西部水泥

中國西部水泥有限公司

WEST CHINA CEMENT LIMITED

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

Stock Code: 2233

INTERIM REPORT 2021

CONTENTS

02	Corporate Information
03	Financial Highlights
04	Management Discussion and Analysis
19	Disclosure of Interest
25	Corporate Governance and Other Information
27	Report on Review of Condensed Consolidated Financial Statements
28	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
29	Condensed Consolidated Statement of Financial Position
31	Condensed Consolidated Statement of Changes in Equity
33	Condensed Consolidated Statement of Cash Flows
34	Notes to the Condensed Consolidated Financial Statements

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 *(resigned with effect from 23 July 2021)*
Shi Guanglei *(appointed with effect from 23 July 2021)*
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
Certified Public Accountants
Registered Public Interest Entity Auditors
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 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)	% Change
Total Cement and Clinker Sales Volume (million tons)	**10.30**	8.39	22.8%
Cement Sales Volume (million tons)	**10.09**	8.24	22.5%
Aggregates Sales Volume (million tons)	**2.00**	1.35	48.1%
Commercial Concrete sales volume (million cubic meters)	**0.76**	0.59	28.8%
Revenue	**4,232.9**	3,008.7	40.7%
Gross Profit	**1,343.7**	1,047.6	28.3%
EBITDA(1)	**1,665.9**	1,360.4	22.5%
Profit Attributable to Owners of the Company	**1,056.1**	752.3	40.4%
Basic Earnings Per Share	**19.4 cents**	13.8 cents	40.6%
Gross Profit Margin	**31.7%**	34.8%	(3.1 p.pt)
EBITDA Margin	**39.4%**	45.2%	(5.8 p.pt)

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	% Change
Total Assets	**22,135.5**	18,906.2	17.1%
Net Debt(2)	**3,365.7**	2,237.0	50.5%
Net Gearing(3)	**30.2%**	21.2%	9.0 p.pt
Net Assets Per Share	**205 cents**	194 cents	5.7%

Notes:

(1) EBITDA equals to profit before tax plus finance costs, depreciation and amortisation, and impairment losses less net foreign exchange gains, gain on disposal of an associate and interest income.

(2) Net debt equals 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021. Sales volumes in Shaanxi Province were improving with an increase of 16.9%. Sales volumes in Xinjiang and Guizhou Provinces have also recorded a 47.4% increase and a 6.7% increase, respectively. The Group's sales volumes of cement and clinker for the six months ended 30 June 2021 were 10.30 million tons, representing a stable increase from 8.39 million tons recorded in the first half of 2020.

Since the impact of the coronavirus disease 2019 ("COVID-19") outbreak was mitigating during the period, average selling prices ("ASPs") in Southern Shaanxi, Central Shaanxi, Guizhou and Xinjiang were improving. Moreover, the Group has continued to implement efficiency enhancements and cost-cutting measures and has been able to maintain a stable cost in the first half of 2021. Overall, the Group's margins remained stable in the first half of 2021. The Group has maintained healthy and stable cash flows, with EBITDA of RMB1,665.9 million for the first half of 2021, which is higher than the RMB1,360.4 million recorded in the first half of 2020.

As at 30 June 2021, the Group had a total production capacity of 29.0 million tons, comprising 17 new suspension preheater ("NSP") cement production lines, with 21.7 million tons in Shaanxi Province, 3.5 million tons in Xinjiang Province, 1.8 million tons in Guizhou Province and 2.0 million tons in Mozambique, Africa. Moreover, the Group had total production capacities of 15.0 million tons of aggregates and 9.8 million cubic meters of commercial concrete.

Operating Environment

In the first quarter of 2021, the impact of the COVID-19 outbreak was mitigating. The PRC government continued to closely coordinate the pandemic prevention and control as well as the economic work. The performance of infrastructure investment continued to improve, while that of property investment remained stable, maintaining the continuous solid support in the demand of cement. Furthermore, in order to control air pollution and preserve the blue sky, the environmental management of atmospheric pollution did not relax and the local environmental control became more stringent. As a result, the effect of various policies such as peak-shifting production halts and mine comprehensive regulation are more and more favorable to balancing the supply and demand of the cement industry.

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 2021. During the first half of 2021, the FAI and the RDI increased by 10.0% and 11.9% as compared with the corresponding period of 2020. The growth rates of both FAI and RDI have returned to normal level during the first half of 2021 as a result of the government's economic stimulating policies and the mitigating 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 stable cost in the first half of 2021. 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 during the first half of 2021. 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 2021, demand in this region has remained reasonable, supported by continued growth in railway and road infrastructure project construction. The Ankang to Langao Expressway, the Wuxi to Zhenping Expressway and the Micangshan Avenue Project, have been, amongst others, particularly important demand drivers; and the constructions of the Hanzhong to Bazhong to Nanchong Intercity Railway, the Lushi to Luanchuan Expressway, the Ningshan to Shiquan Expressway, the Xixia to Xichuan Expressway, the Lushi Ecological Corridor, the Chengkou Transportation Projects, the Shiyan to Wuxi Expressway, Kangxian to Lueyang Expressway, the Cangxi to Bazhong Expressway, the Chengkou to Kaizhou Expressway, the Yuehe Hydropower Station, the Xunyang Hydropower Station and the Tuxikou Reservoir 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 been important for both cement demand and development in this region.

Whilst sales volumes of cement in Southern Shaanxi have increased by approximately 13.7%, there have been a slight decrease in ASPs. During the first half of 2020, the Group has recorded cement ASPs in Southern Shaanxi of approximately RMB290 per ton (2020: RMB302 per ton) (excluding VAT), which is lower than the Group's overall ASPs of RMB319 per ton (2020: RMB315 per ton) (excluding VAT), with capacity utilization rate at approximately 75% (2020: 66%).

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 2021.

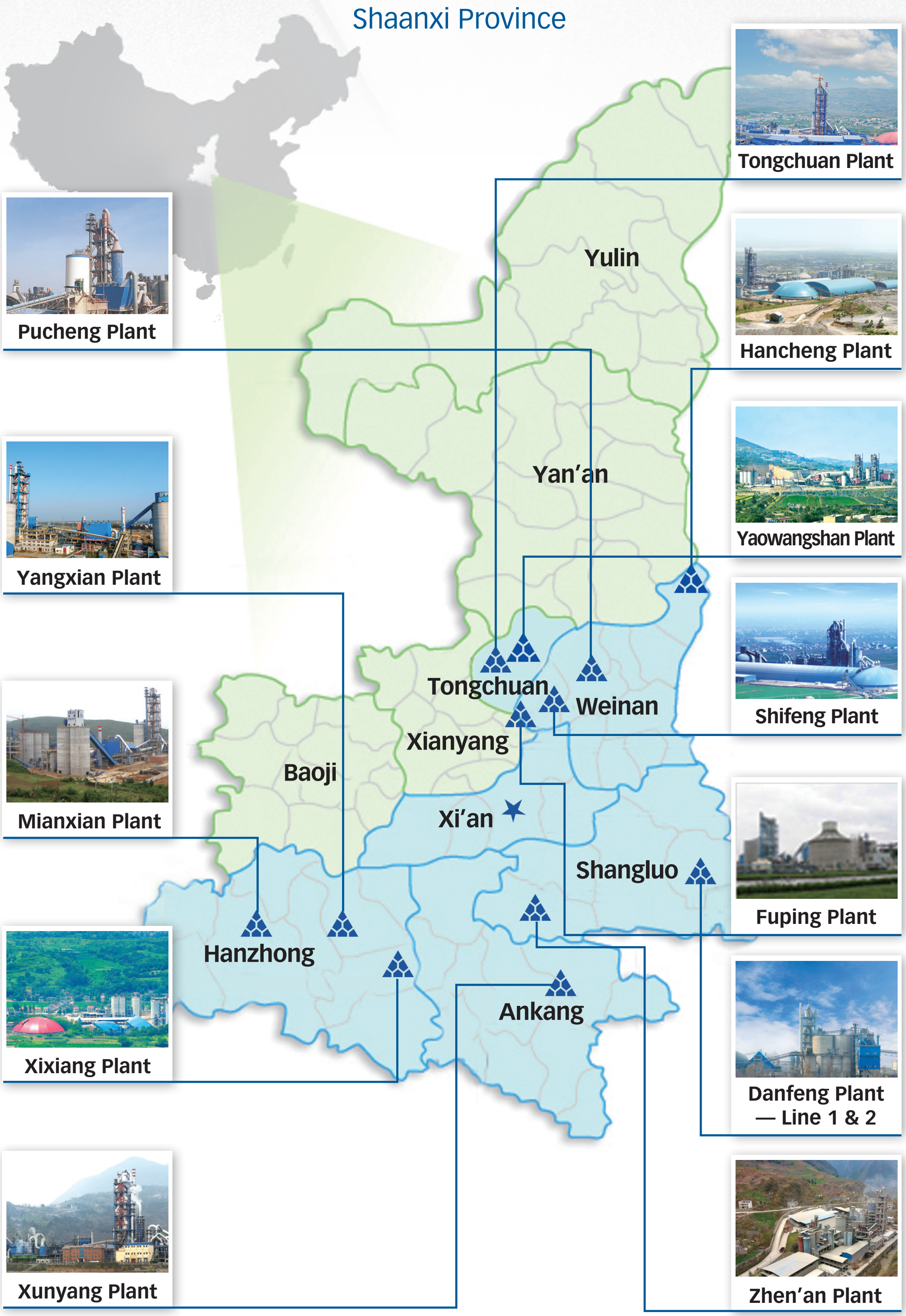
During the first half of 2021, the Group has continued to maintain its market share in Eastern Xi'an, Tongchuan District, Fuping County and the rest of Weinan District where urbanisation remains a key demand driver. The Group has also supplied cement to a number of infrastructure projects, including the constructions of the Xi'an to Yan'an High-Speed Railway, the Huaneng Power — Coal Transportation Railway, the Hancheng to Huanglong Expressway, the Chengcheng to Weizhuang Expressway, the Beijing to Kuming Expressway, the Weizhuang to Luofu Expressway, the Yan'an East Ring Expressway, the Xi'an Metro/Municipal Projects, the Dongzhuang Reservoir, the Hanjiang to Weihe River Water Transport Project (Phase II) and the Xianyang Airport. The largest project, Xixian Expressway-Southern Section, has consumed over 0.54 million tons of cement as at end of the first half of 2021.

Sales volumes in Central Shaanxi have moderately increased by approximately 19.8% and have been accompanied by increased ASPs. Over the period as a whole, the Group has recorded cement ASPs in Central Shaanxi of RMB319 per ton (2020: RMB316 per ton) (excluding VAT), which is same as the Group's overall ASP of RMB319 per ton (2020: RMB315 per ton) (excluding VAT), with capacity utilization rate at approximately 61% (2020: 51%).

Xinjiang & Guizhou Provinces

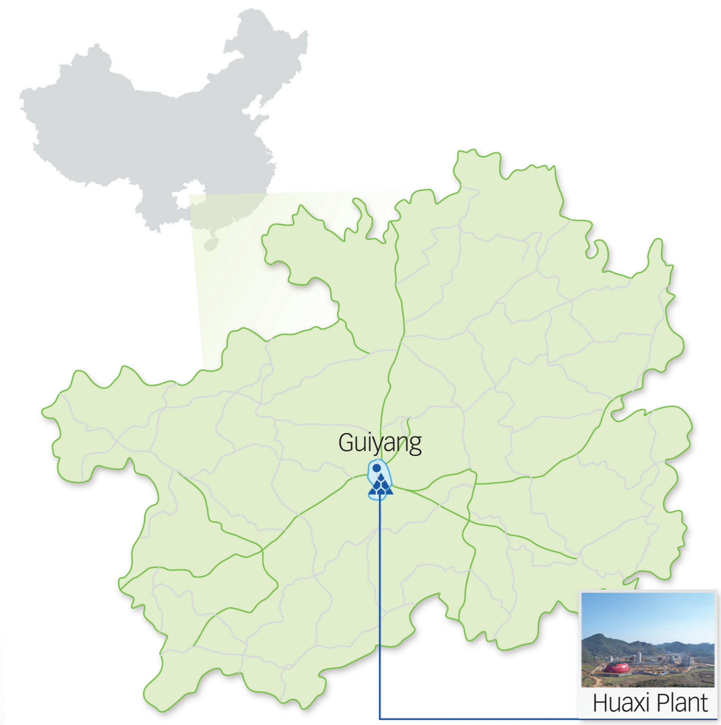
Operation at the Group's plant in Xinjiang Province has been improving in the first half of 2021. Sales volume in Xinjiang have increased by close to 47.4% to approximately 1.40 million tons (2020: 0.95 million tons). During the first half of 2021, both sales volume and ASPs in Xinjiang have increased as a result of the government's economic stimulating policies and the mitigating impact of the COVID-19 outbreak. The Group has recorded an increased cement ASPs at approximately RMB406 per ton (2020: RMB395 per ton) (excluding VAT), with capacity utilization rate at approximately 55% (2020: 46%).

In Guizhou Province, the Group's plant contributed approximately 0.64 million tons of cement to the total sales volume as compared to that of 0.60 million tons in the first half of 2020, which represented an increase of approximately 6.7%. During the first half of 2021, the Group has recorded cement ASPs in Guizhou of approximately RMB260 per ton (2020: RMB249 per ton) (excluding VAT), with capacity utilization rate at approximately 71% (2020: 67%). The ASPs was improving but still lower than that of prior years due to the imbalance between demand and supply as a result of the continuation of decreasing demand scenario. The sales volumes at the Huaxi Plant have already been better than other locations in Guizhou due to its location being in close proximity to Guiyang City and the Guiyang — Anshun ("Gui-An") New Area.


Shaanxi Province
Tongchuan Plant
Pucheng Plant
Hancheng Plant
Yaowangshan Plant
Yangxian Plant
Shifeng Plant
Mianxian Plant
Fuping Plant
Xixiang Plant
Danfeng Plant
— Line 1 & 2
Xunyang 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 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 2021, these systems are operated at 14 out of 17 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce carbon dioxide ("CO2") emissions by approximately 22,000 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.

The Group's plants that are capable of treating dangerous and hazardous waste currently include (i) the Municipal Waste Treatment Facility at the Group's Fuping Plant ("Fuping Waste Treatment Facility"), which has been operating since March 2016; and (ii) 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 2021, the Group 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.

During the six months ended 30 June 2021, the Group has increased the investment in environmental protection, carried out ultra-low emission remodeling at its environmental treatment facilities, established an early warning platform for pollutants exceeding standards, and strictly controlled the concentration of pollutant emissions, so as to achieve the management goal of limiting and maintaining its pollutant emissions concentration below the national emission standard. In addition, the Group also regularly invites external online monitoring experts to conduct system checks on the Company's online monitoring equipment, and conduct comprehensive analyses of the equipment operation principle, monitoring principle and production system operation, so as to switch from equipment troubleshooting to fault prevention, thus reducing the equipment failure rate, improving the accuracy of online monitoring equipment measurements, and ensuring that the real-time monitoring and control of pollutants meets the national emission standards. Moreover, all plants in China were already refurbished as garden like plants in the preliminary stage and the Group will further develop the garden like plants to meet the environmental policy requirements. Green limestone mines projects, including soil reclamation and mine re-greening, have been 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.

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 2021, 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 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 six months ended 30 June 2021, charitable donations made by the Group amounted to RMB1.6 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

Material Acquisitions and Disposal

The Group had no material acquisitions or disposals during the six months ended 30 June 2021.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 40.7% from RMB3,008.7 million for the first half of 2020 to RMB4,232.9 million for the first half of 2021. Cement sales volume increased by 22.5%, from approximately 8.24 million tons for the first half of 2020 to approximately 10.09 million tons during the six months ended 30 June 2021. Including clinker sales, total sales volume for the first half of 2021 amounted to approximately 10.30 million tons, compared to the 8.39 million tons sold in the first half of 2020.

Overall cement prices in the first half of 2021 were slightly higher than those in the first half of 2020. Cement ASP for the first half of 2021 was RMB319 per ton as compared with RMB315 per ton in the first half of 2020. The reasons for these fluctuations in ASPs and sales volume are discussed in the "Operating Environment" section above.

Other than the above increase in cement sales revenue, the revenues arising from the sales of aggregates and commercial concrete increased by 28.2% and 15.6% to RMB68.1 million and RMB327.7 million, for the first half of 2021, respectively, which is primarily due to the net effect of decrease in prices by 12.8% and 13.3% and increase in the sales volumes by 48.1% and 28.8%, respectively.

Cost of Sales

Cost of sales increased by 47.3% from RMB1,961.1 million for the first half of 2020 to RMB2,889.2 million for the first half of 2021.

Coal costs were increasing in the PRC over the first half 2021 since the production and supply of coals were reduced as a result of the strengthening safety inspection efforts by the government during the Two Sessions (兩會) and the 1 July Party Foundation Day (七一建黨節). The average cost per ton of coal increased by approximately 35.9% to approximately RMB628 per ton from approximately RMB462 per ton in the first half of 2020. These have resulted in a cost increase of approximately RMB17.5 per ton of total cement produced, with total coal costs increased by approximately 39.4% as compared with that of the first half of 2020.

There is no material fluctuation in the average prices of raw materials. The average cost per ton of limestone remained stable at approximately RMB17.9 per ton for the first half of 2021 (2020: RMB17.9 per ton). Benefiting from the increase in efficiency gains, the raw materials costs decreased by approximately RMB4.1 per ton of total cement produced, while total raw materials costs increased by approximately 12.5% as compared with that of the first half of 2020 as a result of the increase in cement sales volume.

There is no material fluctuation in the average cost of electricity. Benefiting from the increase in efficiency gains, the electricity costs decreased by approximately RMB2.9 per ton of total cement produced, while total electricity costs increased by approximately 9.8% as compared with that of the first half of 2020 as a result of the increase in cement sales volume.

In prior period, the government promulgated policies on social insurance relief in response to the impact of the COVID-19 outbreak. In the first half of 2021, total staff costs returned to normal level without such preferential policies and thus increased by approximately 12.2%. Benefiting from the increase in efficiency gains, the staff costs decreased by approximately RMB1.0 per ton of total cement produced.

As to other items in the costs balance, the balance mainly represented certain environmental related expenses, i.e. sewage fee, environmental protection fee, charged by the government, and safety fee as well as overhaul expense. Other costs in total decreased by approximately 0.2% as compared with that of the first half of 2020. With the increase in cement sales volume, this resulted in a cost decrease of approximately RMB2.9 per ton of total cement produced.

There have been no significant changes in the cost of depreciation during the period. However, with the increase in cement sales volume, this resulted in a cost decrease of approximately RMB6.2 per ton of total cement produced.

Moreover, as mentioned in the revenue analysis above, as a result of the net effect of increase in the sales volumes and decrease in costs by 25.0% and 3.2%, the costs arising from the production of aggregates and commercial concrete also increase by 10.4% and 24.8% to RMB36.0 million and RMB280.3 million, for the first half of 2021, respectively.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB296.1 million, or 28.3%, from RMB1,047.6 million for the first half of 2020 to RMB1,343.7 million for the first half of 2021. The increase in gross profit was mainly due to the increase in ASPs and sales volume as described above. Gross profit margin decreased slightly from 34.8% for the first half of 2020 to 31.7% for the first half of 2021.

Other Income

Other income mainly comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as production input, and other government subsidies. Other income increased by approximately 3.6% from RMB123.3 million for the first half of 2020 to RMB127.8 million for the first half of 2021.

Administrative and Selling & Marketing Expenses

Administrative expenses primarily included staff costs, general administrative expenses, depreciation and amortization. The amount increased by 33.9% from RMB184.2 million for the first half of 2020 to RMB246.6 million for the first half of 2021. Selling & marketing expenses increased by 90.8% from RMB26.2 million to RMB50.0 million for the first half of 2021 as compared with that of 2020. The increase in these balances were mainly attributable to the following factors: (i) as mentioned in the cost of sales analysis above, in prior period, the government promulgated policies on social insurance relief in response to the impact of the COVID-19 outbreak. In the first half of 2021, total staff costs returned to normal level without such preferential policies; and (ii) the increase in the number of staff and all the other respective expenses as a result of the increase in production capacities, i.e. the Moyu Plant and the Mozambique Plant, commissioned in December 2020, as well as the Tongchuan Plant commissioned in June 2021, and the development of new businesses, such as trading of cement related raw materials, i.e. white ash and calcium oxide, as well as the production and the sale of packing bags and prefabricated building.

Other Expenses

Other expenses primarily included the donations and the legal and professional fee. The amount decreased by RMB29.0 million from RMB43.3 million for the first half 2020 to RMB14.3 million for the first half of 2021. The decrease was mainly due to the decrease in the donations to RMB1.6 million for the first half of 2021 (2020: RMB23.4 million) during the period. In the prior period, among the donations, RMB20.0 million was a one-off donation regarding the establishment of a school for deprived students.

Other Gains and Losses, net

Other gains increased by RMB333.8 million from losses of RMB7.4 million for the first half of 2020 to gains of RMB326.4 million for the first half of 2021. The increase was mainly due to the net effect of the following factors. Firstly, there were net foreign exchange gains mainly relating to the translation of the Group's other long term payable from USD to Meticals, the official currency of Mozambique and the translation of the intercompany balances between the subsidiaries with different functional currencies of RMB347.3 million for the first half of 2021 (2020: losses of RMB18.7 million was mainly related to the translation of senior notes from USD to RMB). Secondly, the impairment loss recognised on mining right of RMB20.8 million was recorded for the first half of 2021 (2020: Nil) as the government requested to close a mine in Lantian due to the environmental protection reason. Finally, there was a fair value loss of RMB17.1 million on an equity investment, which was acquired upon the disposal of an associate during the first half of 2021 (2020: Nil).

Impairment Loss Under Expected Credit Loss Model, Net of Reversal

The balance increased by RMB26.0 million from RMB60.7 million for the first half of 2020 to RMB86.7 million for the first half of 2021. The increase was mainly due to an increase in impairment loss on trade receivables to RMB34.4 million for the first half of 2021 (2020: RMB5.3 million) as a result of the downturn of the economy under the impact of the COVID-19 outbreak to certain clients.

Interest Income

Interest income decreased by RMB5.7 million from RMB102.1 million for the first half of 2020 to RMB96.4 million for the first half of 2021. The decrease was mainly due to the decrease in the interest income arising from the loan receivables business of RMB86.6 million recorded for the first half of 2021 (2020: RMB97.7 million) as a result of the decrease in loan receivables business.

Finance Costs

Finance costs increased by RMB42.8 million, or 58.1%, from RMB73.7 million for the first half of 2020 to RMB116.5 million for the first half of 2021. The increase was mainly due to the increase in the bank borrowings during the period.

Gain on Disposal of An Associate

During the period, the Group disposed of 20% interests in Yaobai Environmental Technology Engineering Co., Ltd. The disposal is made to a direct wholly-owned subsidiary of China Conch Ventures Holdings Limited ("China Conch Ventures"), a company listed on the Main Board of The Hong Kong Stock Exchange Limited. The Group received 5,206,349 shares issued by China Conch Ventures in return. This transaction has resulted in the Group recognising a gain on disposal of RMB79.3 million in profit or loss.

Income Tax Expense

Income tax expenses increased by RMB132.9 million from RMB108.8 million for the first half of 2020 to RMB241.7 million for the first half of 2021. Current income tax expense net of (over)/under provision increased by RMB136.5 million to RMB220.3 million for the first half of 2021 (2020: RMB83.8 million) , whereas deferred tax expenses decreased by RMB3.5 million to RMB21.4 million for the first half of 2021 (2020: RMB24.9 million).

In the prior period, 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. No such situation was recorded in the current period which led to the significant increase in the balance.

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 increased from RMB752.3 million for the first half of 2020 to RMB1,056.1 million for the first half of 2021. This increase is primarily due to the increase in net foreign exchange gains and gain on disposal of an associate as mentioned above.

Basic earnings per share increased from RMB13.8 cents for the first half of 2020 to RMB19.4 cents for the first half of 2021.

FINANCIAL AND LIQUIDITY POSITION

As at 30 June 2021, the Group's total assets increased by 17.1% to RMB22,135.5 million (31 December 2020: RMB18,906.2 million) while total equity increased by 5.8% to RMB11,143.0 million (31 December 2020: RMB10,527.2 million).

As at 30 June 2021, the Group had bank balances and cash as well as restricted/pledged bank deposits and structured deposits, amounting to RMB1,858.9 million (31 December 2020: RMB1,475.3 million). After deducting bank borrowings and medium-term notes ("MTN") of RMB5,224.6 million (31 December 2020: RMB3,712.3 million), the Group had net debt of RMB3,365.7 million (31 December 2020: RMB2,237.0 million). 77.4% (31 December 2020: 68.2%) of borrowings are at a fixed interest rate. Moreover, the Group also held loan receivables of RMB1,316.8 million (31 December 2020: RMB1,739.0 million) at fixed interest rates. Please refer to notes 14, 17, 19 and 29 to the condensed consolidated financial statements for the details of the loan receivables, bank borrowings, MTN and the respective pledge of assets.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the Group has net current liabilities of RMB783.8 million. In July 2021, the Group has obtained Senior Notes amounting to approximately RMB3,876.1 million (United States Dollars ("US$") 600 million) for working capital and business expansion purposes with maturity date of five years from 9 July 2021. As at 30 June 2021, the Group has unutilised RMB300 million medium-term notes to issue in respect of the loan facility. In addition, The Group also has unutilised banking facilities for working capital purposes totalling RMB849.0 million readily available for drawdown within the next twelve months from the date of the approval of these condensed consolidated financial statements. Based on the Company's forecasts and projections of business performance, taking account of operating as well as capital expenditure and availability of the facilities, the directors of the Company are of the view that the Group is able to maintain its existing operation.

As at 30 June 2021, the Group's net gearing ratio, measured as net debt to equity, was 30.2% (31 December 2020: 21.2%). Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern.

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

CONTINGENT LIABILITIES

As at 30 June 2021, 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 2021 amounted to RMB1,764.5 million (2020: RMB1,073.8 million). Capital commitments as at 30 June 2021 amounted to RMB1,972.3 million (31 December 2020: RMB1,942.1 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 2021, the Group employed a total of 7,237 (2020: 6,264) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2021, employees benefit expenses were RMB430.2 million (2020: RMB307.6 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

FOREIGN EXCHANGE RISK MANAGEMENT

During the six months ended 30 June 2021, the Group's sales, purchases, loans receivables, restricted/pledged deposit, bank balances and cash, medium-term notes and bank borrowings were mainly denominated in Renminbi. Moreover, the Group's other long term payable was denominated in United States Dollars and several intercompany balances between the subsidiaries were denominated in different functional currencies, i.e. Meticais. Renminbi and Meticais are not a freely convertible currency. Future exchange rates of the Renminbi and Meticais could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government and Mozambique 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 and Meticais. The appreciation or depreciation of Renminbi and Meticais 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 provide for credit loss, if any. The maximum exposure to credit risk arising from its financial leasing business equals to the carrying amount of the loan receivables.

PROSPECTS

2021 marks the ground-breaking year of the "14th Five-Year Plan", in which the PRC government will adhere to the main theme of making progress while maintaining stability. Under the commencement of the new development stage, the new development concept will be upheld and a new development landscape will be constructed. Aiming to promote high-quality development, with deepening the supply-side structural reforms as the main line, and fundamentally driven by reform and innovation, it will consolidate and expand the results of pandemic prevention and control as well as economic and social development and steadily develop the "six stabilities" (六穩), fully implement the "six guarantees" (六保), and implement scientific and accurate macroeconomic policies which require proactive fiscal policies to be aimed at improving quality and efficiency and being more sustainable, and prudent monetary policies to be agile, precise and reasonable. It will persistently adopt the strategy of boosting domestic demand and high-level opening-up, focus on creating a smooth economic cycle, and strive to keep the economy operations within a reasonable range.

In 2021, the PRC government will increase effective investments and continue to support major construction projects which can boost regional coordinated development. It will speed up the construction of new infrastructure, drive investment demand with new urbanization, implement urban renovation actions, promote the transformation of decrepit urban communities, and promote the integrated development of city clusters and metropolitan areas; it will also accelerate the construction of a transportation powerhouse, and provide strong support for infrastructure investment. In respect of real estate, the PRC government adheres to the positioning of "houses are for inhabitation and not for speculation" to promote the healthy and stable development of the real estate market. However, with the introduction of new financing regulations for real estate enterprises and the continuous tightening of regulations, new construction in the real estate industry will face downward pressure, which may affect the demand for the cement market to a certain degree. At the same time, the PRC government will continue to make greater efforts on ecological and environmental treatment, strengthen the comprehensive treatment of air pollution, strive for peaking carbon emissions and carbon neutrality, and achieve the synergy of reducing pollution and carbon. The continuous normalization of off-peak production in the cement industry has a positive effect on mitigating supply contraction and absorbing excess capacity.

In respect of investment development, the Group will continue to steadily advance its international development. The Group will pursue the simultaneous development of new construction and mergers and acquisitions, actively seek development opportunities, accelerate the implementation of contracted projects and the construction of launched projects, and further improve the quality and achieve the greater effectiveness of projects that are under operation. The Group will continuously accelerate the extension of the upstream and downstream industrial chains. The Group will fully expand the aggregates industry, strengthen the operation and management of the projects and fully capitalize production capacity; and improve the commercial models for commercial concrete projects, thereby further expanding the industry scale. The Group will comprehensively summarize the experience of prefabricated construction projects and focus on strengthening market development, so as to ensure that its production and operation would gradually enter into a virtuous cycle.

In respect of operation management, the Group will pay close attention to the domestic and international macroeconomic situation, coordinate the promotion of pandemic prevention and control and production and operation management, seize the trend of the cement industry, and deeply research and assess on the market supply and demand situation, promote marketing model innovation, optimize logistics resource configuration, and strengthen the control over the end-user market. The Group will fully capitalize in the domestic and international markets and focus on the global resource allocation; continue to properly carry out the traceability and source control of bulk raw materials, deepen strategic cooperation with large-scale coal companies, pay great attention to the guaranteed supply of key resources, expand the development and use of the alternative resources, and strive to reduce the comprehensive procurement cost. The Group will also implement the "green building materials" strategy, increase investment in environmental protection, accelerate industry transformation and upgrade, promote energy-saving and emission-reducing technological transformation, and promote green and low-carbon development. The Group will intensify cooperation among industry, universities and research institutes, focus on research of forward-looking technologies, and establish a professional and high-end technology team; deeply promote the informatisation and industrialisation integration and accelerate the transformation of intelligent factory's results, and comprehensively enhance innovation as the driving force; optimize the internal management and control model, strengthen the construction of the talent team, enhance the incentive and appraisal mechanism, stimulate innovation and creativity of talents to drive the Company's high-quality development.

Operations — Shaanxi

Under the current macro economic conditions in the PRC and Shaanxi Province, the Group does not expect to see a significant increase in demand in the second half of 2021. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2021, 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 2021, both as a result of the limited supply under the increasingly stringent environmental policies imposed by the government.

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 2021, including the constructions of several Central Shaanxi Intercity Railways, the Linyou to Famen Temple Expressway, the Guxian Reservoir.

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 2021, including the constructions of the High Speed Railways from Xi'an to Ankang and from Xi'an to Wuhan, the Danfeng to Ningshan Expressway, the Wuxi to Yunyang to Kaizhou Expressway, the Luoyang to Lushi Expressway and the Hengkou Reservoir. In addition, the Group expects to see substantial demand from a number of new railways and expressways in 2022 and 2023, including the constructions of, the High Speed Railway from Lanzhou to Hanzhong to Shiyan and the Yangxian to Xixiang Expressway.

Operations — Xinjiang & Guizhou

Operations in Xinjiang are improving, while that of Guizhou are likely to remain subdued in 2021. 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 increased ASPs since then. In Southern Xinjiang, where the Group's Moyu Plant is located with 2.0 million tons of capacity, there are a number of on-going infrastructure projects, which are expected to contribute to support the demand in 2021 and beyond. These include the constructions of the Minfeng to Heishihu Expressway, the Minfeng to Ruoqiang Expressway, the Minfeng to Luopu Expressway and the Hetian to Ruoqiang Railway. Moreover, in Northern Xinjiang, the production volume and ASPs of the 1.5 million-ton Yili Plant remained low but improved. The Group expects to see higher volume sold from the Yili Plant and a stable pricing in 2021. In Guizhou, both ASPs and sales volume were improving but still lower than that of prior years due to the 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 2021 and beyond.

Capacity Development

As a key capacity replacement project in Shaanxi Province, the construction of the Tongchuan cement clinker production line with 10,000 tons daily capacity (the "Tongchuan Plant") was completed earlier than expected. The Tongchuan Plant is the world's most advanced second generation new dry process cement production line, with a site area of 828 mu. The production line had abandoned the traditional backward production capacity and technology with high energy consumption, high emission and high pollution, and highlighted its three major advantages of intelligence, environment-friendly and cost-effective. The Tongchuan Plant was a digital plant with unmanned workshop and ultra-low emissions, which will meet the Class A national energy efficiency and emission standards; it will utilize waste heat to generate electricity and recycle waste and hazardous waste, with global leading electricity and energy consumption standards. The Tongchuan Plant was commissioned trial production in June 2021.

The Group expects to seize the development opportunities through the abovementioned production capacity development, and continuously improve the market layout to realize the Group's target of high-quality development.

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 2021. These measures include reducing administrative and head office cost and formulating 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 2021 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 and the capacity replacement projects, the Group has no particular plans for capacity expansion and related capital expenditure in 2021. The Group has funded and expects to continue to fund these commitments from operating cash flow and available banking facilities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2021, 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 2021:

Name of Director	Capacity	Number of ordinary shares held as at 30 June 2021 Total *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2021
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)*	4.07%

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 2021:

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 2021
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 2021, 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 2021, 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 2021 *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2021
Asia Gain *(Note 2)*	Beneficial owner	1,756,469,900 (L)	32.30%
Conch International Holdings (HK) Limited ("Conch") *(Note 3)*	Beneficial owner	1,195,095,070 (L)	21.97%
Anhui Conch Cement Co., Ltd. ("Anhui Conch") *(Note 3)*	Interest in a controlled corporation	1,195,095,970 (L)	21.97%
安徽海螺集團有限責任公司 *(Note 3)*	Interest in a controlled corporation	1,195,095,970 (L)	21.97%
China Conch Venture Holdings Limited ("China Conch") *(Note 3)*	Interest in a controlled corporation	1,195,095,970 (L)	21.97%
Citigroup Inc.	Beneficial owner	435,347,205 (L)	8.00%
		13,241,090 (S)	0.24%
		422,116,521 (P)	7.76%
GIC Private Limited	Beneficial owner	325,076,000 (L)	5.98%
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 36.40% 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 2021 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 adopted a post-IPO share option scheme (the "Post-IPO Share Option Scheme") on 31 March 2010, which had a term of 10 years and expired on 30 March 2020. All outstanding share options granted under the Post-IPO Share Option Scheme remain valid and exercisable in accordance with its terms.

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).

   As the Post-IPO Share Option Scheme expired on 30 March 2020, except for 56,650,000 shares which may be issued upon exercise of the outstanding granted under the Post-IPO Share Option Scheme, (representing about 1.04% of the issued share capital of the Company as at the date of this interim report), no further shares were available for issue 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.

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

During the six months ended 30 June 2021:

Category and name of participant	Date of grant of share options *(Note 1, 2)*	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2021	Granted during the period ended 30 June 2021	Exercised during the period ended 30 June 2021	Cancelled during the period ended 30 June 2021	Lapsed during the period ended 30 June 2021	Outstanding as at 30 June 2021
				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
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	6,750,000	–	–	–	–	6,750,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	16,625,000	–	–	–	–	16,625,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	11,200,000	–	–	–	–	11,200,000
Other employees (Group B)	23 March 2011	3.41	23 March 2012 to 22 March 2021	1,100,000	–	–	–	1,100,000	–
Total				57,750,000	–	–	–	1,100,000	56,650,000

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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (2020: Nil).

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders of the Company. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency of the Company. The Board will continue to review and improve the corporate governance practices from time to time to ensure the Group is led by an effective Board in order to 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 2021.

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 2021.

AUDITORS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021 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 2021, 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 2021.

On behalf of the Board of Directors
Zhang Jimin
Chairman
30 August 2021

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF WEST CHINA CEMENT LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 56, which comprise the condensed consolidated statement of financial position as of 30 June 2021 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

30 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	3	**4,232,906**	3,008,741
Cost of sales		**(2,889,159)**	(1,961,117)
Gross profit		**1,343,747**	1,047,624
Other income	4	**127,756**	123,256
Selling and marketing expenses		**(49,981)**	(26,229)
Administrative expenses		**(246,633)**	(184,194)
Other expenses		**(14,283)**	(43,284)
Other gains and losses, net	5	**326,424**	(7,350)
Impairment loss under expected credit loss model, net of reversal		**(86,702)**	(60,661)
Share of profit of an associate		**1,904**	8,091
Interest income	6	**96,388**	102,091
Finance costs	7	**(116,509)**	(73,697)
Gain on disposal of an associate	9	**79,254**	–
Profit before tax		**1,461,365**	885,647
Income tax expense	8	**(241,655)**	(108,755)
Profit for the period	10	**1,219,710**	776,892
Other comprehensive income for the period			
Item that will not be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**44,991**	–
Total comprehensive income for the period		**1,264,701**	776,892
Profit for the period attributable to:			
— Owners of the Company		**1,056,068**	752,251
— Non-controlling interests		**163,642**	24,641
		1,219,710	776,892
Total comprehensive income attributable to:			
— Owners of the Company		**1,087,420**	752,251
— Non-controlling interests		**177,281**	24,641
		1,264,701	776,892
Earnings per share			
— Basic (RMB)	12	**0.194**	0.138
— Diluted (RMB)	12	**0.194**	0.138

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	13	**12,775,387**	11,161,110
Right-of-use assets		**810,708**	643,185
Mining rights		**850,352**	539,903
Other intangible assets		**212,250**	208,186
Investment in an associate		**–**	77,643
Loan receivables	14	**533,404**	524,091
Deferred tax assets		**46,890**	42,673
Prepayments for right-of-use assets		**67,628**	100,278
Prepayments for mining rights		**9,500**	49,170
Deposits paid for acquisition of property, plant and equipment		**162,427**	199,497
Deposits paid for acquisition of subsidiaries		**185,200**	85,200
Other deposits	15	**2,069**	23,123
Equity investment at fair value through profit or loss		**141,660**	–
Investment in entrusted product		**–**	81,855
		15,797,475	13,735,914
Current assets			
Inventories		**965,961**	731,434
Trade and other receivables and prepayments	15	**2,647,861**	1,748,635
Loan receivables	14	**783,442**	1,214,955
Investment in entrusted product		**81,855**	–
Structured deposits		**–**	100,000
Restricted/pledged bank deposits		**733,636**	723,831
Bank balances and cash		**1,125,272**	651,463
		6,338,027	5,170,318
Current liabilities			
Bank borrowings	17	**2,721,036**	1,878,894
Trade and other payables	18	**2,838,593**	2,734,518
Medium-term notes	19	**504,701**	–
Dividend payable		**652,666**	8,000
Contract liabilities		**321,582**	260,594
Income tax payable		**83,246**	63,698
		7,121,824	4,945,704
Net current (liabilities) assets		**(783,797)**	224,614
Total assets less current liabilities		**15,013,678**	13,960,528

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current liabilities			
Bank borrowings	17	**1,262,931**	600,548
Medium-term notes	19	**735,908**	1,232,842
Asset retirement obligation		**351,762**	347,413
Deferred tax liabilities		**83,124**	78,701
Deferred income	20	**410,208**	35,301
Amount due to a non-controlling shareholder of a subsidiary	21	**–**	1,138,506
Other long-term payables	21	**1,026,719**	–
		3,870,652	3,433,311
Net assets		**11,143,026**	10,527,217
Capital and reserves			
Share capital	22	**141,837**	141,837
Share premium and reserves		**10,623,719**	10,188,965
Equity attributable to owners of the Company		**10,765,556**	10,330,802
Non-controlling interests		**377,470**	196,415
Total equity		**11,143,026**	10,527,217

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Equity reserve RMB'000 *(Note b)*	Translation reserve RMB'000	Share option reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021 (audited)	141,837	2,484,484	(250,227)	(3,552)	24,034	1,254,149	6,680,077	10,330,802	196,415	10,527,217
Profit and total comprehensive income for the period	–	–	–	–	–	–	1,056,068	1,056,068	163,642	1,219,710
Translation difference of foreign currency statements	–	–	–	31,352	–	–	–	31,352	13,639	44,991
Profit and total comprehensive income for the period	–	–	–	31,352	–	–	1,056,068	1,087,420	177,281	1,264,701
Share options lapsed *(note 23)*	–	–	–	–	(1,310)	–	1,310	–	–	–
Appropriation of maintenance and production funds *(Note a)*	–	–	–	–	–	32,119	(32,119)	–	–	–
Utilisation of maintenance and production funds *(Note a)*	–	–	–	–	–	(11,341)	11,341	–	–	–
Dividend recognised as distribution *(note 11)*	–	(652,666)	–	–	–	–	–	(652,666)	–	(652,666)
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	3,774	3,774
At 30 June 2021 (unaudited)	141,837	1,831,818	(250,227)	27,800	22,724	1,274,927	7,716,677	10,765,556	377,470	11,143,026

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Equity reserve RMB'000 *(Note b)*	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 23)*	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 11)*	–	(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

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. *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.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June 2021 RMB'000 (Unaudited)	 2020 RMB'000 (Unaudited)
Net cash from operating activities		**861,654**	760,059
INVESTING ACTIVITIES			
Withdrawal of restricted/pledged bank deposits		**631,816**	211,390
Government grants received for demolition		**373,500**	–
Repayments received from loans to third parties		**145,270**	112,575
Proceeds from disposal of structured deposits		**100,000**	–
Interest received		**96,388**	102,091
Proceeds from disposal of property, plant and equipment		**29,823**	8,979
Repayments received for advance to third parties		**27,834**	–
Dividends received from an associate		**12,000**	7,254
Government grants received for acquisition of property, plant and equipment		**460**	1,300
Purchase of property, plant and equipment		**(1,966,424)**	(1,105,401)
Placement of restricted/pledged bank deposits		**(641,621)**	(527,120)
Payment for land use rights		**(388,000)**	–
Payment for acquisition of a subsidiary		**(100,000)**	–
Purchase of right-of-use assets		**(30,745)**	–
Advance to third parties		**(27,726)**	–
Loans to third parties		**(10,400)**	(64,170)
Net cash outflow on acquisition of a subsidiary	25 & 26	**(9,544)**	(1,699)
Payment for acquisition of non-controlling interest of a subsidiary		**(7,200)**	–
Purchase of mining right		**(4,632)**	–
Purchase of other intangible assets		**(1,495)**	(606)
Net cash used in investing activities		**(1,770,696)**	(1,255,407)
FINANCING ACTIVITIES			
New borrowings raised	17	**2,959,695**	1,467,148
Advance from third parties		**16,585**	–
Capital injection by non-controlling shareholders		**3,774**	–
Repayment of borrowings	17	**(1,448,541)**	(499,000)
Interest paid		**(138,775)**	(96,500)
Dividend paid		**(8,000)**	(2,000)
Repayment of advance from third parties		**(836)**	–
Shares issued for share options exercised		**–**	2,120
Net cash from financing activities		**1,383,902**	871,768
Net increase in cash and cash equivalents		**474,860**	376,420
Cash and cash equivalents at 1 January		**651,463**	779,559
Effect of foreign exchange rate changes		**(1,051)**	(345)
Cash and cash equivalents at 30 June, represented by bank balances and cash		**1,125,272**	1,155,634

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 and Africa.

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. BASIS OF PREPARATION

As at 30 June 2021, the Group had net current liabilities of RMB783,797,000. In July 2021, the Group has obtained Senior Notes (as defined in note 31) amounting to approximately RMB3,876,100,000 (United States Dollars ("US$") 600,000,000) for working capital and business expansion purposes with maturity date of five years from 9 July 2021. As at 30 June 2021, the Group had unutilised RMB300,000,000 medium-term notes (note 19) to issue in respect of the loan facility. In addition, The Group also has unutilised banking facilities for working capital purposes totalling RMB848,963,000 readily available for drawdown within the next twelve months from the date of the approval of these condensed consolidated financial statements.

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

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 additional 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 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied 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 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	*Covid-19-Related Concessions*
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*

The application of the 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.

Potential impacts on application of the agenda decision of the IFRS Interpretations Committee (the "Committee") — Costs Necessary to Sell Inventories

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realizable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's existing accounting policy is to determine net realisable value taking into consideration incremental costs only. As at 30 June 2021, the Group is still in the process of assessing the potential impact and has yet to implement the change in accounting policy based on the Committee's agenda decision. The impacts on such change, if any, will be disclosed in the Group's future consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of products and services		
Sales of cement and related products	**3,747,126**	2,921,648
Trading of cement-related raw materials	**430,288**	31,455
Others	**55,492**	55,638
	4,232,906	3,008,741

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 the following areas, namely central and southern Shaanxi, Xinjiang, Guizhou and overseas. However, no further operating results by these areas are being provided to the CODM, and the CODM reviews the consolidated results of the Group as a whole. Accordingly, no further segment information of operating and reportable segment has been disclosed in the condensed consolidated financial statements.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Geographical markets		
Central Shaanxi	**2,053,385**	1,424,993
Southern Shaanxi	**1,167,908**	1,054,531
Xinjiang	**592,619**	379,326
Guizhou	**171,712**	149,891
Overseas	**247,282**	–
	4,232,906	3,008,741

The proportion of the Group's non-current assets located in the PRC by locations of assets is 85% as at 30 June 2021 (31 December 2020: 84% located in the PRC). The remaining 15% of non-current assets were located in Africa (31 December 2020: 16%).

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.

4. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Tax refund *(Note)*	**111,298**	108,146
Government grant	**13,071**	15,047
Dividend income from equity investment at fair value through profit or loss ("FVTPL")	**3,032**	–
Others	**355**	63
	127,756	123,256

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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fair value gain on investment in entrusted product	**5,600**	13,500
Fair value loss on equity investment at FVTPL	**(17,141)**	–
Impairment loss recognised on mining right *(Note a)*	**(20,803)**	–
Net foreign exchange gains (losses) *(Note b)*	**347,297**	(18,694)
Gain (loss) on disposal of property, plant and equipment	**6,708**	(2,139)
Others	**4,763**	(17)
	326,424	(7,350)

Notes:

(a) *On 7 February 2021, pursuant to a government notice from Department of Emergency Management of Shaanxi Province, in order to protect the ecological environment of Qingling mountains, the Group is required to close its mine located in Lantian, Shaanxi. Accordingly, an impairment loss of RMB20,803,000 in respect of such mining right was recognised in the current interim period. No other material assets are impaired in respect of the closure of the mining right.*

(b) *The amounts during the six months ended 30 June 2021 mainly related to the translation of other long term payable from United States Dollar ("US$") to Meticais ("MZN") as well as the exchange difference incurred on intercompany balances between the subsidiaries with different functional currencies.*

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

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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
Borrowings	**105,049**	72,204
Medium-term notes	**45,267**	19,587
	150,316	91,791
Less: amount capitalised in construction in progress	**(42,269)**	(27,089)
	108,047	64,702
Unwinding of discount of asset retirement obligation	**8,462**	8,995
	116,509	73,697

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 5.61% (six months ended 30 June 2020: 5.80%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
— PRC enterprise income tax ("EIT")	**140,972**	138,294
— Withholding tax	**67,294**	26,836
	208,266	165,130
Under (over) provision in prior years		
— PRC EIT	**11,998**	(81,320)
Deferred tax		
Current period	**21,391**	29,086
Attributable to change in tax rate	**–**	(4,141)
	21,391	24,945
Income tax expense	**241,655**	108,755

9. DISPOSAL OF AN ASSOCIATE

During the current interim period, the Group entered into a sale agreement to dispose of its 100% equity interest in West Environment Technology Holdings Limited ("WETH"). WETH acts as an investment holding entity and does not have any operation except for holding 20% interests in Yaobai Environmental Technology Engineering Co., Ltd. ("Yaobai Environmental"). The disposal is made to a directly wholly-owned subsidiary of China Conch Ventures Holdings Limited ("China Conch") in which China Conch is a substantial shareholder of the Company with its shares listed on the Main Board of the Hong Kong Stock Exchange Limited. Before the disposal, the investment in Yaobai Environmental was previously accounted for as an investment in an associate using the equity method of accounting. The Group received 5,206,349 shares issued by China Conch in return and designated the investment as equity investment at FVTPL. The Group intended to hold the investment in the long run and the investment is hence classified as a non-current asset. This transaction has resulted in the Group recognising a gain on disposal of RMB79,254,000 in profit or loss, calculated at the follows:

	RMB'000
Consideration received	158,801
Less: carrying amount of Yaobai Environmental at the date of disposal	(79,547)
	79,254

10. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**485,710**	404,102
Depreciation of right-of-use assets	**6,658**	7,248
Amortisation of mining rights	**10,258**	10,707
Amortisation of other intangible assets	**851**	1,741
Total depreciation and amortisation	**503,477**	423,798
Recognised in cost of sales	**(42,946)**	(44,562)
Capitalised in inventories	**(422,559)**	(339,906)
	37,972	39,330
Staff costs (including directors' emoluments)		
Wages and salaries	**402,534**	302,864
Defined contribution retirement plan expenses *(Note)*	**27,640**	4,754
Total staff costs	**430,174**	307,618
Recognised in cost of sales	**(9,817)**	(12,050)
Capitalised in inventories	**(261,586)**	(180,406)
	158,771	115,162
Net allowance for credit losses recognised (reversal of) in respect of:		
Loan receivables	**52,330**	55,394
Trade receivables	**34,379**	5,328
Other receivables	**(7)**	(61)
Donation (included in other expenses)	**1,584**	23,396
Legal and professional fees (included in other expenses)	**12,699**	19,888

Note:

During the outbreak of COVID-19 in the prior interim period, the Group received support from the PRC government and the payment of social welfare pension amounting to RMB20,615,000 was waived by the PRC government. No such waive was granted by the PRC government in the current interim period.

11. DIVIDENDS

During the six months ended 30 June 2021, a final dividend of RMB8.6 cents per ordinary share in respect of the year ended 31 December 2020 (six months ended 30 June 2020: RMB6.3 cents per share in respect of the year ended 31 December 2019) in total of approximately RMB467,744,000 (six months ended 30 June 2020: RMB342,622,000) and a special dividend of RMB3.4 cents per ordinary share, in an aggregate of RMB184,922,000 (six months ended 30 June 2020: Nil) with an aggregate total of RMB652,666,000, was declared and approved by the shareholders in the annual general meeting.

The directors of the Company have determined that no dividend will be paid in respect of current and prior interim period.

12. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**1,056,068**	752,251

	Six months ended 30 June	
	2021	2020
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,438,883**	5,435,638
Effect of dilutive potential ordinary shares from share options issued by the Company	**5,671**	8,841
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,444,554**	5,444,479
Basic earnings per share	**RMB0.194**	RMB0.138
Diluted earnings per share	**RMB0.194**	RMB0.138

The computation of diluted earnings per share for the six months ended 30 June 2021 and 2020 does not assume the exercise of certain share options because the adjusted exercise price of those options was higher than the average market price for shares for both periods.

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

During the current interim period, the Group purchased property, plant and equipment, right-of-use assets (land use rights) and mining rights of RMB125,972,000 (six months ended 30 June 2020: RMB70,860,000), RMB30,745,000 (six months ended 30 June 2020: Nil) and RMB4,632,000 (six months ended 30 June 2020: Nil), respectively, from third parties and incurred RMB1,603,160,000 on construction in progress (six months ended 30 June 2020: RMB1,002,940,000).

In addition, during the current interim period, the Group acquired a subsidiary with addition of property, plant and equipment of approximately RMB271,653,000 (six months ended 30 June 2020: RMB93,987,000).

The amounts of construction in progress transferred to other classes of property, plant and equipment, right-of-use assets and mining rights during the six months ended 30 June 2021 are RMB2,704,915,000 (six months ended 30 June 2020: RMB110,171,000), RMB107,102,000 (six months ended 30 June 2020: Nil) and RMB70,046,000 (six months ended 30 June 2020: RMB3,161,000), respectively.

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB23,115,000 (six months ended 30 June 2020: RMB11,118,000), resulting in a gain on disposal of RMB6,708,000 (six months ended 30 June 2020: loss on disposal of RMB2,139,000).

14. LOAN RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Loans collateralised by property, plant and equipment *(Note a)*	**862,089**	1,111,189
Entrusted loan *(Note b)*	**100,000**	200,000
Loans collateralised by receivables *(Note b)*	**458,800**	473,800
Small loans *(Note c)*	**59,604**	65,374
	1,480,493	1,850,363
Less: allowance for credit losses	**(163,647)**	(111,317)
	1,316,846	1,739,046
Analysed as:		
Current	**783,442**	1,214,955
Non-current	**533,404**	524,091
	1,316,846	1,739,046

14. LOAN RECEIVABLES (Cont'd)

Notes:

(a) *As at 30 June 2021 and 31 December 2020, 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 certain of their 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.*

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within one year	**783,442**	1,214,955
In more than one year but not more than two years	**533,404**	524,091
	1,316,846	1,739,046

The ranges of effective rates on the Group's loan receivables was 8% to 15% per annum as at 30 June 2021 (31 December 2020: 10% to 15% per annum).

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

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

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	1,125,256	778,993
Trade receivables backed by bills	505,890	539,557
	1,631,146	1,318,550
Less: allowance for credit losses	(95,355)	(62,276)
	1,535,791	1,256,274
Other receivables	278,420	177,713
Less: allowance for credit losses	(4,402)	(4,409)
	274,018	173,304
VAT recoverables	332,068	231,275
VAT refund receivables	40,819	20,841
Dividend receivable from associate	–	12,000
Dividend receivable from equity investment at FVTPL	3,032	–
Prepayments	76,202	78,064
Deposit paid for land use rights for properties for sale *(Note)*	388,000	–
	2,649,930	1,771,758
Less: Non-current portion of other deposits (included in "Other receivables" above)	(2,069)	(23,123)
	2,647,861	1,748,635

Note: The amount represented tender deposits, amounting to RMB388,000,000 (2020: Nil), paid for public land auction of property development project in the PRC. At 30 June 2021, the Group has secured the tender and is in the process of obtaining the land use right certificate.

15. 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 90 days	**565,523**	293,632
91 to 180 days	**156,954**	193,677
181 to 360 days	**217,785**	182,348
361 to 720 days	**171,461**	95,224
Over 720 days	**13,533**	14,112
	1,125,256	778,993

As at 30 June 2021, total bills received amounting to RMB265,930,000 (31 December 2020: RMB493,764,000) 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 16.

16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

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.

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

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 RMB505,890,000 (31 December 2020: RMB539,557,000) as at 30 June 2021. 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.

Impairment assessment on other receivables

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

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.

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 10 to the condensed consolidated financial statements.

17. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting RMB2,959,695,000 (six months ended 30 June 2020: RMB1,467,148,000) and made repayments amounting to RMB1,448,541,000 (six months ended 30 June 2020: RMB499,000,000). The borrowings carry annual interest rates ranging from 2.98% to 8.00% per annum as at 30 June 2021 (31 December 2020: 0.70% to 8.00% per annum) and are repayable between 2021 and 2028.

18. TRADE AND OTHER PAYABLES

As at 30 June 2021, included in trade payables are bills amounting to RMB223,500,000 (31 December 2020: RMB121,500,000) 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 90 days	**1,055,168**	909,144
91 to 180 days	**313,356**	376,923
181 to 360 days	**196,568**	379,245
361 to 720 days	**55,004**	38,455
Over 720 days	**20,005**	11,506
	1,640,101	1,715,273

19. MEDIUM-TERM NOTES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Current	**504,701**	–
Non-current	**735,908**	1,232,842
	1,240,609	1,232,842

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.

On 2 September 2020, the Group issued the second tranche of the medium-term note with principal amount of RMB700,000,000 ("Second Tranche of the Medium-term Note") which carry interest of 7% per annum with maturity date of three years from the date of 4 September 2020. The Second Tranche of the Medium-term Note carries effective interest rate of approximately 7.11% per annum after adjusted for transaction costs of RMB6,300,000.

As at 30 June 2021, the First Tranche of Medium-term Note is due to be repaid within one year and is reclassified as current liabilities.

* *The English name is for identification purpose*

20. DEFERRED INCOME

Pursuant to a factory relocation agreement signed between a subsidiary of the Company (the "Subsidiary") and the local government in Ankang, Shaanxi, the PRC, the Subsidiary agreed to relocate its factory to another district in the city and returned the land use right to the government in return for compensation of RMB502,000,000. Included in deferred income represented an amount of RMB373,500,000 subsidy received from the government during the current interim period for relocation and construction of a new plant. As at 30 June 2021, the relocation has not yet commenced.

21. OTHER LONG-TERM PAYABLES/AMOUNT DUE TO NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Payable related to Dugongo (defined below) *(Note a)*	**727,179**	1,138,506
Payable for mining rights *(Note b)*	**299,540**	–
	1,026,719	1,138,506

Notes:

(a) *As of 31 December 2020, the Group recorded RMB1,138,506,000 payables to the non-controlling shareholder of Moçambique Dugongo Cimentos, S.A. ("Dugongo"). During the six months ended 30 June 2021, Dugongo signed a three-party debt transferring agreement with an independent third party and the non-controlling shareholder of Dugongo to transfer the full amount due to the non-controlling shareholder of Dugongo to the independent third party with repayment periods from 2022 to 2026.*

(b) *According to the announcement on Collection and Management of the Revenue from the Transfer of Mining Rights in Shaanxi Province "陝西省礦業權出讓收益徵收管理實法" (the "Announcement"), an entity is required to pay a premium when acquiring the relevant exploration right or mining right. The balance represented the amount to be paid to the government in respect of such Announcement with repayments payable from 2022 to 2041.*

22. 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:			
As at 1 January 2020, 31 December 2020 and 30 June 2021	10,000,000	20,000	
Issued and fully paid:			
Balance as at 1 January 2020	5,435,133	10,868	141,771
Exercise of share options	3,750	8	66
Balance as at 31 December 2020 and 30 June 2021	5,438,883	10,876	141,837

23. 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.

23. SHARE-BASED PAYMENTS (Cont'd)

No share-based payment expense was recognised in relation to the share options granted by the Company during both periods.

No share options were exercised during the six months ended 30 June 2021. 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 or 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.

During the six months ended 30 June 2021, 1,100,000 share options (30 June 2020: Nil) were lapsed or expired.

24. CAPITAL COMMITMENTS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**1,972,315**	1,942,054

25. ACQUISITION OF A SUBSIDIARY

On 16 June 2021, the Group signed a sales and purchase agreement with an independent third party to acquire 100% equity interests in Shangnan hucaoping Mining Development Co., Ltd* ("Hucaoping") 商南葫草坪礦業開發有限公司 with a cash consideration of RMB10,000,000. Hucaoping is principally engaged in the mining and sales of vanadium mines which is used vanadium steel, which is widely used in different industries such as vehicles, railways, vessels, etc..

Fair value of assets and liabilities recognised at the date of acquisition on a provisional basis

	RMB'000
Assets	
Trade and other receivables and prepayments	8,302
Inventories	10,834
Property, plant and equipment	271,653
Right-of-use assets	3,841
Other intangible assets	2,512
Other current assets	12,262
Bank balances and cash	456
Liabilities	
Trade and other payables	(64,860)
Borrowings	(235,000)
	10,000

The trade and other receivables acquired (which principally comprised trade receivables) with gross contractual amounts of RMB8,302,000 represents its fair value, of which in the opinion of the directors of the Company is expected to be fully recoverable within one year.

Acquisition-related costs are immaterial and are recognised as administrative expenses when they are incurred.

No goodwill arose from the acquisition of Hucaoping on a provisional basis.

* *The English name is for identification purpose*

25. ACQUISITION OF A SUBSIDIARY (Cont'd)

Net cash outflow arising on acquisition

	RMB'000
Considerations paid in cash	10,000
Cash and cash equivalent balances acquired	(456)
	9,544

Impact of acquisition on the results of the Group

As at the date of acquisition and the reporting period end, Hucaoping has still not yet commenced operations and no impact on the results is identified has the acquisition been effected at the beginning of the current period.

26. 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 at 30 June 2020	20,500
	43,000

26. 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

27. MAJOR NON-CASH TRANSACTION

According to the Collection and Management of the Revenue from the Transfer of Mining Rights in Shaanxi Province "陝西省礦業權出讓收益徵收管理實法", an entity is required to pay a premium when acquiring the relevant exploration right or mining right. During the current interim period, the Group recognised additional mining right and corresponding payable amounting to RMB266,832,000 pursuant to such requirement.

28. 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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**10,437**	6,367
Post-employment benefits	**70**	19
	10,507	6,386

29. 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 2021	31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Property, plant and equipment	**3,698,253**	2,815,916
Trade receivables	**3,851**	21,600
Right-of-use assets	**91,407**	88,202
Pledged bank deposits	**586,080**	565,434
	4,379,591	3,491,152

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 RMB328,000,000 has been drawn down as at 30 June 2021. The pledge will be released upon the repayment of the borrowing to the bank.

* *The English name is for identification purpose*

30. 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 equity investment at FVTPL, investment in entrusted product 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.

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

Name	Fair value as at 30/06/2021 RMB'000	Fair value as at 31/12/2020 RMB'000	Fair value hierarchy	Valuation techniques and key input(s)
Equity investment at FVTPL	**141,660**	–	Level 1	Quoted bid price in an active market
Investment in entrusted product	**81,855**	81,855	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	**–**	100,000	Level 3 *(Note)*	Discounted cash flow. Future cash flow are estimated based on the net asset values of the investment portfolios and market interest rates of the portfolios

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

31. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 24 June 2021, the Company has announced to conduct an international offering of a US$ senior notes expiring in 2026 ("Senior Notes"). The Company intends to use the proceeds from the Senior Notes for working capital and general corporate purposes including overseas expansion and investments in Africa. On 9 July 2021, US$600 million (equivalent to RMB3,876,100,000) Senior Notes carrying interest at the rate of 4.95% per annum expiring in 2026 was issued.

(b) During the six months ended 30 June 2021, the Group had entered into a sale and purchase agreement with East African Mining Corporation ("East African Mining") to acquire from East African Mining 10% of its shareholding in National Cement Share Company (the "Target") in Ethiopia at a consideration of approximately US$17,000,000 (equivalent to RMB109,820,000), which represented 41,661 issued shares of the Target. As at 30 June 2021, the payment in connection with the acquisition has not yet been paid.

On 16 July 2021, the Group entered into the below share purchase agreements in connection with issued shares of the Target to:

(a) acquire from Schulze Global Ethiopia Growth and Transformation Fund I.L.P. ("Schulze Global") the entire shares of Scheulze Global EGTF Cement Ltd. which holds 5.5% interest (represented 23,233 issued shares) in the Target;

(b) acquire from Schulze Global and SGI Africa Cement Partners, L.P. ("SGI Africa") the entire shares of SGI Ethiopia Cement Ltd. which holds 8.4% interest (represented 35,040 issues shares) in the Target;

On 26 August 2021, the Group had paid a total of US$23,380,000 (equivalent to RMB151,035,000) to Schulze Global and SGI Africa in connection with the acquisition of the Target of (a) and (b) above.