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WEST CHINA CEMENT LIMITED

中國西部水泥有限公司

(Incorporated in Jersey with limited liability, with registered number 94796)

(Stock Code: 2233)

2018 Interim Results Announcement

Financial highlights

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

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

Notes:

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

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

The board of directors (the "Board") of West China Cement Limited (the "Company" together with its subsidiaries, the "Group") is pleased to announce the Group's interim results for the six months ended 30 June 2018 together with the comparative figures for the corresponding period of 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
	Notes	**2018**	2017
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*1*	**2,601,888**	2,111,890
Cost of sales		**(1,635,424)**	(1,644,968)
Gross profit		**966,464**	466,922
Other income		**143,163**	96,761
Selling and marketing expenses		**(26,093)**	(23,594)
Administrative expenses		**(137,141)**	(126,863)
Other expenses		**–**	(34,100)
Other gains and losses, net		**(37,341)**	45,233
Impairment losses, net of reversal		**(6,102)**	(6,121)
Share of profit of an associate		**12,249**	7,497
Interest income		**71,110**	7,077
Finance costs		**(112,997)**	(126,862)
Profit before tax		**873,312**	305,950
Income tax expense	*2*	**(216,843)**	(80,651)
Profit and total comprehensive income for the period	*3*	**656,469**	225,299
Attributable to:			
— Owners of the Company		**646,700**	218,058
— Non-controlling interests		**9,769**	7,241
		656,469	225,299
Earnings per share			
— Basic (RMB)	*4*	**0.119**	0.040
— Diluted (RMB)	*4*	**0.119**	0.040

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**7,222,895**	7,137,420
Prepaid lease payments		**465,006**	471,487
Mining rights		**238,836**	245,611
Other intangible assets		**196,273**	191,122
Investment in an associate		**69,227**	56,978
Loan receivables	*5*	**796,345**	406,851
Deferred tax assets		**34,040**	36,521
Amount due from non-controlling shareholder of a subsidiary		**23,218**	23,218
Prepayments for construction in progress		**7,055**	106,796
		9,052,895	8,676,004
Current assets			
Inventories		**508,827**	436,160
Trade and other receivables and prepayments	*6*	**627,086**	670,136
Loan receivables	*5*	**437,843**	437,273
Debt instruments at fair value through other comprehensive income	*7*	**188,397**	–
Restricted bank deposits		**185,877**	77,013
Bank balances and cash		**1,229,605**	1,375,353
		3,177,635	2,995,935
Total assets		**12,230,530**	11,671,939
EQUITY			
Share capital		**141,771**	141,549
Share premium and reserves		**6,943,397**	6,437,125
Equity attributable to owners of the Company		**7,085,168**	6,578,674
Non-controlling interests		**65,868**	50,032
Total equity		**7,151,036**	6,628,706

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	*8*	**–**	160,000
Senior notes		**2,633,883**	2,596,470
Asset retirement obligation		**24,110**	23,417
Deferred tax liabilities		**59,216**	71,296
Deferred income		**44,770**	49,742
		2,761,979	2,900,925
Current liabilities			
Borrowings	*8*	**845,571**	584,000
Short-term notes	*9*	**–**	399,586
Trade and other payables	*10*	**1,062,387**	1,056,431
Contract liabilities		**220,760**	–
Income tax payable		**188,797**	102,291
		2,317,515	2,142,308
Total liabilities		**5,079,494**	5,043,233
Total equity and liabilities		**12,230,530**	11,671,939
Net current assets		**860,120**	853,627
Total assets less current liabilities		**9,913,015**	9,529,631

NOTES:

1. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the production and sale of cement products. The Group's Chief Executive Officer, the chief operating decision maker (the "CODM") reviews the sales volume and average selling prices of its cement products by four areas, namely eastern and southern Shaanxi, Xinjiang and Guizhou. However, no further operating results by these areas are being provided, and the CODM reviews the consolidated results of the Group as a whole. Accordingly, no further segment information has been disclosed in the condensed consolidated financial statements for both periods.

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

No single customer contributed 10% or more to the Group's revenue for both periods. All of the Group's non-current assets are located in the PRC by locations of assets.

2. INCOME TAX EXPENSE

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

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

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

Notes:

a. The Group's subsidiary Hetian Yaobai Cement Co., Ltd. ("Hetian Yaobai") was established in Xinjiang. Pursuant to the relevant laws and regulations of Xinjiang, Hetian Yaobai is entitled to a concession rate of 15% from 2018. The applicable tax rate for the six months ended 30 June 2018 is 15% (six months ended 30 June 2017: 12.5%).

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

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

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

3. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

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

4. EARNINGS PER SHARE

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

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

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

Note:

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

5. LOAN RECEIVABLES

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

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

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

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

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

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

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

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

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

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

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

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

6. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

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

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

7. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

8. BORROWINGS

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

9. SHORT-TERM NOTES

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

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

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

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

10. TRADE PAYABLES

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

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

11. 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 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Restricted bank deposits	**122,007**	–
Trade receivables	**–**	7,265
Prepaid lease payments	**168,960**	108,691
Property, plant and equipment	**2,156,320**	2,263,523
	2,447,287	2,379,479

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

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

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

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

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

Operating Environment

A key feature of the Group's operational performance in 2018 has been the significant narrowing of the differentiation between the Group's cement ASPs in Southern Shaanxi (where the Group's cement capacity amounts to 9.7 million tons) which have remained reasonable and strong, as compared with those in Central Shaanxi (where the Group's cement capacity amounts to 13.6 million tons) which have been significantly improved to a similar price level. Such significant improvement in ASPs in Central Shaanxi even under the continuing low demand scenario was through the continuation of occasional peak shifting production halts during low season periods and improved market discipline with lower supply among all producers.

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

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

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi have remained stable and strong during the first half of 2018. The supply side has remained rational and stable, as a result of little new capacity and effective closure of obsolete and small-scale clinker kiln and cement grinding capacity over past years, as well as long transportation distances from other regions. The Group has effectively maintained strong market leadership in this area, promoting a disciplined supply side.

Demand in this region has remained reasonable during the first half of 2018, supported by continued growth in railway and road infrastructure project construction. The Pingli to Zhenping Expressway and the Ankang to Langao Expressway, have been, amongst others, particularly important demand drivers; and the construction of the Taoba Expressway, the Taibai to Fengxian Expressway, the Xixiang to Zhenba Expressway, the Ankang Airport, the Zhen'an Hydropower Station and the Xunyang Hydropower Station have also contributed to support the demand. Rural and urban developments in Southern Shaanxi have continued to be supported by the Hanjiang to Weihe River Water Transport Project and the Southern Shaanxi Resettlement Project which have continued to be important for both cement demand and development in this region.

Whilst sales volumes of cement in Southern Shaanxi have decreased slightly by approximately 7.5% to approximately 3.43 million tons in the first half of 2018 (2017: 3.71 million tons), the above supply and demand scenario has led to relatively strong pricing for the Group's products in this area. There has been some pressure on ASPs, especially in Hanzhong District, due to the low pricing in surrounding areas, but the high infrastructure project demand and insulation from outside competition have supported pricing in Ankang District in particular. During the first half of 2018, the Group has recorded cement ASP in Southern Shaanxi of approximately RMB322 per ton (2017: RMB242 per ton) (excluding VAT), which is slightly higher than the Group's overall ASP of RMB313 per ton (2017: RMB240 per ton) (excluding VAT), with capacity utilization rate at approximately 71% (2017: 79%).

Central Shaanxi

The demand in Central Shaanxi market has remained low, especially in the Xi'an Metropolitan market. This low demand scenario has been exacerbated by the imbalance between supply and demand already existing in the area. Central Shaanxi is an area with a significant build-out of new capacity since 2010 and, although all new capacity has been completed since early 2014 with no further additions planned for the foreseeable future, the effect of such new capacity is still being reflected through intense competition. Fortunately, through the continuation of peak shifting production halts during low season periods and improved market discipline with lower supply among all producers since the fourth quarter of 2016, ASPs in Central Shaanxi have significantly improved even under the abovementioned continuing low demand scenario in the first half of 2018.

During the first half of 2018, the Group has continued to maintain its market share in Eastern Xi'an, Yaowangshan, Fuping County and the rest of Weinan District where urbanisation remains a key demand driver. The Group has also supplied cement to a number of infrastructure projects, including the constructions of Line 5 and Line 6 of the Xi'an Metro, the Yinchuan to Xi'an High Speed Railway, the Nangoumen Reservoir, the expansion of Xi'an Train Station, the Heyang to Tongchuan Expressway and the Yan'an to Huanglong Expressway. The largest of these, the Inner Mongolia to Jiangxi Coal Transportation Railway (Shaanxi Section) has commenced construction in March 2016 and consumed over 0.15 million tons of cement in the first half of 2018.

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

Xinjiang & Guizhou Provinces

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

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

Energy Conservation, Emissions & Environmental Protection Solutions

The Group continues to work towards the best of industry standards in regards to energy conservation, emission controls and further development of environmental protection solutions. All of the Group's production facilities employ New Suspension Preheater ("NSP") technology. The plants are situated in close proximity to their respective limestone quarries and, at many of the plants, limestone conveyor belt systems are used in order to minimize emissions from transportation. The Group is also the first cement producer in Shaanxi Province to use desulfurized gypsum and construction waste as raw material inputs into some of its cement products, and regularly recycle fly ash from power plants as well as slag from iron & steel plants as inputs into some of its cement products.

The Group has residual heat recovery systems installed at most of its production facilities. As at 30 June 2018, these systems are operated at 13 out of 20 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce carbon dioxide ("CO2") emissions by approximately 20,000 tons per million tons of cement production.

The Group has already completed the installation of de-nitration ("De-NOx") equipment at all of the Group's plants in Shaanxi, Xinjiang and Guizhou Provinces. This equipment reduces nitrous oxide ("NOx") emissions by approximately 60% per ton of clinker produced, so that NOx emissions at the Group's plants comply with the Cement Industrial Air Pollution Emissions Standards. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed, resulting in all of the Group's plants having been upgraded to meet new PM emission standards as well. Moreover, the Group has effectively reduced the emission of dust through the technical renovation of the kiln-head and kiln-end dust collectors and also further reduced the emission of nitrogen oxide and the consumption of ammonia water through the implementation of de-nitration spray guns and automated technological innovation in five plants. During the period, two green limestone mines projects, including soil reclamation and mine re-greening, already commenced construction to comply with the new environmental protection policy. The Group will continue to implement the green mine projects to all our limestone mines to reduce the pollution to the soil and mines during mining in order to comply with the government policy of "managing while mining" in the future.

Yaobai Environmental — Waste Treatment

In November 2015, the Company announced that its wholly-owned subsidiary, Yaobai Special Cement Group Co., Ltd. ("Yaobai Special Cement"), entered into an investment agreement ("Investment Agreement") with Wuhu Conch Investment Ltd. ("Wuhu Conch", a wholly-owned subsidiary of China Conch Venture Holdings Limited ("Conch Venture") which is listed on the main board of the Stock Exchange (stock code: 586)) and Red Day Limited ("Red Day", a company incorporated in the British Virgin Islands which is 100% owned by Mr. Ma Zhaoyang ("Mr. Ma"), a non-executive Director) pursuant to which Wuhu Conch and Red Day agreed to inject RMB90 million and RMB30 million, respectively, into Xi'an Yaobai Environmental Technology Engineering Co., Ltd. ("Yaobai Environmental"), the Group's waste treatment subsidiary at the relevant time.

Yaobai Environmental is now owned as to 60% by Wuhu Conch, 20% by Shaanxi Quanchuangke Industrial and Trading Co. Ltd., a PRC company wholly-owned by Mr. Ma, which is nominated by Red Day to take up all its rights and obligations under the Investment Agreement pursuant to the terms of the Investment Agreement, and 20% by Yaobai Special Cement. The parties have agreed to develop Yaobai Environmental into the only platform for the treatment of dangerous and hazardous waste for the parties within the PRC.

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

Financial leasing business

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

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

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

Safety and Social Responsibility

The Group's safety and environmental protection department continuously monitors and reviews safety procedures in accordance with evolving environmental and safety regulations in the PRC. In 2018, the Group has focused its EHS (Environmental, Health & Safety) efforts on revising and improving the safety emergency response plan by employing independent safety experts to strengthen the handling capacity of all employees in emergency accidents. Moreover, several handbooks and guidelines were revised significantly to improve the work safety measures as well as numerous of safety related training courses were initiated to strengthen the staff's safety awareness. In addition, the Group will continue to implement a "Sustainable Safety Development Project", which involved continuous training for both management and on-site employees, on-site inspections and audits, stringent safety reports and on-going suggestions for safety improvements at all of the Group's plants.

In order to further improve its environmental impact and safety procedures, the Group joined the Cement Sustainability Initiative (CSI), a voluntary global organization of 25 major cement producers operating under the World Business Council for Sustainable Development (WBCSD). Each CSI member is required to demonstrate commitments and achievements, including regular audits, to the following broad areas: CO2 & climate protection, responsible use of fuels and raw materials, employee health & safety, emission reduction, local environmental impact, water and reporting practices.

During the period, charitable donations made by the Group amounted to RMB3.7 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

Material Acquisitions and Disposal

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

FINANCIAL REVIEW

Revenue

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

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

Cost of Sales

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

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

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

Gross Profit and Gross Profit Margin

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

Other Expenses

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

Other Income

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

Other Gains and Losses, net

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

Interest Income

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

Finance Costs

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

Income Tax Expense

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

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

The detailed income tax expenses for the Group are outlined in note 2 to the condensed consolidated financial statements above.

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

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

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

FINANCIAL AND LIQUIDITY POSITION

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

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

Please refer to notes 8, 9 and 11 to the condensed consolidated financial statements above for the details of the borrowings, STN and the respective pledge of assets.

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

Consistent with industry norms, the Group continuously monitors its net gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern. As at 30 June 2018, the Group had net current assets of RMB860.1 million (31 December 2017: RMB853.6 million),which represented a stable liquidity position of the Group.

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

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the additions of property, plant and equipment, prepaid lease payments and mining rights, for the first half of 2018 amounted to RMB399.6 million (the first half of 2017: RMB46.0 million). Capital commitments as at 30 June 2018 amounted to RMB152.3 million (31 December 2017: RMB202.0 million). Both capital expenditure and capital commitments were mainly related to the upgrading of existing production facilities. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

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

FOREIGN EXCHANGE RISK MANAGEMENT

During the six months ended 30 June 2018, the Group's sales and purchases were all denominated in Renminbi. However, the proceeds raised through the Senior Notes issued by the Company in September 2014 and a bank loan were denominated in foreign currency. Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes on a domestic and/or international level, and the demand and supply of Renminbi. The appreciation or depreciation of Renminbi against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

CREDIT RISK MANAGEMENT

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

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

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

PROSPECTS

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

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

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

Conch International Holdings (HK) Limited, a wholly-owned subsidiary of Anhui Conch Cement Co., Ltd ("Conch Cement"), had 1,147,565,970 shares in the Company, representing approximately 21.11% of the Company's issued share capital as at 30 June 2018. Conch Cement is a leading PRC cement company, with its H-shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 914) and its A-shares listed on the Shanghai Stock Exchange (stock code: 600585).

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

The Group believes that further collaboration between the two groups will lead to a significantly more stable supply side and market outlook for the region, significantly improving the trading prospects for the Group into 2018 and beyond.

Operations — Shaanxi

Under the current macro economic conditions in the PRC and Shaanxi Province, the Group does not expect to see a significant pick up in demand in the second half of 2018. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2018, but significant growth is not expected. Both urban property demand and rural demand is expected to remain stable with continued urbanisation trends supporting rural growth rates.

In regards to the supply side, the Group expects an increasing discipline amongst producers with increasing prices in the second half of 2018, both as a result of the low pricing environment in the past periods, the limited supply as a result of the increasingly strict environmental policies imposed by the government as well as in light of the business collaboration between the Group and Conch Cement, which is expected to improve sales coordination across the province and stronger bargaining power on selling prices.

In Central Shaanxi, peak shifting production halts by all producers with improved market discipline are expected to remain an important feature, especially during low season periods, and this can support ASPs. There are a number of infrastructure projects that have recently started or are expected to start construction in 2018, including the constructions of the Xi'an to Yan'an High Speed Railway, several Central Shaanxi Intercity Railways, the Xi'an to Xianyang South Ring Expressway, the Pucheng to Huanglong Expressway, the Dongzhuang Reservoir, the Xi'an Xianyang International Airport (Phase 3) and the Yan'an airport, which will consume up to 3.2 million tons of cement. In addition, the constructions of Line 8 and Line 9 of Xi'an Metro, the Xunyi to Fengxiang Expressway and the reconstruction and extension of Pucheng-Laoyukou Expressway of the Beijing-Kunming line as well as the other urban regeneration projects are expected to boost demand in this area.

In Southern Shaanxi, the Group expects to maintain its relatively strong performance due to reasonable infrastructure construction activity, an already disciplined supply side and the potential for increasingly stable pricing in the surrounding areas of Central Shaanxi and Northern Sichuan. Construction of the large railway and road projects in Southern Shaanxi are expected to proceed in accordance with the respective plans in 2018. The Pingli to Zhenping Expressway, the Ankang to Langao Expressway, the Taoba Expressway, the Taibai to Fengxian Expressway and the Xixiang to Zhenba Expressway have commenced construction and are expected to generate increasing demand in 2018. In addition, the Group expects to see substantial demand from a number of new railways, expressways and airport projects in 2018 and 2019, including the constructions of High Speed Railways from Xi'an to Wuhan, from Xi'an to Chongqing, and the Shiquan to Ningshan Expressway as well as other projects related to the Hanjiang to Weihe River Water Transfer Project.

Operations — Xinjiang & Guizhou

Operations in Xinjiang is likely to remain subdued in 2018. However, with the elimination of the use of low grade (32.5) cement since May 2017 in Xinjiang, which led to the closure of inefficient facilities with small production capacity, the Group expects to see a more stable market of the cement industry with better market discipline and increased ASP in 2018 and beyond. In Southern Xinjiang, where the Group has two plants and a total of 2.6 million tons of capacity, there are a number of on-going small infrastructure projects, which are expected to contribute to support the demand in 2018 and beyond. These include the constructions of the Yutian Airport and the Yutian Characteristic Towns Project. In Northern Xinjiang, the 1.5 million-ton Yili Plant with production volumes remained low but improved pricing in the first half of 2018. The Group expects to see higher volume sold from the Yili Plant and an improvement in pricing with better market discipline in 2018 and beyond. In Guizhou, the 1.8 million-ton Huaxi Plant was located close to Guiyang City Centre and the Group expects it can keep benefiting from its location advantage, with a continuation of strong volumes coupled with ASPs improvements with better market discipline in 2018 and beyond.

Costs

The Group will continue to implement a number of cost-cutting measures, which are expected to benefit cost of sales and selling, general and administrative expenses in 2018. These measures include administrative and head office cost cuts and staff incentives to promote efficient use of raw materials and resources. The Group has already seen a positive effect from these cost-cutting measures since 2015 and expects to see increased benefits in 2018 and beyond.

Environment, Health & Safety

Plant upgrades to meet new NOx and PM emission standards as stipulated by the Cement Industrial Air Pollution Emissions Standards law have now been completed at all of the Group's plants and the Group will continue to further reduce emissions through incremental upgrades. The Group plans to further implement measures to strengthen environmental management and monitoring during the second half of 2018 and will continue to implement the "Sustainable Safety Development Project". The Group also expects to benefit from its membership of the Cement Sustainability Initiative (CSI) in gaining expertise and know how in all aspects of environmental control and health and safety. Moreover, the Group will continue to implement the green mine project to all our limestone mines to reduce the pollution to the soil and mines during mining in order to comply with the government policy of "managing while mining" in the future.

The Group is looking forward to continuing its work in the building of waste treatment facilities at its plants together with Conch Venture and Mr. Ma through the joint investment in Yaobai Environmental. As part of the joint investment, the Group will provide its cement kilns, logistics and management for a management fee to run the waste treatment facilities at its Lantian, Fuping and Mianxian Plants as well as its other plants in the future. Phase I and Phase II of the Lantian Waste Treatment Facility are in full operation since 2015 while Fuping Waste Treatment Facility commenced full operation since March 2016. Moreover, Mianxian Waste Treatment Facility has been in full operations since October 2017.

Capital Expenditure

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

INTERIM DIVIDEND

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

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

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

CLOSURE OF REGISTER OF MEMBERS

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

CORPORATE GOVERNANCE PRACTICE

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

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

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written term of reference in compliance with the Code, the primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management systems of the Group and to provide advice and comments to the Board, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Wong Kun Kau and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2018.

AUDITORS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018 have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the auditors of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiries have been made with all the Directors, all the Directors confirmed and declared that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2018.

SCOPE OF WORKS OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's condensed consolidated statement of financial position, condensed consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the six months ended 30 June 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's unaudited condensed consolidated financial statements for the period. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.westchinacement.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). An interim report of the Company for the six months ended 30 June 2018 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

By Order of the Board
West China Cement Limited
Zhang Jimin
Chairman

Hong Kong, 13 August 2018

As at the date of this announcement, the executive Directors are Mr. Zhang Jimin and Dr. Ma Weiping, the non-executive Directors are Mr. Ma Zhaoyang, Ms. Liu Yan and Mr. Qin Hongji and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Wong Kun Kau and Mr. Tam King Ching, Kenny.