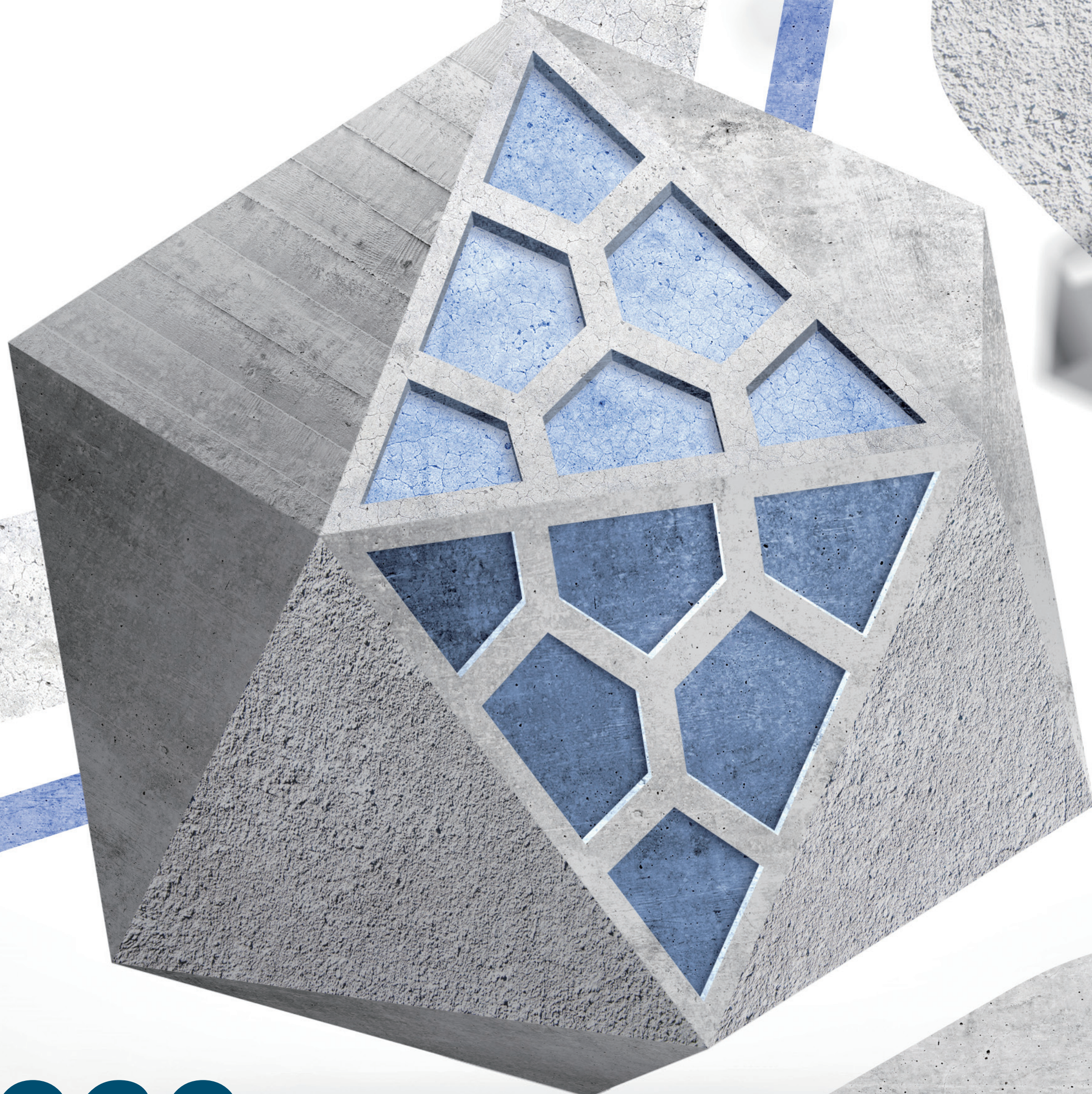
西部水泥

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



2020
INTERIM REPORT

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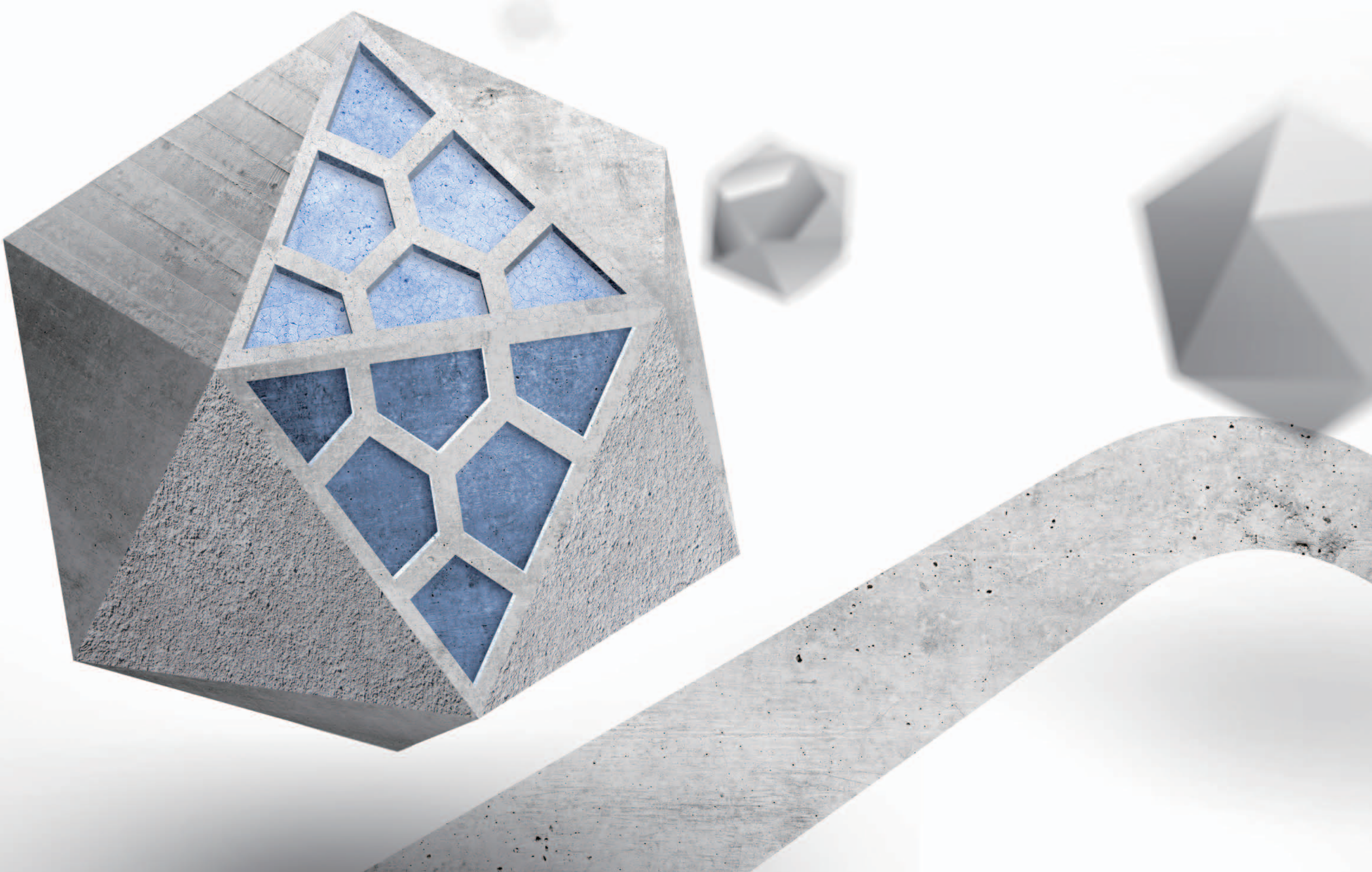


CORPORATE INFORMATION

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Yaobai R&D Training Center
No. 336 4th Shenzhou Road
Aerospace Industrial Base
Chang'an District
Xi'an, Shaanxi Province, PRC

REGISTERED OFFICE

47 Esplanade
St Helier
Jersey JE1 0BD
Channel Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3705, 37/F, Tower 6, The Gateway
Harbour City, 9 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 Changhong

Independent Non-Executive Directors

Lee Kong Wai Conway
Tam King Ching Kenny
Zhu Dong

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

FINANCIAL HIGHLIGHTS

RMB' Million (unless otherwise specified)	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)	% Change
Total Cement and Clinker Sales Volume (million tons)	**8.39**	8.61	(2.6%)
Cement Sales Volume (million tons)	**8.24**	8.45	(2.5%)
Aggregates Sales Volume (million tons)	**1.35**	1.10	22.7%
Commercial Concrete sales volume (million cubic meters)	**0.59**	0.33	78.8%
Revenue	**3,008.7**	3,310.6	(9.1%)
Gross Profit	**1,047.6**	1,130.9	(7.4%)
EBITDA[(1)]	**1,360.4**	1,377.6	(2.6%)
Profit Attributable to Owners of the Company	**752.3**	793.5	(5.2%)
Basic Earnings Per Share	**13.8 cents**	14.6 cents	(5.5%)
Interim Dividend	**NA**	3.6 cents	NA
Gross Profit Margin	**34.8%**	34.2%	0.6 p.pt
EBITDA Margin	**45.2%**	41.6%	3.2 p.pt

	30 June 2020 (Unaudited)	31 December 2019 (Audited)	% Change
Total Assets	**16,385.2**	14,579.8	12.4%
Net Debt[(2)]	**1,943.5**	1,613.0	20.5%
Net Gearing[(3)]	**20.1%**	17.5%	2.6 p.pt
Net Assets Per Share	**178 cents**	170 cents	4.7%

Notes:

(1) EBITDA equal to profit before tax plus finance costs, depreciation and amortisation, share-based payments, impairment loss under expected credit loss model, net of reversal and net foreign exchange losses less interest income.

(2) Net debt equal to bank borrowings and medium-term notes less bank balances and cash, restricted/pledged bank deposits and structured deposits.

(3) 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 a stable operating environment in the first half of 2020. Sales volumes in Shaanxi Province have remained stable with a slight decrease of 6.2%. Sales volumes in Xinjiang and Guizhou Provinces have recorded a 23.4% increase and a 9.1% increase, respectively. The Group's sales volumes of cement and clinker for the six months ended 30 June 2020 were 8.39 million tons, representing a slight decrease from the 8.61 million tons recorded in the first half of 2019.

Due to the impact of the coronavirus disease 2019 ("COVID-19") outbreak, average selling prices ("ASPs") in Southern Shaanxi, Central Shaanxi, Guizhou and Xinjiang decreased. However, the Group has continued to implement efficiency enhancements and cost-cutting measures and has been able to maintain a decreasing cost in the first half of 2020. Overall, the Group's margins remained stable in the first half of 2020. The Group has maintained healthy and stable cash flows, with EBITDA of RMB1,360.4 million for the first half of 2020, which is similar to the RMB1,397.0 million recorded in the first half of 2019.

As at 30 June 2020, the Group had a total production capacity of 29.2 million tons, comprised of 20 NSP cement production lines, with 23.3 million tons in Shaanxi Province, 4.1 million tons in Xinjiang Province and 1.8 million tons in Guizhou Province. Moreover, the Group had total production capacities of 15.1 million tons of aggregates and 8.0 million cubic meters of commercial concrete.

Operating Environment

In the first quarter of 2020, due to the impact of the COVID-19 outbreak and the respective traffic restrictions, some staff and customers could not report to work on time after Chinese New Year holidays and caused temporary disturbance to the Group's operations for a short period of time as well as certain impact on the periodic market demand. Such impact has ceased to exist since early March 2020 as all staff and customers reported to work subsequently. Meanwhile, infrastructure construction played a greater role in counter-cyclical growth stabilization. Greater efforts were made to commence construction of new investment projects, while progress of construction of projects under construction was expedited; the increase in the issuance of local governments' special purpose bonds, coupled with accelerating issuance of urban investment bonds promoted the continuous recovery of infrastructure investment growth in the second quarter of 2020.

Due to the impact of the COVID-19 outbreak, a key feature of the Group's operational performance in the first half of 2020 has been the reversal 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 historically has stronger ASPs premiums, 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 level even higher than the ASPs in Southern Shaanxi. Such improvement in ASPs in Central Shaanxi even under the continuing low demand scenario was contributed by the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy and the continuous recovery and expedited infrastructure construction demand as a result of the government policy to stimulate the economy in response to the impact of the COVID-19 outbreak.

Shaanxi Province as a whole has seen a stable Fixed Asset Investment ("FAI") and Real Estate Development Investment ("RDI") growth rates in the first half of 2020. During the first half of 2020, the FAI and the RDI increased by 0.1% and 7.6% as compared with the corresponding period of 2019 and the FAI and the RDI in the second quarter of 2020 rebounded by 16.6% and 7.6% from the first quarter of 2020, respectively. The growth rates of both FAI and RDI have continued to pick up since the first quarter of 2020 as a result of the government's economic stimulating policies in response to the impact of the COVID-19 outbreak. The stable FAI and RDI growth rates have led to a stable 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 Shaanxi Province, which continued to be balanced through the occasional peak-shifting production halts during low season periods under the stringent environmental policy.

Another important factor contributing to the Group's stable margins was the maintenance of a decreasing cost in the first half of 2020. This resulted from the Group's implementation of efficiency enhancements and cost-cutting measures.

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi have remained reasonable and stable, taking into account the impact of the COVID-19 outbreak, during the first half of 2020. 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.

During the first half of 2020, demand in this region has remained reasonable, supported by continued growth in railway and road infrastructure project construction, but to a certain extent offset by the impact of the COVID-19 outbreak. During the same period, the Lushi to Luanchuan Expressway and the Ankang to Langao (Shanyujie) Expressway, have been, amongst others, particularly important demand drivers; and the construction of the Pingli to Zhenping Expressway, the Xixiang to Zhenba Expressway, the Xixia to Xichuan Expressway, the Zhengzhou to Xixia Expressway, the Yaoshan to Luanchuan Expressway, the Lushi Ecological Corridor, the Ningshan to Shiquan Expressway, the Ankang Airport, the Yuehe 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 which have continued to be important for both cement demand and development in this region.

Whilst sales volumes of cement in Southern Shaanxi have decreased by approximately 18.9% to approximately 3.21 million tons in the first half of 2020 (2019: 3.96 million tons), there have also been a decrease in ASPs mainly due to the impact of the COVID-19 outbreak. During the first half of 2020, the Group has recorded cement ASPs in Southern Shaanxi of approximately RMB302 per ton (2019: RMB341 per ton) (excluding VAT), which is slightly lower than the Group's overall ASPs of RMB315 per ton (2019: RMB342 per ton) (excluding VAT), with capacity utilization rate at approximately 66% (2019: 82%).

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 during low season periods under the stringent environmental policy and the continuous recovery and expedited infrastructure construction demand as a result of the government's economic stimulating policies in response to the impact of the COVID-19 outbreak. Sales volume in Central Shaanxi still moderately improved even under the abovementioned continuing low demand scenario in the first half of 2020.

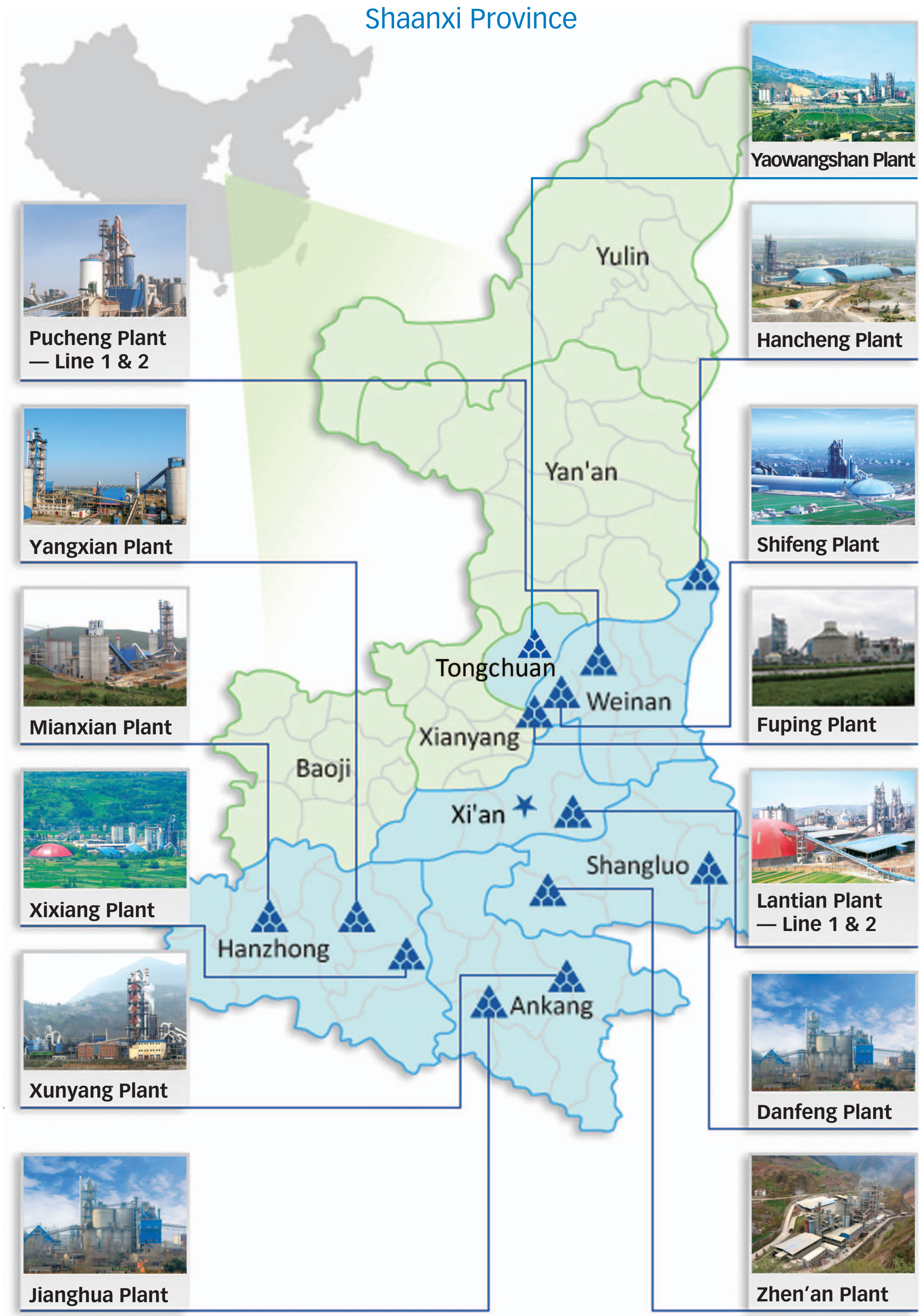
During the first half of 2020, the Group has continued to maintain its market share in Eastern Xi'an, Yaowangshan, Fuping County and the rest of Weinan District where urbanisation remains a key demand driver. The Group has also supplied cement to a number of infrastructure projects, including the constructions of the Xi'an to Yan'an High-Speed Railway, the Xi'an Metro Projects, the Dongzhuang Reservoir, the Expansion of Xi'an Train Station, the Yanchang to Huanglong Expressway, the Pucheng to Huanglong Expressway, the Hancheng to Huanglong Expressway, the Chengcheng to Weizhuang Expressway and the Xixian Expressway-Southern Section. The largest project, the Heyang to Tongchuan Expressway consumed over 0.14 million tons of cement in the first half of 2020.

Sales volumes in Central Shaanxi have moderately increased by approximately 9.8% to approximately 3.48 million tons in the first half of 2020 (2019: 3.17 million tons) but have been accompanied by decreased ASPs. Over the period as a whole, the Group has recorded cement ASPs in Central Shaanxi of RMB316 per ton (2019: RMB329 per ton) (excluding VAT), which is similar to the Group's overall ASP of RMB315 per ton (2019: RMB342 per ton) (excluding VAT), with capacity utilization rate at approximately 51% (2019: 47%).

Xinjiang & Guizhou Provinces

Operation at the Group's plant in Xinjiang Province is stable in the first half of 2020. Sales volume in Xinjiang have increased by close to 23.4% to approximately 0.95 million tons (2019: 0.77 million tons). During the first half of 2020, ASPs in Xinjiang have decreased due to the impact of the COVID-19 outbreak, the Group has recorded cement ASPs at approximately RMB395 per ton (2019: RMB453 per ton) (excluding VAT), with capacity utilization rate at approximately 46% (2019: 37%).

In Guizhou Province, the Group's plant contributed approximately 0.60 million tons of cement as compared to the sales volume of 0.55 million tons in the first half of 2019, which represented an increase of approximately 9.1%. During the first half of 2020, the Group has recorded cement ASPs in Guizhou of approximately RMB249 per ton (2019: RMB271 per ton) (excluding VAT), with capacity utilization rate at approximately 67% (2019: 61%). The decreases in ASPs were mainly due to the imbalance between demand and supply as a result of the continuation of decreasing demand scenario, which was even worse under the impact of the COVID-19 outbreak. 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.


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

Energy Conservation, Emissions & Environmental Protection Solutions

The Group continues to work towards the highest industry standards with 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 to some of its cement products, and regularly recycle fly ash from power plants as well as slag from iron & steel plants as inputs to some of its cement products.

The Group has residual heat recovery systems installed at most of its production facilities. As at 30 June 2020, 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, all plants were already re-greened as garden like plants in the preliminary stage and the Group will further maintain and 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 Plant ("Lantian Waste Sludge Treatment Facility"), which have been in full operations since 2015; the Municipal Waste Treatment Facility at the Group's Fuping Plant ("Fuping Waste Treatment Facility"), which has been operating since March 2016; and the Solid Waste Treatment Facility at the Group's Mianxian Plant ("Mianxian Waste Treatment Facility") which has been in full operations since October 2017. In 2020, 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 2020, 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.

During the period, charitable donations made by the Group amounted to RMB23.4 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

Material Acquisitions and Disposal

On 3 January 2020, the Company entered into a sale and purchase agreement (the "SPA") to acquire 69.83% equity interest of Ohorongo Cement (Pty) Limited for a consideration of approximately US$104.4 million for a cement production line in Namibia. For further details in relation to the above acquisition, please also refer to the announcements of the Company dated 3 January 2020 and 9 January 2020.

Save as disclosed above, the Group had no other significant material acquisitions or disposals during the six months ended 30 June 2020.

After the reporting period, as certain closing conditions under the SPA have not been fulfilled by 31 August 2020, the SPA and the acquisition were terminated. Please refer to the announcement of the Company dated 1 September 2020 for further details.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 9.1% from RMB3,310.6 million for the first half of 2019 to RMB3,008.7 million for the first half of 2020. Cement sales volume decreased slightly by 2.5%, from approximately 8.45 million tons to approximately 8.24 million tons during the period. Including clinker sales, total sales volume for the first half of 2020 amounted to approximately 8.39 million tons, compared to the 8.61 million tons sold in the first half of 2019. The Group has maintained a stable sales volume during the period.

Overall cement prices in the first half of 2020 were lower than those in the first half of 2019, and this has resulted in lower revenue. Cement ASP for the first half of 2020 was RMB315 per ton as compared with RMB342 per ton in the first half of 2019. The reasons for these fluctuations in ASPs are discussed in the "Operating Environment" section above.

Cost of Sales

Cost of sales decreased by 10.0% from RMB2,179.7 million for the first half of 2019 to RMB1,961.1 million for the first half of 2020.

Coal costs were decreasing in the PRC over the first half 2020 as a result of the impact of the COVID-19 outbreak. The average cost per ton of coal decreased by approximately 15.1% to approximately RMB462 per ton from approximately RMB544 per ton in the first half of 2019. In addition to the increase in efficiency gains, these have resulted in a cost decrease of approximately RMB12.4 per ton of total cement produced, with total coal costs decreased by approximately 21.8% as compared with that of the first half of 2019.

Raw materials costs were increasing as a result of the increase in transportation costs and supplier prices under the more stringent environmental policy implemented and the increase in the number of such policies. The average cost per ton of limestone increased by approximately 14.7% to approximately RMB17.9 per ton from approximately RMB15.6 per ton in the first half of 2019. As a result of the above and net with the effect of the increase in efficiency gains, the cost increased only by approximately RMB5.0 per ton of total cement produced, with total raw materials costs increased by approximately 6.1% as compared with that of the first half of 2019.

There is no material fluctuation in the average cost of electricity. Benefiting from the increase in efficiency gains, the electricity costs decreased by approximately RMB3.0 per ton of total cement produced, with total electricity costs decreased by approximately 11.3% as compared with that of the first half of 2019.

The government promulgated policies on social insurance relief in response to the impact of the COVID-19 outbreak, which resulted in staff costs decreased by approximately RMB2.2 per ton of total cement produced, with total staff costs decreased by approximately 15.8% as compared with that of the first half of 2019.

As to other items in the costs balance, there were certain environmental related expenses, i.e. sewage fee, environmental protection fee, charged by the government, and safety fee as well as overhaul expense. This balance decreased as the overhaul time decreased under the impact of the COVID-19 outbreak and the overprovision of safety fee in prior year was utilized during the period. This has mainly resulted in a cost decrease of approximately RMB3.2 per ton of total cement produced, with other costs in total decreased by approximately 18.8% as compared with that of the first half of 2019.

There have been no significant changes in the cost of depreciation during the period.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB83.3 million, or 7.4%, from RMB1,130.9 million for the first half of 2019 to RMB1,047.6 million for the first half of 2020. The decrease in gross profit was mainly due to the decrease in ASPs and sales volume as described above. Gross profit margin increased slightly from 34.2% for the first half of 2019 to 34.8% for the first half of 2020.

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 decreased by approximately 18.0% from RMB150.3 million for the first half of 2019 to RMB123.3 million for the first half of 2020. The ratio of VAT rebates over revenue was 3.6% for the first half of 2020 (2019: 4.3%). The decrease in the VAT rebates was mainly due to the decreases in ASPs, with lower ASPs resulting in lower output VAT which in turn resulted in lower net VAT and rebates, as well as the decrease in the ratio of cement produced by using recycled industrial waste.

Other Gains and Losses, net

Other losses decreased by RMB45.1 million from RMB52.4 million for the first half of 2019 to RMB7.3 million for the first half of 2020. The decrease was mainly due to the net effect of the following factors. Firstly, the unrealized foreign exchange loss relating to the Group's syndicated loan as a result of the depreciation of the RMB against the USD increased to RMB18.7 million for the first half of 2020 (2019: RMB3.9 million which was related to the Group's Senior Notes). Secondly, the loss on disposal of property, plant and equipment ("PPE") decreased to RMB2.1 million for the first half of 2020 (2019: RMB35.3 million) as most obsolete PPE were disposed under the technology improvement of PPE to meet the tightened stringent environmental policy requirement in the first half of 2019. Thirdly, the investment income arising from the investment in entrusted product purchased in May 2019 of RMB13.5 million was recorded for the first half of 2020 (2019: Nil). Finally, the loss on partial redemption of Senior Notes of RMB13.4 million was recorded as the Group early redeemed part of the then outstanding Senior Notes of US$120 million in June 2019 while there was no such loss for the first half of 2020.

Impairment Loss Under Expected Credit Loss Model, Net of Reversal

The balance increased by RMB41.3 million from RMB19.4 million for the first half of 2019 to RMB60.7 million for the first half of 2020. The increase was mainly due to the net effect of the following factors. Firstly, the loss on impairment of amounts due from non-controlling interests of a subsidiary of RMB22.0 million was recorded for the first half of 2019 while there was no such loss for the first half of 2020. Secondly, there was an increase in loss on impairment of loan receivables to RMB55.4 million for the first half of 2020 (2019: reversal of RMB1.0 million) as a result of the downturn of the economy under the impact of the COVID-19 outbreak to certain clients.

Other Expenses

Other expenses primarily included the donations and the legal and professional fee. The amount increased by RMB35.3 million from RMB8.0 million for the first half 2019 to RMB43.3 million for the first half of 2020. The increase was mainly due to the increase in the legal and professional fee arising from the acquisition and expansion activities and the increase in the donations to RMB23.4 million for the first half of 2020 (2019: RMB1.4 million) during the period. Among the donations, RMB20.0 million was a one-off donation regarding the establishment of a school for deprived students during the period.

Interest Income

Interest income increased by RMB2.0 million from RMB100.1 million for the first half of 2019 to RMB102.1 million for the first half of 2020. The increase was mainly due to the increase in the interest income arising from the loan receivables business of RMB97.7 million recorded for the first half of 2020 (2019: RMB91.6 million).

Income Tax Expense

Income tax expenses decreased by RMB67.3 million, from RMB176.1 million for the first half of 2019 to RMB108.8 million for the first half of 2020. Current income tax expense net of over provision decreased by RMB136.6 million to RMB83.8 million, whereas deferred tax expenses increased by RMB69.2 million to RMB24.9 million for the first half of 2020 (2019: deferred tax credit of approximately RMB44.3 million).

As certain subsidiaries were entitled to enjoy a concession income tax rate of 15% instead of 25% in western region upon 2019 final settlement with relevant tax authorities, there was an increase in the utilisation of the overprovision in prior year, which led to the significant decrease in the current income tax expense. The increase in the deferred tax expense is mainly due to the increase in the withholding tax on undistributed profits of PRC subsidiaries and the tax losses during the period.

The detailed income tax expenses for the Group are outlined in note 8 to the condensed consolidated financial statements.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased from RMB793.5 million for the first half of 2019 to RMB752.3 million for the first half of 2020. This decrease is primarily due to net effect of the decrease in gross profit as a result of the decrease in ASPs and sales volume as well as the decrease in income tax expenses as mentioned above.

Basic earnings per share decreased from RMB14.6 cents for the first half of 2019 to RMB13.8 cents for the first half of 2020.

FINANCIAL AND LIQUIDITY POSITION

As at 30 June 2020, the Group's total assets increased by 12.4% to RMB16,385.2 million (31 December 2019: RMB14,579.8 million) while total equity increased by 4.6% to RMB9,654.1 million (31 December 2019: RMB9,225.7 million).

As at 30 June 2020, the Group had bank balances and cash, restricted/pledged bank deposits as well as structured deposits, amounting to RMB1,915.5 million (31 December 2019: RMB1,223.7 million). After deducting bank borrowings and medium-term notes ("MTN") of RMB3,859.0 million (31 December 2019: RMB2,836.7 million), the Group had net debt of RMB1,943.5 million (31 December 2019: RMB1,613.0 million). 55.6% (31 December 2019: 48.1%) of borrowings are at a fixed interest rate. Moreover, the Group also held loan receivables of RMB1,675.8 million (31 December 2019: RMB1,779.6 million) at fixed interest rates. Please refer to Notes 13, 16, 18 and 24 to the condensed consolidated financial statements above for the details of the loan receivables, bank borrowings, MTN and the respective pledge of assets.

As at 30 June 2020, the Group's net gearing ratio, measured as net debt to equity, was 20.1% (31 December 2019: 17.5%). 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.

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

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the additions of property, plant and equipment, right-of-use assets and mining rights, for the first half of 2020 amounted to RMB1,073.8 million (the first half of 2019: RMB700.9 million). Capital commitments as at 30 June 2020 amounted to RMB2,377.6 million (31 December 2019: RMB2,298.1 million). Both capital expenditure and capital commitments were mainly related to the maintenance and upgrading of existing production facilities, the capacity replacement projects as well as the construction of a new production facility in Mozambique. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2020, the Group employed a total of 6,264 (2019: 5,726) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2020, employees benefit expenses were RMB307.6 million (six months ended 30 June 2019: RMB306.2 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 2020, the Group's sales, purchases, loans receivables, structured deposits, restricted/pledged deposit, bank balances and cash and bank borrowings were mainly denominated in Renminbi. However, the proceeds raised through the syndicated loan by the Company in September 2019 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

2020 marks the last year for building a moderately prosperous society in all aspects and implementing the "Thirteenth Five-Year Plan". It is expected that the PRC government will adhere to the main theme of "making steady progress while maintaining stability", and ensure effective epidemic prevention and control and economic and social development, and continue to embrace new development concepts. Continuing to pursue supply-side structural reform as the main task and leverage opening and reform as the prime engine, the government is expected to promote high-quality economic development, resolutely win the three tough battles (i.e. targeted poverty alleviation, pollution control and preventing major risks) and keep employment, the financial sector, foreign trade, foreign and domestic investments, and expectations stable, and minimize the impact of the epidemic, thereby striving to achieve the goals of economic and social development for the year. At the same time, the government will enhance the construction of municipal pipeline networks and urban parking lots, and accelerate the construction of rural roads, water conservation projects, and other infrastructure projects.

In addition, due to the impact of the COVID-19 outbreak, infrastructure construction is expected to play a greater role in counter-cyclical growth stabilization. Greater efforts will be made to commence construction of new investment projects, while progress of construction of projects under construction will be expedited; the expected increase in the issuance of local governments' special purpose bonds, coupled with accelerating issuance of urban investment bonds will promote the continuous recovery of infrastructure investment growth. In respect of the property sector, the government clearly stipulated that property investment would not be used as a mean of stimulating the economy in the short run, and austerity measures will be aimed at maintaining "stability". Property investment growth will remain relatively resilient. As such, whilst demand in Shaanxi Province remained stable in the first half of 2020, with a slight decrease in cement sales volume as compared with that of the first half of 2019, 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 2020 and beyond.

Meanwhile, the government will continue to deepen the supply-side structural reform. 2020 is the last year of the Three-Year Action Plan Aims for Blue Skies. It is expected that environmental regulation on air pollution will not be relaxed, and local governments will tighten their control measures. In addition, the ongoing impacts from policies such as occasional peak-shifting production halts during low season periods, energy conservation and emission reduction, and mine management will also help balance the supply-demand relationship in the cement industry.

The Group will pay close attention to the macroeconomic situations, continuously monitor the impacts of the COVID-19 outbreak on the Company's production and operation, conduct in-depth study on market supply-demand relationship, adhere to the differentiated marketing strategy, coordinate optimized allocation of resources and continue to enhance the development of the end-user market; it will fully leverage the fundamental role of material procurement in cost control, strengthen the control of key resources and accelerate the development of alternative resources.

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 2020. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2020, 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.

With regards to the supply side, the Group expects stable prices in the second half of 2020, both as a result of the limited supply under the increasingly stringent environmental policies imposed by the government as well as the impact of the COVID-19 outbreak.

In Central Shaanxi, the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy is expected to remain an important feature and this can support ASPs. There are a number of infrastructure projects that have recently started or are expected to start construction in 2020, including the constructions of several Central Shaanxi Intercity Railways, the Meixian to Fengxiang Expressway — Central Circuit, the Hohhot to Beihai Expressway, the Expansion of the Beijing to Kunming Expressway, the Yan'an East Ring Expressway, the Xi'an Xianyang International Airport (Phase 3) and the Shanxi Yellow River Bridge.

In Southern Shaanxi, the Group expects to maintain its relatively stable performance due to reasonable infrastructure construction activities and an already disciplined supply side. There are a number of infrastructure projects in Southern Shaanxi which have recently started or are expected to start construction in 2020, including the constructions of the Hanzhong to Bazhong to Nanchong Intercity Railway, the Chengkou Transportation Projects, the Kangxian to Lueyang Expressway, the Micangshan Avenue Project, the Cangxi to Bazhong Expressway, the Zhenba to Wangping to Tongjiang Expressway, the Ankang to Langao Expressway — Phase 3, the Sanhekou Water Plant Project, the Hongyudong Reservoir and Irrigation District Project, the Hengkou Reservoir, the Lengshuihe Reservoir and the Tuxikou Reservoir. In addition, the Group expects to see substantial demand from a number of new railways and expressways in 2021 and 2022, including the constructions of the High Speed Railways from Lanzhou to Hanzhong to Shiyan, from Xi'an to Ankang and from Xi'an to Wuhan, the Yangxian to Xixiang Expressway as well as the Danfeng to Ningshan Expressway.

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in 2020. 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 as well as the occasional peak-shifting production halts during low season periods under the stringent environmental policy, the Group can see a more stable market of the cement industry with increasing ASPs 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 2020 and beyond. These include the constructions of the Minfeng to Heishihu Expressway, the Hetian to Kangxiwa G580 National Expressway, the Yutian Airport and the Hetian to Ruoqiang Railway. However, in Northern Xinjiang, the 1.5 million-ton Yili Plant with production volume remained low and decreasing pricing in the first half of 2020 due to the impact of the COVID-19 outbreak. The Group expects to see higher volume sold from the Yili Plant and an improvement in pricing in 2020 and after COVID-19 is under control in China. 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 volume than other locations in Guizhou in 2020 and beyond.

Costs Control

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 2020. 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 2020 and will continue to implement the "Sustainable Safety Development Project". 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.

In an effort to comply with the PRC government's decision to plan for ecological civilization construction, the Group will sustain its implementation of environmental protection technological modification, increase environmental protection investment, carry out forward-looking development and application of cutting-edge environmental protection technologies, so as to consolidate its comparative advantage. Committed to being innovation-driven, the Group will push forward technology upgrade and modification that meet the requirements for intelligentization, informatization, and environmental protection; it will enhance the development and application of new technologies by accelerating the transformation of research outcome into innovations; it will step up efforts to push forward the construction of smart factories, and to strengthen its core competitiveness.

Capital Expenditure

Other than the capital expenditure spent for maintenance and upgrading of existing production facilities, the capacity replacement projects, the construction of a new production facility in Mozambique and the development to be commenced upon completion of the acquisition of certain equity interest in Kangding Paomashan Cement Ltd* (康定跑馬山水泥有限責任公司) (please refer to the announcement of the Company dated 31 July 2020 for further details), the Group has no particular plans for capacity expansion and related capital expenditure in 2020. The Group has funded and expects to continue to fund these commitments from operating cash flow and available banking facilities.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER OF THE COMPANY

The following disclosure is made in compliance with the disclosure requirements under rule 13.21 of the Listing Rules.

On 5 September 2019, the Company entered into an agreement (the "Agreement") for syndicated loan facilities of US$150,000,000 with a term of 3 years (the "Facilities"). The Agreement contains a condition that, during the term of the Facilities, the Company shall be directly or indirectly at least 30% beneficially owned by Mr. Zhang Jimin, the Chairman, an executive Director and the Controlling Shareholder (as defined in the Listing Rules) of the Company and Mr. Zhang's status as the single largest direct or indirect shareholder of the Company shall be maintained. Upon a non-fulfillment of the above condition, among others, the commitment by the lenders under the Facilities shall be immediately cancelled and all outstanding loans under the Facilities (together with any accrued interest thereon) shall become immediately due and payable.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2020, 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 2020:

Name of Director	Capacity	Number of ordinary shares held as at 30 June 2020 Total *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2020
Zhang Jimin	Interest in a controlled corporation	1,756,469,900 (L) *(Note 2)*	32.30%
Ma Zhaoyang	Interest in a controlled corporation	221,587,950 (L) *(Note 3)*	4.08%

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 2020:

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 2020
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 2020, 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 2020, 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 2020 *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2020
Asia Gain *(Note 2)*	Beneficial owner	1,756,469,900 (L)	32.30%
Conch International Holdings (HK) Limited ("Conch") *(Note 3)*	Beneficial owner	1,147,565,970 (L)	21.11%
Anhui Conch Cement Co., Ltd. ("Anhui Conch") *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.11%
安徽海螺集團有限責任公司 *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.11%
China Conch Venture Holdings Limited ("China Conch") *(Note 3)*	Interest in a controlled corporation	1,147,565,970 (L)	21.11%
Citigroup Inc.	Beneficial owner	597,850,097(L)	11.00%
		876,962 (S)	0.02%
		595,990,989 (P)	10.96%
GIC Private Limited	Beneficial owner	380,124,000 (L)	6.99%
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.

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 2020 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 337,328,185 as at the date of this interim report, representing approximately 6.20% of the Company's issued share capital as at the date of this interim report.

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:**

   The Post-IPO Share Option Scheme had a life of 10 years from the date of its adoption and it has ended on 30 March 2020. Outstanding share options granted under the scheme remain valid in accordance with its terms.

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

During the six months ended 30 June 2020:

Category and name of participant	Date of grant of share options *(Note 1, 2)*	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2020	Granted during the period ended 30 June 2020	Exercised during the period ended 30 June 2020	Cancelled during the period ended 30 June 2020	Lapsed during the period ended 30 June 2020	Outstanding as at 30 June 2020
				Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme					
Directors									
Zhang Jimin	22 March 2013	1.25	22 March 2014 to 21 March 2023	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
Other employees (Group A)	22 March 2013	1.25	22 March 2014 to 21 March 2023	7,975,000	–	575,000[(3)]	–	–	7,400,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	18,800,000	–	1,200,000[(4)]	–	–	17,600,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	11,200,000	–	350,000[(5)]	–	–	10,850,000
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	–	2,125,000	–	–	59,375,000

Notes:

1. *The closing prices of the shares of the Company on 22 March 2011, 21 March 2013, 21 March 2014 and 10 April 2015, being the dates immediately before the dates on which the share options were granted, were HK$3.32, HK$1.25, HK$0.91 and HK$1.37 per share, respectively.*

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

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

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

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

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

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

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

3. *The weighted average closing price of the shares of the Company immediately before 11 May 2020, being the date on which 575,000 options were exercised, was HK$1.53 per share.*

4. *The weighted average closing prices of the shares of the Company immediately before 11 May , 12 May, 13 May and 14 May 2020, being the dates on which 400,000, 200,000, 300,000 and 300,000 options were exercised, were HK$1.53, HK$1.61, HK$1.59 and HK$1.57 per share, respectively.*

5. *The weighted average closing price of the shares of the Company immediately before 16 June 2020, being the date on which 350,000 options were exercised, was HK$1.47 per share.*

INTERIM DIVIDEND

Due to the impact of the COVID-19 outbreak, both macroeconomic uncertainties and the risk of economic recession have increased. Accordingly, the Company decided not to declare interim dividend for the six months ended 30 June 2020 and the Company will revisit the situation when considering the full year results of 2020 and the declaration of the final dividend (if any).

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.

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 2020.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written term of reference in compliance with the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management systems of the Group and to provide advice and comments to the Board, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. 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 2020.

AUDITORS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2020 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 2020, 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 2020.

On behalf of the Board of Directors
Zhang Jimin
Chairman
24 August 2020

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 27 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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

24 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
	Notes	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	**3,008,741**	3,310,583
Cost of sales		**(1,961,117)**	(2,179,714)
Gross profit		**1,047,624**	1,130,869
Other income	4	**123,256**	150,321
Selling and marketing expenses		**(26,229)**	(28,678)
Administrative expenses		**(184,194)**	(184,580)
Other expenses		**(43,284)**	(8,048)
Other gains and losses, net	5	**(7,350)**	(52,449)
Impairment loss under expected credit loss model, net of reversal		**(60,661)**	(19,393)
Share of profit of an associate		**8,091**	9,594
Interest income	6	**102,091**	100,076
Finance costs	7	**(73,697)**	(115,254)
Profit before tax		**885,647**	982,458
Income tax expense	8	**(108,755)**	(176,136)
Profit and total comprehensive income for the period	9	**776,892**	806,322
Attributable to:			
— Owners of the Company		**752,251**	793,464
— Non-controlling interests		**24,641**	12,858
		776,892	806,322
Earnings per share			
— Basic (RMB)	11	**0.138**	0.146
— Diluted (RMB)	11	**0.138**	0.146

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**8,584,658**	7,793,345
Right-of-use assets		**461,773**	469,021
Mining rights		**534,806**	542,352
Other intangible assets		**198,857**	199,235
Investment in an associate		**81,106**	80,269
Loan receivables	13	**499,696**	724,182
Deferred tax assets		**30,937**	36,557
Prepayments for right-of-use assets		**100,278**	100,278
Deposits paid for acquisition of property, plant and equipment		**575,654**	518,276
Other deposits	14	**35,695**	31,241
Investment in entrusted product		**181,855**	181,855
		11,285,315	10,676,611
Current assets			
Inventories		**708,559**	665,526
Trade and other receivables and prepayments	14	**1,299,665**	958,525
Loan receivables	13	**1,176,131**	1,055,444
Structured deposits		**90,000**	90,000
Restricted/pledged bank deposits		**669,878**	354,148
Bank balances and cash		**1,155,634**	779,559
		5,099,867	3,903,202
Current liabilities			
Bank borrowings	16	**1,990,794**	1,126,000
Trade and other payables	17	**1,714,007**	1,735,544
Dividend payable		**342,622**	–
Contract liabilities		**273,096**	226,589
Income tax payable		**71,064**	121,005
		4,391,583	3,209,138
Net current assets		**708,284**	694,064
Total assets less current liabilities		**11,993,599**	11,370,675

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current liabilities			
Bank borrowings	16	**1,364,997**	1,189,589
Medium-term notes	18	**503,185**	521,098
Asset retirement obligation		**355,908**	336,398
Deferred tax liabilities		**83,046**	63,721
Deferred income		**32,409**	34,205
		2,339,545	2,145,011
Net assets		**9,654,054**	9,225,664
Capital and reserves			
Share capital	19	**141,808**	141,771
Share premium and reserves		**9,322,880**	8,911,168
Equity attributable to owners of the Company		**9,464,688**	9,052,939
Non-controlling interests		**189,366**	172,725
Total equity		**9,654,054**	9,225,664

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	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 2020 (audited)	**141,771**	**2,817,941**	**(306,006)**	**25,487**	**1,060,049**	**5,313,697**	**9,052,939**	**172,725**	**9,225,664**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**752,251**	**752,251**	**24,641**	**776,892**
Shares issued for share options exercised *(note 20)*	**37**	**2,910**	**–**	**(827)**	**–**	**–**	**2,120**	**–**	**2,120**
Appropriation of maintenance and production funds *(Note a)*	**–**	**–**	**–**	**–**	**24,750**	**(24,750)**	**–**	**–**	**–**
Utilisation of maintenance and production funds *(Note a)*	**–**	**–**	**–**	**–**	**(6,540)**	**6,540**	**–**	**–**	**–**
Dividend recognised as distribution *(note 10)*	**–**	**(342,622)**	**–**	**–**	**–**	**–**	**(342,622)**	**–**	**(342,622)**
Dividend recognised as distribution to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,000)**	**(8,000)**
At 30 June 2020 (unaudited)	**141,808**	**2,478,229**	**(306,006)**	**24,660**	**1,078,259**	**6,047,738**	**9,464,688**	**189,366**	**9,654,054**
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 10)*	–	–	–	–	–	(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

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 represented the dividend payable waived by the non-controlling shareholders of a subsidiary and was 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 2019.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**760,059**	1,503,847
INVESTING ACTIVITIES		
Withdrawal of restricted/pledged bank deposits	**211,390**	138,245
Repayments received for loans to third parties	**112,575**	205,981
Interest received	**102,091**	117,264
Proceeds from disposal of property, plant and equipment	**8,979**	4,683
Dividends received from an associate	**7,254**	–
Purchase of property, plant and equipment	**(1,105,401)**	(717,277)
Government grants received for acquisition of property, plant and equipment	**1,300**	–
Net cash outflow on acquisition of a subsidiary *(note 22)*	**(1,699)**	–
Purchase of other intangible assets	**(606)**	(1,464)
Payment for entrusted product	**–**	(181,855)
Loans to third parties	**(64,170)**	(342,650)
Placement of restricted/pledged bank deposits	**(527,120)**	(174,517)
Payment for right-of-use assets	**–**	(9,635)
Net cash used in investing activities	**(1,255,407)**	(961,225)
FINANCING ACTIVITIES		
Proceeds from issuance of medium-term notes	**–**	500,000
New borrowings raised	**1,467,148**	459,000
Capital injection by non-controlling interests	**–**	53,000
Repayment of senior notes	**–**	(840,187)
Repayment of borrowings	**(499,000)**	(402,571)
Dividend paid	**(2,000)**	–
Shares issued for share options exercised	**2,120**	–
Interest paid	**(96,500)**	(122,791)
Medium-term notes issue costs paid	**–**	(2,250)
Net cash from (used in) financing activities	**871,768**	(355,799)
Net increase in cash and cash equivalents	**376,420**	186,823
Cash and cash equivalents at 1 January	**779,559**	886,046
Effect of foreign exchange rate changes	**(345)**	1,676
Cash and cash equivalents at 30 June, represented by bank balances and cash	**1,155,634**	1,074,545

1. GENERAL INFORMATION

West China Cement Limited (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 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 condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") 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.

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

1A. Significant events and transactions in the current interim period

The outbreak of Covid-19 and subsequent quarantine measures as well as the travel restrictions imposed by many countries had negative impacts to the global economy, business environment and directly and indirectly affect the operations for the Group. The Group stopped its manufacturing activities from end of January 2020 to February 2020 due to mandatory government quarantine measures in effort to contain the spread of the pandemic. As such, the financial performance of the Group were affected during the said period. However, the operations of subsidiaries of the Group have gradually resumed since March 2020 as the epidemic was properly controlled in the PRC and the Group recorded an increase in revenue from March 2020 to June 2020. As such, there is no material impact on the financial position and performance of the Group for the current interim period.

2. 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 amendments to International Financial Reporting Standards (''IFRSs") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	*Definition of Material*
Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9 and IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards 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.

2.1 Impacts of application on Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

2.2 Impacts and accounting policies on application of Amendments to IFRS 3 "Definition of a Business"

2.2.1 Accounting policies

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

2.2.2 Transition and summary of effects

The Group has elected not to apply the optional concentration test on the acquisition of Hongxing Glass Congo SARL ("Hongxing Glass") (as detailed in note 22) and concluded that such acquisition does not constitute a business upon application of the amendments.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.3 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognise the individual identifiable assets and liabilities assumed by allocating the purchase price to financial assets/financial at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their respective fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. 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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Geographical markets		
Central Shaanxi	**1,424,993**	1,418,180
Southern Shaanxi	**1,054,531**	1,388,066
Xinjiang	**379,326**	355,369
Guizhou	**149,891**	148,968
	3,008,741	3,310,583

All of the Group's revenue for the six months ended 30 June 2020 and 2019 are derived from the sale of cement products to customers in the western part of the PRC as disclosed above.

Revenue is recognised at a point in time when control of the goods has been transferred to customers, being at the point the goods are delivered to customers. The normal credit term is 90 to 180 days upon delivery. No further disaggregation of revenue is presented.

No single customer contributed 10% or more to the Group's revenue for both periods. The proportion of the Group's non-current assets located in the PRC by locations of assets is 97.31% as at 30 June 2020 (31 December 2019: 100% located in the PRC).

4. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Tax refund *(Note)*	**108,146**	142,676
Government grant — others	**15,047**	7,645
Others	**63**	–
	123,256	150,321

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.

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fair value gain on financial assets at fair value through profit or loss ("FVTPL")	**13,500**	–
Net foreign exchange losses *(Note a)*	**(18,694)**	(3,861)
Loss on disposal of property, plant and equipment	**(2,139)**	(35,306)
Loss on early redemption of senior notes *(Note b)*	**–**	(13,435)
Others	**(17)**	153
	(7,350)	(52,449)

Notes:

a. The amounts during the six months ended 30 June 2020 mainly relate to the translation of syndicated loan from United States Dollars ("US$") to RMB while the amounts during the six months ended 30 June 2019 mainly related to the translation of senior notes from US$ to RMB.

b. During the six months ended 30 June 2019, the Company early redeemed partial of the outstanding senior notes of US$120,000,000 (equivalent to RMB826,752,000), and recorded loss on early redemption of senior notes of US$1,950,000 (equivalent to RMB13,435,000). The remaining balance was due and repaid during the year ended 31 December 2019.

6. INTEREST INCOME

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

7. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
Borrowings	**72,204**	38,173
Senior notes	**–**	73,001
Medium-term notes	**19,587**	6,171
	91,791	117,345
Less: amount capitalised in construction in progress	**(27,089)**	(2,917)
	64,702	114,428
Unwinding of discount of asset retirement obligation	**8,995**	826
	73,697	115,254

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 5.80% (six months ended 30 June 2019: 6.56%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
— PRC enterprise income tax ("EIT")	**138,294**	192,567
— Withholding tax	**26,836**	44,000
	165,130	236,567
Over provision in prior years		
— PRC EIT	**(81,320)**	(16,091)
Deferred tax		
Current period	**29,086**	(45,366)
Attributable to change in tax rate	**(4,141)**	1,026
	24,945	(44,340)
Income tax expense	**108,755**	176,136

8. INCOME TAX EXPENSE (Cont'd)

Certain of the Group's subsidiaries provided for PRC EIT using 25% tax rate in 2019. However, these subsidiaries are entitled to enjoy concession rate of 15% in western region upon their 2019 final settlement and payment of PRC EIT with relevant tax authorities and thus resulted in the over provision of PRC EIT during the current interim period.

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**404,102**	359,461
Depreciation of right-of-use assets	**7,248**	6,720
Amortisation of mining rights	**10,707**	8,651
Amortisation of other intangible assets	**1,741**	1,056
Total depreciation and amortisation	**423,798**	375,888
Recognised in cost of sales	**(44,562)**	(33,981)
Capitalised in inventories	**(339,906)**	(311,374)
	39,330	30,533
Staff costs (including directors' emoluments)		
Wages and salaries	**302,864**	281,298
Recognition of share option expenses, net	**–**	264
Defined contribution retirement plan expenses *(Note a)*	**4,754**	24,627
Total staff costs	**307,618**	306,189
Recognised in cost of sales	**(12,050)**	(17,117)
Capitalised in inventories	**(180,406)**	(170,675)
	115,162	118,397
Net allowance for (reversal of) credit losses recognised in respect of:		
Loan receivables	**55,394**	(1,017)
Trade receivables	**5,328**	(1,522)
Other receivables	**(61)**	(38)
Amounts due from non-controlling interests of a subsidiary *(Note b)*	**–**	21,970
Donation (included in other expenses)	**23,396**	1,430
Legal and professional fees (included in other expenses)	**19,888**	6,618

9. PROFIT FOR THE PERIOD (Cont'd)

Notes:

(a) During the outbreak of COVID-19 in the current interim period, the Group received support from the PRC government and the payment of social welfare pension amounting to approximately RMB23,109,000 was waived by the PRC government (six months ended 30 June 2019: Nil).

(b) In 2011, the Group entered into a shareholder agreement with an independent third party who 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, a total amount of approximately RMB41,255,000 was recovered. The Group made allowance for credit losses for the remaining balance during the six months 30 June 2019 after YSZ had failed to adhere to its repayment schedule signed in 2017. The amount was written off in the current interim period.

10. DIVIDENDS

During the six months ended 30 June 2020, a final dividend of RMB6.3 cents per share in respect of the year ended 31 December 2019 (six months ended 30 June 2019: RMB1.4 cents per share in respect of the year ended 31 December 2018) in total of approximately RMB342,622,000 (six months ended 30 June 2019: RMB76,090,000) was declared and approved by the shareholders in the annual general meeting.

No dividend were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2019: RMB3.6 cents per share).

11. 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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**752,251**	793,464

11. EARNINGS PER SHARE (Cont'd)

	Six months ended 30 June	
	2020	2019
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,435,638**	5,435,133
Effect of dilutive potential ordinary shares from share options issued by the Company	**8,841**	4,224
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,444,479**	5,439,357
Basic earnings per share	**RMB0.138**	RMB0.146
Diluted earnings per share	**RMB0.138**	RMB0.146

The computation of diluted earnings per share for the six months ended 30 June 2020 and 2019 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.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group purchased property, plant and equipment of RMB70,860,000 (six months ended 30 June 2019: RMB144,740,000) from third parties and incurred RMB1,002,940,000 on construction in progress (six months ended 30 June 2019: RMB176,042,000).

In addition, during the current interim period, the Group acquired a subsidiary with addition of property, plant and equipment of approximately RMB93,987,000 (six months ended 30 June 2019: Nil).

The amounts of construction in progress transferred to other classes of property, plant and equipment during the six months ended 30 June 2020 are RMB110,171,000 (six months ended 30 June 2019: RMB104,545,000).

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB11,118,000 (six months ended 30 June 2019: RMB39,989,000), resulting in a loss on disposal of RMB2,139,000 (six months ended 30 June 2019: gain on disposal of RMB35,306,000).

13. LOAN RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Loans collateralised by property, plant and equipment *(Note a)*	**1,100,722**	1,157,376
Entrusted loan *(Note b)*	**200,000**	200,000
Loans collateralised by receivables *(Note b)*	**391,800**	383,800
Small loans *(Note c)*	**64,095**	63,846
	1,756,617	1,805,022
Less: allowance for credit losses	**(80,790)**	(25,396)
	1,675,827	1,779,626
Analysed as:		
Current	**1,176,131**	1,055,444
Non-current	**499,696**	724,182
	1,675,827	1,779,626

Notes:

(a) As at 30 June 2020 and 31 December 2019, 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 involving a legal form of a lease, the Group accounted for the Arrangements as collateralised loans in accordance with the financial arrangement under IFRS 9 prior to 1 January 2019. Upon application of IFRS 16, the Group continues to recognise loan receivables within the scope of IFRS 9 as the transfer does not satisfy the requirement of IFRS 15 as a sale. 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.

13. LOAN RECEIVABLES (Cont'd)

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within one year	1,176,131	1,055,444
In more than one year but not more than two years	499,696	724,182
	1,675,827	1,779,626

The ranges of effective rates on the Group's loan receivables was 10% to 15% per annum as at 30 June 2020 (31 December 2019: 10% to 24% per annum).

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

Details of the impairment assessment are set on in note 15.

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	649,439	461,254
Trade receivables backed by bills	183,508	189,676
	832,947	650,930
Less: allowance for credit losses	(26,434)	(21,106)
	806,513	629,824
Other receivables	164,035	172,131
Less: allowance for credit losses	(3,034)	(3,095)
	161,001	169,036
VAT recoverables	129,939	101,680
VAT refund receivables	54,713	26,119
Amounts due from non-controlling shareholders of subsidiaries	37,233	6,000
Prepayments	145,961	57,107
	1,335,360	989,766
Less: Non-current portion of other deposits (included in "Other receivables" above)	(35,695)	(31,241)
	1,299,665	958,525

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

All bills received by the Group are due within 1 year from the issuance date of the bills.

The following is an aged analysis of trade receivables, excluding bills held by the Group, presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 to 90 days	**268,911**	196,954
91 to 180 days	**187,896**	75,155
181 to 360 days	**170,746**	164,779
361 to 720 days	**5,007**	15,931
Over 720 days	**16,879**	8,435
	649,439	461,254

As at 30 June 2020, total bills received amounting to RMB20,956,000 (31 December 2019: RMB31,191,000) 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 15.

15. 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.

The loan borrowers of the Group are located in different PRC provinces and are from different industries. The Group's top 5 loan borrowers are accounted for approximately 52% of the total loan receivables as at 30 June 2020 (2019: 51%).

15. 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"), 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	Debtor has a low risk of default and does not have any past-due amounts	12-month ECL
Watch list	Debtor occasionally repays shortly after due date but usually settle in full	12-month ECL
Doubtful	There has been significant increase in credit risk since initial recognition through information development internally or external resources	Life-time ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	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

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.

The Group performs impairment assessment under ECL model on trade balances individually for significant balances and insignificant balances with specific risks. In addition, the Group measures expected credit loss allowance for the remaining 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.

Trade receivables with bills received from trade customers amounted to approximately RMB183,508,000 (31 December 2019: RMB189,676,000) as at 30 June 2020. The directors of the Company consider the ECL for these trade receivables is insignificant because the bills are issued by reputable banks with high credit ratings assigned by either international or PRC credit rating agencies.

15. 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 2020 and 2019 within lifetime ECL. Debtors with significant outstanding balances with gross carrying amounts of RMB62,614,000 (31 December 2019: RMB71,498,000) as at 30 June 2020 were assessed individually.

As at 30 June 2020

	Average loss rate	**Gross carrying amounts RMB'000**
Current (not past due)	**0.7%**	**268,911**
1 to 90 days past due	**2.1%**	**187,896**
91 to 360 days	**5.0%**	**112,204**
Over 360 days	**65.3%**	**17,814**
		586,825

As at 31 December 2019

	Average loss rate	Gross carrying amounts RMB'000
Current (not past due)	0.3%	196,954
1 to 90 days past due	1.2%	75,155
91 to 360 days	3.6%	93,280
Over 360 days	60.5%	24,367
		389,756

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 recognised a net impairment allowance of RMB5,328,000 (six months ended 30 June 2019: reversed a net impairment allowance of RMB1,522,000).

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

Impairment assessment on other receivables/amounts due from non-controlling shareholders of subsidiaries

Other receivables and amounts due from non-controlling shareholders of subsidiaries 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.

For other receivables, the management make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive forward-looking information.

For amounts due from non-controlling shareholder of subsidiaries, the Group is able to control the future distribution of profits and the dividend payable to these non-controlling shareholders can be used netted off with the amounts due from these non-controlling shareholders and thus the management is of the opinion that the risk on ECL is limited.

The Group does not have a concentration of credit risk of the other receivables as at 30 June 2020. In order to minimise the risk, the Group has closely monitored and made periodic individual assessment on the recoverability of these independent third parties.

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 either international or PRC credit-rating agencies.

Allowance for impairment

Allowance for credit losses recognised in respect of the financial assets for both periods are set out in note 9 to the condensed consolidated financial statements.

16. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting RMB1,467,148,000 (six months ended 30 June 2019: RMB459,000,000) and made repayments amounting to RMB499,000,000 (six months ended 30 June 2019: RMB402,571,000). The borrowings carry annual interest rates ranging from 0.70% to 8% per annum as at 30 June 2020 (31 December 2019: 2.90 % to 6.12 % per annum) and repayable between 2020 and 2028.

17. TRADE AND OTHER PAYABLES

As at 30 June 2020, included in trade payables are bills amounting to RMB61,100,000 (31 December 2019: RMB256,218,000) which are issued by the Group to settle trade payables.

The following is an aged analysis of trade payables (excluding those bills transferred by the Group for settlement which are due within six months to one year based on the issuance date) presented based on the date of delivering of goods at the end of the reporting period.

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 to 90 days	**757,300**	697,675
91 to 180 days	**180,725**	150,404
181 to 360 days	**110,913**	120,106
361 to 720 days	**39,996**	14,908
Over 720 days	**15,899**	9,069
	1,104,833	992,162

18. MEDIUM-TERM NOTES

On 30 April 2019, 堯柏特種水泥集團有限公司 Shanxi Yaobai Special Cement Co., Ltd* (Yaobai Special Cement), a subsidiary of the Group, 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 an 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

* *The English name is for identification purpose*

19. SHARE CAPITAL

	Number of share	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 2019, 31 December 2019 and 30 June 2020	10,000,000	20,000	
Issued and fully paid:			
Balance as at 1 January 2019 and 31 December 2019	5,435,133	10,868	141,771
Exercise of share options *(note 20)*	2,125	4	37
Balance as at 30 June 2020	5,437,258	10,872	141,808

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.

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 Hong Kong Dollars ("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 particular 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 share-based payment expense was recognised in relation to the share options granted by the Company in the current interim period (30 June 2019: RMB264,000).

20. SHARE-BASED PAYMENTS (Cont'd)

During the six months ended 30 June 2020, 350,000 share options were exercised at the exercise price of HK$1.45 per share or approximately RMB1.32 per share at the weighted average exchange rate of HK$1: RMB0.91, 1,200,000 share options were exercised at the exercise price of HK$0.91 per share or approximately RMB0.83 per share at the weighted average exchange rate of HK$1: RMB0.91 and 575,000 share options were exercised at the exercise price of HK$1.25, or approximate RMB1.14 per share at weighted average exchange rate of HK$1: RMB0.91. No share options were exercised during the six months ended 30 June 2019.

During the six months ended 30 June 2020, no share options were lapsed or expired.

21. CAPITAL COMMITMENTS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 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	**2,377,554**	2,298,051

22. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

On 31 March 2020, the Group acquired entire interest in Hongxing Glass Congo SARL ("Hongxing Glass"). Hongxing Glass is principally engaged in the manufacture and sales of glass and was acquired with the objective of diversifying the Group's business. The transaction was accounted for as purchase of assets and liabilities. Details are summarised as below:

Consideration transferred

	RMB'000
Cash	22,500
Consideration payable due within one year included in trade and other payables	20,500
	43,000

22. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY (Cont'd)

Assets acquired and liabilities recognised at the date of acquisition were as follow:

	RMB'000
Assets	
Other receivables	8,464
Bank balances and cash	20,801
Property, plant and equipment	93,987
Liabilities	
Trade and other payables	(41,265)
Borrowings	(38,987)
Net assets	43,000

Net cash outflow arising on acquisition of Hongxing Glass

	RMB'000
Consideration paid in cash	22,500
Less: bank balances and cash acquired	(20,801)
	1,699

23. 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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**6,367**	8,231
Post-employment benefits	**19**	88
Share-based payments	**–**	212
	6,386	8,531

24. 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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Property, plant and equipment	**2,981,188**	2,734,801
Trade receivables	**188,957**	212,744
Right-of-use assets	**152,137**	140,813
Pledged bank deposits	**525,325**	113,924
Structured deposits	**90,000**	90,000
	3,937,607	3,292,282

The Group pledged its equity interests in three subsidiaries, 漢中勉縣堯柏水泥有限公司 Hanzhong Mianxian Yaobai Cement Co., Ltd*, 商洛堯柏秀山水泥有限公司 Shangluo Yaobai Xiushan Cement Co., Ltd* and 貴州麟山水泥有限責任公司 Guizhou Linshan Cement Co., Ltd*, to a bank to secure a banking facility totaling RMB400,000,000 for a period of one year of which borrowing of RMB330,000,000 has been drawn down as at 30 June 2020. The pledge will be released upon the repayment of the borrowing to the bank.

* *The English name is for identification purpose*

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities for the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except for financial assets at FVTPL and structured deposits, the Group does not hold any other financial instruments measured at fair value.

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.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

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

Name	Fair value as at 30/06/2020 RMB'000	Fair value as at 31/12/2019 RMB'000	Fair value hierarchy	Valuation techniques and key input(s)
Investment in entrusted product	**181,855**	181,855	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
Structured deposits	**90,000**	90,000	Level 3 *(Note)*	Discounted cash flow. Future cash flow are estimated based on USD3-Month LIBOR (from observable yield curve at the end of the reporting period) and contracted interest rate, discounted at a rate that reflects the credit risk of various counterparties.

Note: *In the opinion of the management of the Group, the fluctuations in the key unobservable inputs in determining the fair value of the structure deposits are not significant to the Group, accordingly, no sensitivity analysis is presented.*

26. EVENTS AFTER THE END OF THE REPORTING PERIOD

(1) On 31 July 2020, Yaobai Special Cement, an indirect wholly-owned subsidiary of the Company, entered into sale and purchase agreements (the "Agreements") with 陝西凝鑫投資管理有限公司 Shaanxi Ningxin Investment Management Ltd* ("Shaanxi Ningxin"), 成都蓉聯水泥有限公司 Chengdu Ronglian Cement Ltd* ("Chengdu Ronglian") and Mr. Huang Sijiu ("Mr. Huang") (hereinafter referred to as "the sellers") to acquire an aggregate of 97.5% of equity interest in 康定跑馬山水泥有限責任公司 Kangding Paomashan Cement Ltd* (the "Target").

Pursuant to the Agreements, Yaobai Special Cement conditionally agreed to acquire from Shaanxi Ningxin 55% of equity interest in the Target for a consideration of RMB420 million and acquired from Ronglian Cement and Mr. Huang 12% and 30.5% of equity interest in the Target for an aggregate consideration of RMB309.4 million. The transaction has not yet been completed as at the date of this report. Details are set out in the Company's announcement dated 2 August 2020.

26. EVENTS AFTER THE END OF THE REPORTING PERIOD (Cont'd)

(2) As disclosed in the 2019 annual report, on 3 January 2020, the Company entered into a sale and purchase agreement (the "Agreement") with SCHWENK Zement International GmbH & Co. KG ("Schwenk Zement"), a company incorporated under the laws of Germany, pursuant to which the Company agreed to acquire from Schwenk Zement the issued share capital of SCHWENK Namibia (Pty) Limited ("Schwenk Namibia"), a wholly-owned subsidiary of Schwenk Zement together with the shareholder loan granted by Schwenk Zement to Schwenk Namibia for an aggregate consideration of approximately US$104,411,000 (equivalent to RMB728,392,000) (comprising of the share purchase price of approximately US$19,342,000 (equivalent to RMB134,934,000) and the loan purchase price of approximately US$85,069,000 (equivalent to RMB593,458,000)).

Supplementary announcements were made by the Company on 20 March 2020 and 30 June 2020 to extend the termination date of the Agreement to 31 August 2020. The transaction has not yet been completed as of the date of this report.

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