoir, the Luyanghu Airport, the Yanchuan Yellow River Diversion Project, the expansion of Xi'an Train Station, the Yan'an to Huanglong Expressway, the Pucheng to Huanglong Expressway and the Xixian Expressway-Southern Section. The largest of these, the Heyang to Tongchuan Expressway consumed over 0.17 million tons of cement in the first half of 2019.

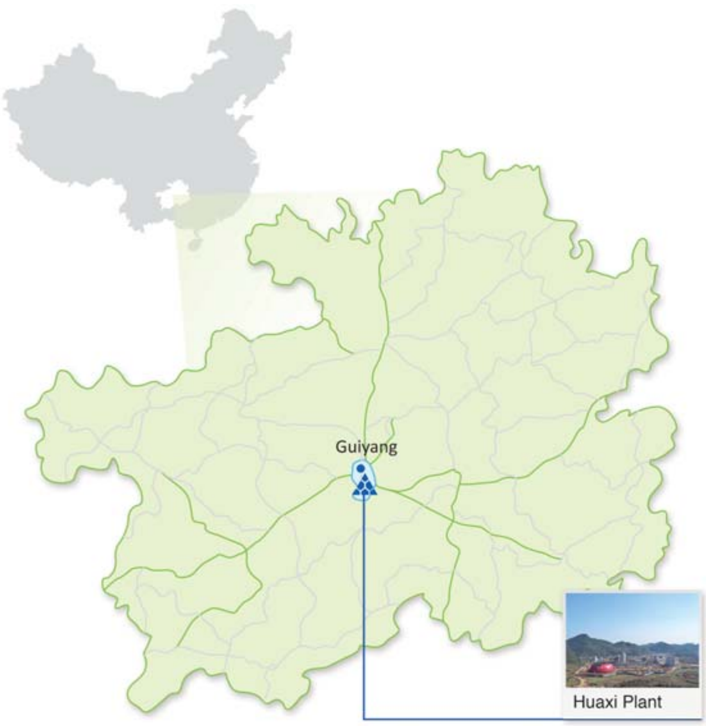
Sales volumes in Central Shaanxi have slightly decreased by approximately 4.5% to approximately 3.17 million tons in the first half of 2019 (2018: 3.32 million tons) and have been accompanied by improved ASPs. Over the period as a whole, the Group has recorded cement ASP in Central Shaanxi of RMB329 per ton (2018: RMB298 per ton) (excluding VAT), which is slightly lower than the Group's overall ASP of RMB342 per ton (2018: RMB313 per ton) (excluding VAT), with capacity utilization rate at approximately 47% (2018: 49%).


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

Xinjiang Province



Guizhou Province



Xinjiang & Guizhou Provinces

Operations at the Group's plants in Xinjiang Province remained slow in the first half of 2019. Sales volume in Xinjiang have increased slightly by close to 5.5% to approximately 0.77 million tons (2018: 0.73 million tons). During the first half of 2019, ASPs in Xinjiang have improved through the occasional peak-shifting production halts under the stringent environmental policy, the Group has recorded cement ASP at approximately RMB453 per ton (2018: RMB363 per ton) (excluding VAT), with capacity utilization rate at approximately 37% (2018: 36%).

In Guizhou Province, the Group's plant contributed approximately 0.55 million tons of cement as compared to the sales volume of 0.66 million tons in the first half of 2018, which represented an approximately 16.7% decrease. During the first half of 2019, the Group has recorded cement ASP in Guizhou of approximately RMB271 per ton (2018: RMB290 per ton) (excluding VAT), with capacity utilization rate at approximately 61% (2018: 74%). The decrease in both ASPs and sales volume were mainly due to the imbalance between demand and supply as a result of the continuation of decreasing demand scenario. The sales volumes at the Huaxi Plant have already been better than other locations in Guizhou due to its location being in close proximity to Guiyang City and the Guiyang — Anshun ("Gui-An") New Area.

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 2019, 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, eighteen plants were already re -greened as garden like plants in the preliminary stage and the Group will further develop the garden like plants to meet the environmental policy requirements. Moreover, green limestone mines projects, including soil reclamation and mine re-greening, already commenced construction to comply with the environmental policy. The Group will continue to implement the green mine projects 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.

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 Plan t ("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 2019, 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.

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 2019, 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 RMB1.4 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 2019.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 27.2% from RMB2,601.9 million for the first half of 2018 to RMB3,310.6 million for the first half of 2019. Cement sales volume increased slightly by 3.8%, from approximately 8.14 million tons to approximately 8.45 million tons during the period. Including clinker sales, total sales volume for the first half of 2019 amounted to approximately 8.61 million tons, compared to the 8.19 million tons sold in the first half of 2018. The Group has maintained a stable sales volume during the period.

Overall cement prices in the first half of 2019 were higher than those in the first half of 2018, and this has resulted in higher revenue. Cement ASP for the first half of 2019 was RMB342 per ton as compared with RMB313 per ton in the first half of 2018. The reasons for these fluctuations in ASPs are discussed in the "Operating Environment" section above.

Cost of Sales

Cost of sales increased by 33.3% from RMB1,635.4 million for the first half of 2018 to RMB2,179.7 million for the first half of 2019.

Coal costs were increasing in the PRC over the previous 12 months. The average cost per ton of coal increased moderately by approximately 7.5% to approximately RMB544 per ton from approximately RMB506 per ton in the first half of 2018. This has resulted in a moderate cost increase of approximately RMB6.2 per ton of total cement and clinker produced, with total coal costs increasing by approximately 14.4% as compared with that of the first half of 2018.

Raw materials costs were increasing as a result of the increase in transportation costs and supplier prices under the more stringent environmental policy implemented during the period and the increase in the number of such policies. However, since more limestone were outsourced with higher costs upon the temporary closure of some of the limestone mines for the numerous environmental examinations conducted by the government officials in 2018, the average cost per ton of limestone decreased by approximately 8.2% to approximately RMB15.6 per ton from approximately RMB17.0 per ton in the first half of 2018. As a result of the above, the net cost still increased by approximately RMB8.4 per ton of total cement and clinker produced, with total raw materials costs increased by approximately 19.1% as compared with that of the first half of 2018.

The Group reviewed and increased the staff salaries, which have been frozen for few years, as a result of the improving operating results, since the second half of 2018. This has resulted in a cost increase of approximately RMB4.5 per ton of total cement and clinker produced, with total staff costs increased by approximately 31.3% as compared with that of the first half of 2018.

During the period, as a result of the tightened environmental policy, certain additional environmental related expenses, i.e. sewage fees, environmental protection fee, safety fees and maintenance funds, were charged by the government since the second half of 2018. This has mainly resulted in a cost increase of approximately RMB8.6 per ton of total cement and clinker produced, with total other costs increased by approximately 96.4% as compared with that of the first half of 2018.

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

Gross Profit and Gross Profit Margin

Gross profit increased by RMB164.4 million, or 17.0%, from RMB966.5 million for the first half of 2018 to RMB1,130.9 million for the first half of 2019. The rise in gross profit was mainly due to the increase in ASPs as described above. Gross profit margin decreased slightly from 37.1% for the first half of 2018 to 34.2% for the first half of 2019 as the cost of sales increased in a faster rate than the revenue as described above.

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 5.0% from RMB143.2 million for the first half of 2018 to RMB150.3 million for the first half of 2019. The ratio of VAT rebates over revenue was 4.3% for the first half of 2019 (2018: 4.9%). 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 11.3% as compared with that of the first half of 2018.

Other Gains and Losses, net

Other losses increased by RMB16.6 million from RMB37.3 million for the first half of 2018 to RMB53.9 million for the first half of 2019. The increase was mainly due to the net effect of the following factors. Firstly, the unrealized foreign exchange loss relating to the Group's Senior Notes as a result of the depreciation of the RMB against the USD decreased to RMB3.9 million for the first half of 2019 (2018: RMB33.8 million). Secondly, the loss on disposal of property, plant and equipment ("PPE") of RMB35.3 million was recorded for the first half of 2019 (2018: gain of RMB0.1 million) as some obsolete PPE were disposed under the technology improvement of PPE to meet the tighten stringent environmental policy requirement. Finally, the loss on partial redemption of Senior Notes of RMB13.4 million was recorded for the first half of 2019 (2018: Nil) as the Group early redeemed Senior Notes of US$120 million in June 2019.

Impairment loss, net of reversal

The balance increased by RMB13.3 million from RMB6.1 million for the first half of 2018 to RMB19.4 million for the first half of 2019. The increase was mainly due to the loss on impairment of amount due from non-controlling interest of RMB22.0 million was recorded for the first half of 2019 (2018: Nil). The amount was prepaid to the non-controlling interest to coordinate for the acquisitions of various mining rights in prior years. However, the local government authority finally issued a notice that the respective mining rights would not be granted due to the rearrangement of local mining resources under the current stringent environmental policies, which led to the impairment made.

Administrative expenses

Administrative expenses primarily included staff costs, general administrative expenses, depreciation and amortization. The amount increased by 39.5% from RMB137.1 million for the first half 2018 to RMB191.2 million for the first half of 2019. As mentioned in the cost of sales analysis above, it was mainly due to the increase in the maintenance and greening expenses of the plants and staff quarters under the tightened environmental policy as well as the increase in the staff salaries as a result of the improved operating results, since the second half of 2018.

Interest Income

Interest income increased by RMB29.0 million from RMB71.1 million for the first half of 2018 to RMB100.1 million for the first half of 2019. The increase was mainly due to the increase in the interest income arising from the growing loan receivables business of RMB91.6 million recorded for the first half of 2019 (2018: RMB62.4 million).

Income Tax Expense

Income tax expenses decreased by RMB40.7 million, from RMB216.8 million for the first half of 2018 to RMB176.1 million for the first half of 2019. Current income tax expense net of over provision increased by RMB7.0 million to RMB220.5 million, whereas deferred tax expense decreased by RMB47.7 million to RMB44.3 million (credit) for the first half of 2019.

The increase in the current income tax is primarily due to the increase in the Group's profit as a result of the increase in ASPs during the period. The decrease in the deferred tax expense is mainly due to the reversal of the withholding tax on undistributed profits of PRC subsidiaries after the payment of dividend in prior year.

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

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company increased from RMB646.7 million for the first half of 2018 to RMB793.5 million for the first half of 2019. 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 RMB11.9 cents for the first half of 2018 to RMB14.6 cents for the first half of 2019.

FINANCIAL AND LIQUIDITY POSITION

As at 30 June 2019, the Group's total assets increased by 9.3% to RMB13,543.3 million (31 December 2018: RMB12,392.1 million) while total equity increased by 10.3% to RMB8,382.7 million (31 December 2018: RMB7,599.0 million).

As at 30 June 2019, the Group had cash and cash equivalents, as well as restricted/pledged bank deposits, amounting to RMB1,299.8 million (31 December 2018: RMB1,075.1 million). After deducting total borrowings, Senior Notes and medium-term notes ("MTN") of RMB2,789.6 million (31 December 2018: RMB3,051.6 million), the Group had net debt of RMB1,489.8 million (31 December 2018: RMB1,976.5 million). 67.4% (31 December 2018: 81.5%) of borrowings are at a fixed interest rate.

As at 30 June 2019, the Group's net gearing ratio, measured as net debt to equity, was 17.8% (31 December 2018: 26.0%).

Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern. As at 30 June 2019, the Group has net current liabilities of RMB659.8 million (31 December 2018: RMB1,468.4 million). In May 2019, the Group has obtained a loan facility to issue on its demand a 3-year medium-term notes of RMB1,500 million for the purpose of, among others, supplement general working capital across the Group. As at 30 June 2019, the Group has unutilised RMB1,000 million medium-term notes to issue in respect of the loan facility. The Group has unutilised banking facilities for working capital purposes totalling RMB455.5 million readily available for drawdown within the next twelve months from the date of the approval of these condensed consolidated financial statements. Based on the Company's forecasts and projections of business performance, taking account of operating as well as capital expenditure and availability of loan facilities, the directors of the Company are of the view that the Group is able to maintain its existing operation.

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

CONTINGENT LIABILITIES

As at 30 June 2019, 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 2019 amounted to RMB700.9 million (the first half of 2018: RMB399.6 million). Capital commitments as at 30 June 2019 amounted to RMB1,032.8 million (31 December 2018: RMB127.4 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 2019, the Group employed a total of 5,726 (30 June 2018: 4,848) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2019, employees benefit expenses were RMB306.2 million (six months ended 30 June 2018: RMB179.6 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 2019, 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 2019 reflected that the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy 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 stable in the first half of 2019, with a slight increase in cement sales volume as compared with that of the first half of 2018, 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 2019 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 2019. 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. Fan Chanhong 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.

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 2019 and beyond.

Operations — Shaanxi

Under the current macro economic conditions in the PRC and Shaanxi Province, the Group does not expect to see a significant pick up in demand in the second half of 2019. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2019, 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 prices in the second half of 2019, both as a result of the limited supply under the increasingly stringent 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, the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy 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 2019, including the constructions of the Xi'an to Yan'an High Speed Railway, several Central Shaanxi Intercity Railways, the Hanheng to Huanglong Expressway, the Xi'an Xianyang International Airport (Phase 3), the construction of Line 8 of Xi'an Metro and the reconstruction and extension of Pucheng-Laoyukou Expressway of the Beijing-Kunming line.

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 2019. The Pingli to Zhenping Expressway, the Shiquan to Ningshan Expressway, the Ankang to Langao Expressway and the Xixiang to Zhenba Expressway have commenced construction and are expected to generate increasing demand in 2019. In addition, the Group expects to see substantial demand from a number of new railways, and expressways and airport projects in 2019 and 2020, including the constructions of High Speed Railways from Xi'an to Wuhan and from Xi'an to Chongqing as well as other projects related to the Hanjiang to Weihe River Water Transfer Project.

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in 2019. 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 can see a more stable market of the cement industry with increased ASP since then. 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 2019 and beyond. These include the constructions of the Yutian Airport and the Hetian to Ruoqiang Railway. In Northern Xinjiang, the 1.5 million-ton Yili Plant with production volumes remained low but improved pricing in the first half of 2019. The Group expects to see higher volume sold from the Yili Plant and an improvement in pricing in 2019 and beyond. In Guizhou, the decreases in both ASPs and sales volume were mainly due to imbalance between demand and supply as a result of the continuation of decreasing demand scenario and the Group expects that the scenario may continue for a certain period. Fortunately, 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 better volumes than other locations in Guizhou in 2019 and beyond.

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 2019. These measures include administrative and head office cost cuts and staff incentives to promote efficient use of raw materials and resources.

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 up grades. The Group plans to further implement measures to strengthen environmental management and monitoring during the second half of 2019 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 projects 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 and related capital expenditure in 2019.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2019, 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 2019:

Name of Director	Capacity	Number of ordinary shares held as at 30 June 2019 Total *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2019
Zhang Jimin	Interest in a controlled corporation	1,756,469,900 (L) *(Note 2)*	32.32%
Ma Zhaoyang	Interest in a controlled corporation	221,587,950 (L) *(Note 3)*	4.08%

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 2019:

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 2019
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%
Tam King Ching, Kenny	Beneficial owner	1,775,000	0.033%

Save as disclosed above, as at 30 June 2019, 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 2019, 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 2019 *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2019
Asia Gain *(Note 2)*	Beneficial owner	1,756,469,900 (L)	32.32%
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	491,664,428(L)	9.04%
		676,000 (S)	0.01%
		490,372,888 (P)	9.02%
GIC Private Limited	Beneficial owner	380,696,000 (L)	7.00%
FIL Limited *(Note 4)*	Beneficial owner	272,172,000 (L)	5.01%
Pandanus Partners L.P. *(Note 4)*	Interest in a controlled corporation	272,172,000 (L)	5.01%
Pandanus Associates Inc. *(Note 4)*	Interest in a controlled corporation	272,172,000 (L)	5.01%
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, the letter "S" denotes the person's short position in such securities and the letter "P" denotes the person's interest in such securities held in the lending pool of an approved lending agent.

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

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

(4) FIL Limited is owned as to 38.69% by Pandanus Partners L.P., which is beneficially and wholly-owned by Pandanus Associates Inc.

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 2019 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.

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

During the six months ended 30 June 2019:

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 2019	Granted during the period ended 30 June 2019	Exercised during the period ended 30 June 2019	Lapsed during the period ended 30 June 2019	Outstanding as at 30 June 2019
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 (Resigned on 16 May 2019)	24 March 2014	0.91	24 March 2015 to 23 March 2024	–	–	–	–	–
	13 April 2015	1.45	13 April 2016 to 12 April 2025	350,000	–	–	–	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

Category and name of participant	Date of grant of share options *(Note 1)*	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2019	Granted during the period ended 30 June 2019	Exercised during the period ended 30 June 2019	Lapsed during the period ended 30 June 2019	Outstanding as at 30 June 2019
				Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme				
Other employees (Group A)	22 March 2013	1.25	22 March 2014 to 21 March 2023	7,975,000	–	–	–	7,975,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	18,800,000	–	–	–	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				61,500,000	–	–	–	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 2019.*

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.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB0.036 per share for the six months ended 30 June 2019 (30 June 2018: RMB0.012 per share), amounting to approximately RMB195.7 million in total, to shareholders of the Company whose names appear on the register of members of the Company on Monday, 2 September 2019.

The interim dividend will be paid in Hong Kong Dollars on Friday, 27 September 2019. Based on the exchange rate of RMB 1: Hong Kong Dollar 1.1168, being the median exchange rate of Renminbi to Hong Kong dollars as published by the People's Bank of China prevailing on 12 August 2019, the declare date of the interim dividend, the amount of the interim dividend payable per ordinary share for the six months ended 30 June 2019 is HK$0.0402.

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 29 August 2019 (Thursday) to 2 September 2019 (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 28 August 2019 (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 at the relevant time, was unable to attend the Company's annual general meeting held on 17 May 2019 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 2019.

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.

Following the resignation of Mr. Wong Kun Kau as an independent non-executive Director and a member of the Audit Committee with effect from 16 May 2019, the Company failed to meet the requirements under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules. The Company had been identifying a suitable candidate to fill Mr. Wong's position since then, and with effect from 15 July 2019, Mr. Zhu Dong was appointed as an independent non-executive Director and a member of the Audit Committee and the relevant requirements under the Listing Rules were complied within three months. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Zhu Dong 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 2019.

AUDITORS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019 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. Zhu Dong, 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 2019, 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 2019.

On behalf of the Board of Directors
Zhang Jimin
Chairman
12 August 2019

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 set out on pages 25 to 54, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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

12 August 2019

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	 2018 RMB'000 (Unaudited)
Revenue	4	**3,310,583**	2,601,888
Cost of sales		**(2,179,714)**	(1,635,424)
Gross profit		**1,130,869**	966,464
Other income	5	**150,321**	143,163
Selling and marketing expenses		**(28,678)**	(26,093)
Administrative expenses		**(191,198)**	(137,141)
Other gains and losses, net	6	**(53,879)**	(37,341)
Impairment loss, net of reversal		**(19,393)**	(6,102)
Share of profit of an associate		**9,594**	12,249
Interest income	7	**100,076**	71,110
Finance costs	8	**(115,254)**	(112,997)
Profit before tax		**982,458**	873,312
Income tax expense	9	**(176,136)**	(216,843)
Profit and total comprehensive income for the period	10	**806,322**	656,469
Attributable to:			
— Owners of the Company		**793,464**	646,700
— Non-controlling interests		**12,858**	9,769
		806,322	656,469
Earnings per share			
— Basic (RMB)	12	**0.146**	0.119
— Diluted (RMB)	12	**0.146**	0.119

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	**7,101,530**	7,180,198
Right-of-use assets	13	**475,978**	–
Prepaid lease payments		**–**	459,275
Mining rights		**318,275**	326,926
Other intangible assets		**199,969**	199,561
Investment in an associate		**67,475**	80,661
Loan receivables	14	**998,721**	837,203
Deferred tax assets		**47,464**	39,110
Amounts due from non-controlling shareholder of a subsidiary	16	**–**	15,218
Prepayments for construction in progress		**479,175**	101,002
Debt instruments at fair value through other comprehensive income	15	**181,855**	–
		9,870,442	9,239,154
Current assets			
Inventories		**657,805**	491,116
Trade and other receivables and prepayments	16	**743,675**	477,284
Loan receivables	14	**831,621**	855,453
Bill receivables measured at fair value through other comprehensive income	18	**139,906**	253,972
Restricted/pledged bank deposits		**225,304**	189,032
Bank balances and cash		**1,074,545**	886,046
		3,672,856	3,152,903
Total assets		**13,543,298**	12,392,057
EQUITY			
Share capital	19	**141,771**	141,771
Share premium and reserves		**8,101,132**	7,383,494
Equity attributable to owners of the Company		**8,242,903**	7,525,265
Non-controlling interests		**139,775**	73,690
Total equity		**8,382,678**	7,598,955

AT 30 JUNE 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings	21	**200,000**	–
Medium-term notes	22	**497,750**	–
Asset retirement obligation		**46,142**	45,935
Deferred tax liabilities		**44,293**	80,279
Deferred income		**39,747**	45,542
		827,932	171,756
Current liabilities			
Bank borrowings	21	**720,000**	863,571
Senior notes		**1,371,898**	2,188,003
Trade and other payables	23	**1,794,366**	1,152,034
Dividend payable		**76,090**	–
Contract liabilities		**239,838**	231,000
Income tax payable		**130,496**	186,738
		4,332,688	4,621,346
Total liabilities		**5,160,620**	4,793,102
Total equity and liabilities		**13,543,298**	12,392,057
Net current liabilities		**(659,832)**	(1,468,443)
Total assets less current liabilities		**9,210,610**	7,770,711

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Equity reserve RMB'000 (note c)	Share option reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019 (audited)	**141,771**	**3,306,174**	**(306,006)**	**25,223**	**724,609**	**3,633,494**	**7,525,265**	**73,690**	**7,598,955**
Profit and total comprehensive income for the period	–	–	–	–	–	793,464	793,464	12,858	806,322
Transfer to statutory reserve	–	–	–	–	496	(496)	–	–	–
Recognition of equity-settled share-based payments *(note 20)*	–	–	–	264	–	–	264	–	264
Appropriation of maintenance and production funds *(note a)*	–	–	–	–	23,014	(23,014)	–	–	–
Utilisation of maintenance and production funds *(note a)*	–	–	–	–	(5,474)	5,474	–	–	–
Dividend recognised as distribution *(note 11)*	–	–	–	–	–	(76,090)	(76,090)	–	(76,090)
Deemed contribution from non-controlling shareholders *(note b)*	–	–	–	–	–	–	–	227	227
Capital injection by non-controlling interests	–	–	–	–	–	–	–	53,000	53,000
At 30 June 2019 (unaudited)	**141,771**	**3,306,174**	**(306,006)**	**25,487**	**742,645**	**4,332,832**	**8,242,903**	**139,775**	**8,382,678**
At 1 January 2018 (audited)	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 20)*	–	–	–	640	–	–	640	–	640
Shares issued for share options exercised *(note 20)*	222	15,153	–	(4,672)	–	–	10,703	–	10,703
Acquisition of a subsidiary *(note 25)*	–	–	–	–	–	–	–	19,467	19,467
Acquisition of non-controlling interest	–	–	(138)	–	–	–	(138)	(950)	(1,088)
Appropriation of maintenance and production funds *(note a)*	–	–	–	–	4,744	(4,744)	–	–	–
Utilisation of maintenance and production funds *(note a)*	–	–	–	–	(145)	145	–	–	–
Dividend recognised as distribution *(note 11)*	–	–	–	–	–	(141,313)	(141,313)	–	(141,313)
Dividend recognised as distribution to non-controlling interests	–	–	–	–	–	–	–	(12,450)	(12,450)
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

Notes:

a. *Pursuant to the relevant People's Republic of China ("PRC") regulations, the Group is required to transfer maintenance and production funds at fixed rates based on relevant bases, such as production volume, to a specific reserve account. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.*

b. *Amounts represent the dividend payable waived by the non-controlling shareholders of a subsidiary and is thus treated as deemed contribution to the Group.*

c. *Equity reserve comprises:*

   i. *the differences between the consideration paid and the net assets value of West China Cement Co., Ltd. ("West China BVI") when the Company became the legal parent of West China BVI by a way of share exchange in a reverse acquisition;*

   ii. *the differences between the consideration paid and the fair value of the non-controlling interests of certain subsidiaries when the Group acquired the remaining interests in these subsidiaries.*

   Details of the equity reserve are disclosed in the Group's annual financial statements for the year ended 31 December 2018.

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**1,503,847**	1,019,409
INVESTING ACTIVITIES		
Repayments received for loans to third parties	**205,981**	49,469
Withdrawal of restricted/pledged bank deposits	**138,245**	13,721
Interest received	**117,264**	62,690
Proceeds from disposal of property, plant and equipment	**4,683**	1,855
Purchase of property, plant and equipment	**(717,277)**	(282,690)
Purchase of other intangible assets	**(1,464)**	–
Payment for debt instruments at fair value through other comprehensive income	**(181,855)**	–
Loans to third parties	**(342,650)**	(452,000)
Placement of restricted/pledged bank deposits	**(174,517)**	(122,585)
Payment for right-of-use assets	**(9,635)**	–
Payment received from non-controlling shareholder of a subsidiary	**–**	2,945
Net cash inflow on acquisition of a subsidiary *(note 25)*	**–**	11
Net cash used in investing activities	**(961,225)**	(726,584)
FINANCING ACTIVITIES		
Proceeds from issuance of medium-term notes	**500,000**	–
New borrowings raised	**459,000**	343,171
Capital injection by non-controlling interests	**53,000**	–
Repayment of senior notes including early redemption premium	**(840,187)**	(400,000)
Repayment of borrowings	**(402,571)**	(241,600)
Interest paid	**(122,791)**	(137,582)
Medium-term notes issue costs paid	**(2,250)**	–
Dividends paid to a non-controlling shareholder of a subsidiary	**–**	(12,450)
Acquisition of non-controlling interest	**–**	(1,088)
Shares issued for share options exercised	**–**	10,703
Net cash used in financing activities	**(355,799)**	(438,846)
Net increase (decrease) in cash and cash equivalents	**186,823**	(146,021)
Cash and cash equivalents at 1 January	**886,046**	1,375,353
Effect of foreign exchange rate changes	**1,676**	273
Cash and cash equivalents at 30 June, represented by bank balances and cash	**1,074,545**	1,229,605

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 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.

As at 30 June 2019, the Group has net current liabilities of RMB659,832,000. In May 2019, the Group has obtained a loan facility to issue on its demand a 3-year medium-term notes of RMB1,500,000,000 for the purpose of, among others, supplement general working capital across the Group. As at 30 June 2019, the Group has unutilised RMB1,000,000,000 medium-term notes to issue in respect of the loan facility. In addition, the Group has unutilised banking facilities for working capital purposes totalling RMB455,500,000 readily available for drawdown within the next twelve months from the date of the approval of these condensed consolidated financial statements. Based on the Company's forecasts and projections of business performance, taking account of operating as well as capital expenditure and availability of the facilities, the directors of the Company are of the view that the Group is able to maintain its existing operation.

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except 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 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	*Leases*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2015–2017 Cycle*

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases*

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Cont'd)

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Cont'd)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-team leases and leases of low-values assets

The Group applies the short-term lease recognition exemption to lease of an office that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Cont'd)

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Cont'd)

As a lessee (Cont'd)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purpose of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Cont'd)

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Cont'd)

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

The Group acts as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred assets and recognised a loan receivable equal to the transfer proceeds within the scope of IFRS 9.

3.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a leasee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Cont'd)

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Cont'd)

As a leasee (Cont'd)

On transition, the Group has made the following adjustments upon application of IFRS 16.

As at 1 January 2019, the Group recognised prepaid lease payments as additional right-of-use assets by applying IFRS 16.C8(b)(ii) transaction.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the followings:

	Note	**Right-of-use assets** RMB'000
Right-of-use assets relating to operating leases recognised upon the application of IFRS 16		
— Reclassified from prepaid lease payments	(i)	473,063

Note:

(i) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current portion (included in trade and other receivables and prepayments) and non-current portion of prepaid lease payments amounting to RMB13,788,000 and RMB459,275,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transition provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of IFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition.

Effective on 1 January 2019, the Group has applied IFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Cont'd)

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Cont'd)

Sales and leaseback transactions

The Group acts as a buyer-lessor

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of IFRS 15 as a sale. Upon discharging all the obligations by the relevant seller-leasee, the Group will return the ownership title of the assets to the lessees automatically.

No impact on the retained earnings at 1 January 2019 is recognised as a result on the application of IFRS 16.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the change have not been included.

Impact on the condensed consolidated statement of financial position

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	RMB'000	RMB'000
Non-current assets			
Prepaid lease payments	459,275	(459,275)	–
Right-of-use assets	–	473,063	473,063
Current assets			
Trade and other receivables and prepayments	477,284	(13,788)	463,496

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 January 2019 as disclosed above.

4. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the production and sale of cement. The Group's chief executive officer, being the chief operating decision maker (the "CODM"), reviews the sales volume and average selling prices of its cement products by four areas, namely central 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Geographical markets		
Central Shaanxi	**1,418,180**	1,123,193
Southern Shaanxi	**1,388,066**	1,020,887
Xinjiang	**355,369**	265,272
Guizhou	**148,968**	192,536
	3,310,583	2,601,888

All of the Group's revenue for the six months ended 30 June 2019 and 2018 are derived from the sale of cement products to customers in the western part of the PRC.

Revenue is recognised at a point in time when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. The normal credit term is 60 to180 days upon delivery.

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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Tax refund *(note)*	**142,676**	128,213
Government grant — others	**7,645**	14,950
	150,321	143,163

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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange losses *(note a)*	**(3,861)**	(33,840)
(Loss) gain on disposal of property, plant and equipment	**(35,306)**	64
Loss on partial redemption of senior notes *(note b)*	**(13,435)**	–
Gains arising from derecognition of payables	**–**	309
Others	**(1,277)**	(3,874)
	(53,879)	(37,341)

Notes:

a. *The amounts mainly relate to the translation of senior notes from United States Dollars ("US$") to RMB.*

b. *During the current interim period, the Company exercised its early redemption option to early redeem and repay the outstanding senior notes of US$120,000,000 (equivalent to RMB826,752,000), plus the applicable redemption premium of US$1,950,000 (equivalent to RMB13,435,000).*

7. INTEREST INCOME

Interest income represents interest received and receivable from bank balances and deposits and loan receivables.

8. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
Borrowings	**38,173**	21,594
Senior notes	**73,001**	87,534
Medium-term notes	**6,171**	–
Short-term notes	**–**	5,068
	117,345	114,196
Less: amount capitalised in construction in progress	**(2,917)**	(1,892)
	114,428	112,304
Unwinding of discount of asset retirement obligation	**826**	693
	115,254	112,997

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 6.56% (six months ended 30 June 2018: 6.15%) per annum to expenditure on qualifying assets.

FOR THE SIX MONTHS ENDED 30 JUNE 2019

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
– PRC enterprise income tax ("EIT")	**192,567**	213,498
– Withholding tax	**44,000**	–
	236,567	213,498
Over provision in prior years		
– PRC EIT	**(16,091)**	–
Deferred tax		
Current period	**(45,366)**	2,054
Attributable to change in tax rate	**1,026**	1,291
	(44,340)	3,345
Income tax expense	**176,136**	216,843

10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**359,461**	336,518
Depreciation of right-of-use assets	**6,720**	–
Amortisation of prepaid lease payments	**–**	7,036
Amortisation of mining rights	**8,651**	6,775
Amortisation of other intangible assets	**1,056**	1,056
Total depreciation and amortisation	**375,888**	351,385
Capitalised in inventories	**(345,355)**	(331,072)
	30,533	20,313
Staff costs (including directors' emoluments)		
Wages and salaries	**281,298**	161,885
Recognition of share option expenses, net	**264**	640
Defined contribution retirement plan expenses	**24,627**	17,042
Total staff cost	**306,189**	179,567
Capitalised in inventories	**(187,792)**	(108,359)
	118,397	71,208
(Reversal of) allowance for credit losses recognised in respect of:		
Loan receivables	**(1,017)**	4,217
Trade receivables	**(1,522)**	1,885
Other receivables	**(38)**	–
Amounts due from non-controlling interests of a subsidiary *(note)*	**21,970**	–

Note: *In 2011, the Group entered into a shareholder agreement with an independent third party whom became the then non-controlling interest of the subsidiary ("YSZ"), to set up a subsidiary to acquire and operate mining rights in Shaanxi. As of 31 December 2016, the Group had prepaid total of approximately RMB63,225,000 to YSZ, for coordination works in respect of the mining rights. Subsequent to 2016, due to the change of local governmental policy, the acquisition was cancelled and the Group agreed with YSZ to recover the amount already paid. As of 31 December 2018, total of approximately RMB41,255,000 was recovered. The Group made allowance for credit losses for the remaining balance in the current interim period after YSZ failed to adhere to its repayment schedule signed in 2017.*

11. DIVIDENDS

During the six months ended 30 June 2019, a final dividend of RMB1.4 cents per share in respect of the year ended 31 December 2018 (six months ended 30 June 2018: RMB2.6 cents per share in respect of the year ended 31 December 2017) in total of approximately RMB76,090,000 (six months ended 30 June 2018: RMB141,313,000) was declared and approved by the shareholders in annual general meeting.

Subsequent to the end of the current interim period, the directors of the Company proposed an interim dividend of RMB3.6 cents per share in respect of the current interim period (six months ended 30 June 2018: RMB1.2 cents per share).

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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**793,464**	646,700

	Six months ended 30 June	
	2019	2018
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,435,133**	5,432,808
Effect of dilutive potential ordinary shares from share options issued by the Company	**4,224**	11,131
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,439,357**	5,443,939
Basic earnings per share	**RMB0.146**	RMB0.119
Diluted earnings per share	**RMB0.146**	RMB0.119

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

The computation of diluted earnings per share for the six months ended 30 June 2019 and 2018 does not assume the exercise of certain share options because the adjusted exercise price of those options was higher than the average market price for shares for both periods.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group purchased property, plant and equipment of RMB144,740,000 (six months ended 30 June 2018: RMB40,989,000) from third parties and incurred RMB176,042,000 on construction in progress (six months ended 30 June 2018: RMB358,647,000).

The amounts of construction in progress transferred to other classes of property, plant and equipment during the six months ended 30 June 2019 is RMB104,545,000 (six months ended 30 June 2018: RMB259,818,000).

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB39,989,000 (six months ended 30 June 2018: RMB1,791,000), resulting in a loss on disposal of RMB35,306,000 (six months ended 30 June 2018: gain on disposal of RMB64,000).

During the current interim period, the Group entered into new lease agreement for the use of land-use rights for 50 years. On lease commencement, the Group recognised right-of-use assets of RMB9,635,000.

14. LOAN RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Loans collateralised by property, plant and equipment *(note a)*	**1,237,551**	1,160,301
Entrusted loan *(note b)*	**200,000**	200,000
Loans collateralised by receivables *(note b)*	**362,319**	352,000
Small loans *(note c)*	**49,100**	–
	1,848,970	1,712,301
Less: allowance for credit losses	**(18,628)**	(19,645)
	1,830,342	1,692,656
Analysed as:		
Current	**831,621**	855,453
Non-current	**998,721**	837,203
	1,830,342	1,692,656

14. LOAN RECEIVABLES (Cont'd)

Notes:

(a) *As at 30 June 2019 and 31 December 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.

(b) *The entrusted loan and loans collateralised by receivables the Group entered with third parties are with fixed interest rates at the contract dates over the contract terms. The interests are receivable periodically based on the contractual terms. All principal are receivable upon maturity dates.*

(c) *Balance represents the small loans provided to small and medium sized enterprises or individuals. The interests are receivable periodically according to the contractual terms with fixed interest rate with principal to be collected on maturity dates or by instalments.*

The contractual maturity dates of the Group's fixed-rate loan receivables are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within one year	**831,621**	855,453
In more than one year but not more than two years	**486,520**	300,720
In more than two years but not more than five years	**512,201**	536,483
	1,830,342	1,692,656

The ranges of effective rates on the Group's loan receivables was 10.00% to 18.31% per annum as at 30 June 2019 (31 December 2018: 6.00% to 18.31% per annum).

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

Details of the impairment assessment are set on in note 17.

15. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt instruments at fair value through other comprehensive income ("FVTOCI ") of RMB181,855,000 represents an investment in an entrusted product named "國民信託穩鑫1號", with a contractual term of three years, which is held under a business model of collecting cash flows and holding to redeem from the issuer, and is classified as debt instruments at FVTOCI.

The scope of investment covers the purchase or reverse repo of central bank bills, treasury bonds, financial bonds, short-term financing bonds, medium-term bills, corporate bonds and corporate bonds and other types of standardised financial products listed and traded in the inter-bank market etc.. The return of the debt instruments at FVTOCI is based on the performance of the entrusted product adjusted by related custodian fee.

Details of the impairment assessment are set on in note 17.

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	**373,193**	195,396
Less: allowance for credit losses	**(12,121)**	(13,643)
	361,072	181,753
Other receivables	**33,694**	54,669
Less: allowance for credit losses	**(2,223)**	(2,261)
	31,471	52,408
Dividend receivables from an associate	**22,780**	–
Interest receivables	**–**	17,188
VAT recoverable	**96,329**	87,642
VAT refund receivable	**57,521**	37,558
Amounts due from non-controlling shareholder of a subsidiary	**233**	21,745
Prepayments	**174,269**	80,420
Prepaid lease payments	**–**	13,788
	743,675	492,502
Less: Non-current portion	**–**	(15,218)
	743,675	477,284

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

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0 to 90 days	**170,707**	106,589
91 to 180 days	**142,006**	60,197
181 to 360 days	**42,752**	2,372
361 to 720 days	**685**	6,702
Over 720 days	**4,922**	5,893
	361,072	181,753

As at 30 June 2019 and 31 December 2018, 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 17.

17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS

Impairment assessment on loan receivables

Credit risk of loan receivables is monitored by the dedicated credit risk department of the Group responsible for the review and managing of credit risk for all corporate loan borrowers. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process aims to allow the Group to define the terms of the loans as well as assess the potential loss as a result of the risks to which it is exposed and take corrective action. The Group monitors credit risk of loan receivables regularly by reviewing changes in creditworthiness of the loan borrowers, past collection history, subsequent settlement of each loan borrowers, and also relevant collaterals and guarantees as well as forward-looking information, in order to mitigate the risk of significant exposure from bad debts.

Credit risk is often greater when the loan borrowers are concentrated in one single industry or geographical location or have comparable economic characteristics. The loan borrowers of the Group are located in different provinces of Mainland China and are from different industries. As the loan borrowers of the Group are widely dispersed and are engaged in different industries, there is no significant credit risk concentration within the Group's loan receivables.

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

Impairment assessment on loan receivables (Cont'd)

In assessing the impairment of loan receivables under expected credit loss model ("ECL") upon application of IFRS 9, the Group adopts internal credit risk grading system for these loan receivables which comprise the following categories:

Internal credit rating	Descriptions	Loan receivables
Low risk (Stage 1)	Debtor has a low risk of default and does not have any past-due amounts	12-month ECL
Watch list (Stage 2)	Debtor repays after due but usually settle within 30 days	12-month ECL
Doubtful (Stage 2)	Debtor is more than 30 days past due on its contractual payments	Life-time ECL — not credit-impaired
Loss (Stage 3)	Debtor is more than 90 days past due on its contractual payments	Life-time ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficult and the Group has no realistic prospect of recovery	Amount is written off

The Group considers a loan receivable defaulted and therefore on Stage 3 (credit impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. As part of a qualitative creditworthiness assessment of whether a loan borrower is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the loan borrower as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

Impairment assessment on trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has formulated a defined trade credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group does not obtain collateral from customers. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 on trade balances individually for significant balances and insignificant balances with specific risks, and based on provision matrix for the remaining trade receivables as stated below.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a large number of cement sales customers and independent third parties.

The Group measures expected credit loss allowance for most of its trade receivables using a provision matrix by debtors' aging because these customers 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.

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

Impairment assessment on trade receivables arising from contracts with customers (Cont'd)

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 30 June 2019 and 2018 within lifetime ECL. Debtors with significant outstanding balances and debtors that are credit impaired with gross carrying amounts of RMB77,129,000 (31 December 2018: RMB61,960,000) and RMB16,411,000 (31 December 2018: RMB26,277,000), respectively, as at 30 June 2019 were assessed individually.

As at 30 June 2019

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	**0.3%**	**172,011**
1 to 90 days past due	**0.8%**	**64,890**
91 to 360 days	**1.9%**	**42,752**
		279,653

As at 31 December 2018

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	0.3%	39,434
1 to 90 days past due	0.8%	60,675
91 to 360 days	2.2%	7,050
		107,159

The estimated loss rates are estimated based on historically 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, such as economic data and forecasts published by governmental bodies and industrial information published by relevant institutions. At every reporting date, the historically observed default rates are reassessed and changes in the forward-looking information are considered.

During the current interim period, the Group reversed an impairment allowance of RMB1,522,000 (six months ended 30 June 2018: recognised an impairment allowance of RMB1,885,000).

Impairment assessment on other receivables

Other receivables that are measured at amortised cost were considered low credit risk, and thus the impairment provision recognised during the interim period was limited to 12-month ECL.

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 analysed 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.

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

Impairment assessment on bank balances and cash, and restricted/pledged bank deposits

The credit risks on bank balances and cash, and restricted/pledged bank deposits are limited because the counterparties are banks or financial institutions with high credit ratings assigned by international credit-rating agencies.

Bill receivables at FVTOCI/debt instruments at FVTOCI

The Group's bill receivables at FVTOCI and debt instruments at FVTOCI are issued by financial institutions with high credit ratings and therefore are considered to be low credit risk. During the six months ended 30 June 2019 and 2018, the directors of the Company consider that expected credit losses on bill receivables and debt instruments at FVTOCI was insignificant.

Allowance for impairment

Allowance for credit losses recognised in respect of the financial assets for both periods are set out in note 10 to the condensed consolidated financial statements.

18. BILL RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 June 2019, bill receivables of RMB139,906,000 (31 December 2018: RMB253,972,000) are held under a business model of collecting cash flows and endorsing to suppliers, and are classified as debt instruments at FVTOCI.

As at 30 June 2019, bill receivables of RMB34,510,000 (31 December 2018: RMB44,296,000) were endorsed to suppliers on a full recourse basis. As the Group has not transferred substantially all the risks and rewards relating to these receivables, it continues to recognise the full carrying amounts of the receivables and the corresponding trade payables.

Details of the impairment assessment are set on in note 17.

19. 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 2018, 31 December 2018, and 30 June 2019	10,000,000	20,000	
Issued and fully paid:			
Balance as at 1 January 2018	5,422,533	10,843	141,549
Exercise of share options *(note 20)*	12,600	25	222
Balance as at 31 December 2018 and 30 June 2019	5,435,133	10,868	141,771

20. 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.

On 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015, the Company granted a total of 18,400,000, 34,000,000, 52,100,000 and 29,100,000 options, 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 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.

No reversal of share-based payment expenses was recognised against profit or loss during the six months ended 30 June 2019 (six months period ended 30 June 2018: RMB318,000 against profit or loss due to employee resignation).

During the current interim period, no share options were exercised, lapsed or expired. During the six months ended 30 June 2018, 12,600,000 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, with the average share price of HK$1.42 per share.

21. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting RMB459,000,000 (six months ended 30 June 2018: RMB343,171,000) and made repayments amounting to RMB402,571,000 (six months ended 30 June 2018: RMB241,600,000). The borrowings carry annual interest rates range from 2.90% to 5.82% per annum as at 30 June 2019 (31 December 2018: 2.90% to 5.82% per annum) and repayable between 2019 and 2021.

22. SHORT-TERM NOTES/MEDIUM-TERM NOTES

On 3 March 2017, Yaobai Special Cement Group Co., Ltd. ("Shaanxi Yaobai"), a subsidiary of the Company, issued 6.98% per annum, unsecured one-year short-term notes of RMB400,000,000 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. The short-term note was due and fully repaid during the six months ended 30 June 2018.

On 30 April 2019, Shaanxi Yaobai has registered with National Association of Financial Market Institutional Investors of the PRC to issue medium-term notes with an aggregate amount of RMB1,500,000,000. On 5 May 2019, the first tranche of the medium-term note with principal amount of RMB500,000,000 ("First Tranche of the Medium-term Note") was issued at the interest rate of 7.50% per annum. First Tranche of the Medium-term Note is unsecured with maturity of three years and carries effective interest rate of approximately 7.58% per annum after adjusted for transaction costs of RMB4,500,000.

23. TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	981,006	713,154
Bill payables	448,340	40,000
	1,429,346	753,154

Bill payables are due within six months to one year based on the issuance date.

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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0 to 90 days	778,402	579,338
91 to 180 days	153,572	101,986
181 to 360 days	33,048	16,380
361 to 720 days	9,902	9,698
Over 720 days	6,082	5,752
	981,006	713,154

24. CAPITAL COMMITMENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 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	1,032,752	127,384

25. 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.

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.

* *The English name is for identification purpose*

Assets and liabilities recognised at the date of acquisition

	Shaanxi Fengsheng RMB'000
Assets	
Trade and other receivables	9,581
Inventories	4,644
Cash and cash equivalents	30,011
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 RMB9,581,000 represents its fair value, of which in the opinion of the directors of the Company is expected to be fully recoverable within one year.

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.

25. ACQUISITION OF A SUBSIDIARY (Cont'd)

Goodwill arising on acquisition

	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.

The initial accounting has been completed and the amount of goodwill arising on acquisition has been finalised during the six months ended 30 June 2019.

Net cash inflow arising on acquisition

	Shaanxi Fengsheng RMB'000
Consideration paid in cash	30,000
Cash and cash equivalent balances acquired	30,011
	11

Impact of acquisition on the results of the Group

Included in the profit for the interim period ended 30 June 2018 is a loss of RMB882,000 attributable to Shaanxi Fengsheng. Revenue for the interim period ended 30 June 2018 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 profit of the Group had Shaanxi Fengsheng been acquired at the beginning of the interim period ended 30 June 2018, the directors of the Company calculated depreciation and amortisation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

26. 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**8,231**	4,100
Post-employment benefits	**88**	73
Share-based payments	**212**	572
	8,531	4,745

27. 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 2019	31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Property, plant and equipment	**2,285,585**	1,899,516
Right-of-use assets	**159,548**	–
Pledged bank deposits	**144,050**	122,025
Prepaid lease payments	**–**	123,229
Bill receivables at FVTOCI	**27,369**	11,570
	2,616,552	2,156,340

During the current interim period, the Group pledged its equity interests in two subsidiaries, 漢中勉縣堯柏水泥有限公司 Hanzhong Mianxian Yaobai Cement Co., Ltd * and 商洛堯柏秀山水泥有限公司 Shangluo Yaobai Xiushan Cement Co., Ltd *, to the bank to secure a banking facility totaling RMB200,000,000 for a period of two years which has already been drawn down as at 30 June 2019. The pledge will be released upon the repayment of the borrowing to the bank.

* *The English name is for identification purpose*

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Bill receivables at FVTOCI 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 2019		31 December 2018	
	Carrying amount RMB'000 (Unaudited)	**Fair value RMB'000 (Unaudited)**	Carrying amount RMB'000 (Audited)	Fair value RMB'000 (Audited)
Senior notes*	**1,398,709**	**1,386,506**	2,231,896	2,209,000
Medium-term notes *	**503,921**	**502,180**	–	–

* *Include interest payable*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis:

Name	**Fair value as at 30/06/2019 RMB'000**	31/12/2018 RMB'000	**Fair value hierarchy**	**Valuation techniques and key input(s)**
Debt instruments at FVTOCI	**181,855**	N/A	Level 2	Based on the net asset values of the trust, determined with reference to the observable (quoted) prices of underlying investment portfolio and adjustments of related expenses
Bill receivables measured at FVTOCI	**139,906**	253,972	Level 2	Based on discounted cash flow that capture the present value of future expected cash flows derived from the underlying assets