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)

2015 Interim Results Announcement

Financial highlights

RMB' Million (unless otherwise specified)	**Six months ended 30 June 2015**	Six months ended 30 June 2014	% Change
	(Unaudited)	(Unaudited)	
Total Cement and Clinker Sales Volume (million tons)	**7.95**	8.36	(4.9%)
Cement Sales Volume (million tons)	**7.83**	7.98	(1.9%)
Revenue	**1,690.8**	1,997.7	(15.4%)
Gross Profit	**216.0**	385.0	(43.9%)
EBITDA	**483.5**	635.6	(23.9%)
Profit Attributable to Owners of the Company	**2.4**	160.2	(98.5%)
Basic Earnings Per Share	**0.1 cents**	3.5 cents	(97.1%)
Interim Dividend	**Nil**	Nil	Nil
Gross Profit Margin	**12.8%**	19.3%	(6.5 ppt)
EBITDA Margin	**28.6%**	31.8%	(3.2 ppt)

	30 June 2015	31 December 2014	% Change
	(Unaudited)	(Audited)	
Total Assets	**12,138.1**	10,768.0	12.7%
Net Debt[1]	**2,187.8**	3,409.6	(35.8%)
Net Gearing[2]	**35.3%**	68.0%	(32.7 ppt)
Net Assets Per Share	**115 cents**	111 cents	3.6%

Notes:

(1) Net debt equal to total borrowings, medium-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 2015 together with the comparative figures for the corresponding period of 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
	Notes	**2015**	2014
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*1*	**1,690,841**	1,997,670
Cost of sales		**(1,474,874)**	(1,612,672)
Gross profit		**215,967**	384,998
Other income		**66,699**	83,390
Selling and marketing expenses		**(17,072)**	(16,759)
Administrative expenses		**(122,903)**	(131,052)
Other gains and losses, net		**(789)**	(14,345)
Interest income		**2,697**	2,377
Finance costs		**(108,831)**	(96,928)
Profit before tax		**35,768**	211,681
Income tax expense	*2*	**(32,602)**	(49,273)
Profit and total comprehensive income for the period	*3*	**3,166**	162,408
Attributable to:			
— Owners of the Company		**2,433**	160,205
— Non-controlling interests		**733**	2,203
		3,166	162,408
Earnings per share			
— Basic (RMB)	*5*	**0.001**	0.035
— Diluted (RMB)	*5*	**0.001**	0.035

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2015

	Notes	**30 June 2015 *RMB'000* (Unaudited)**	31 December 2014 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**7,868,464**	8,071,487
Prepaid lease payments		**466,520**	452,929
Mining rights		**227,339**	162,956
Other intangible assets		**166,898**	168,102
Deferred tax assets		**30,511**	16,118
Amount due from non-controlling shareholder of a subsidiary		**43,459**	39,457
		8,803,191	8,911,049
Current assets			
Inventories		**527,510**	548,318
Trade and other receivables and prepayments	*6*	**933,134**	600,921
Restricted bank deposits		**279,026**	212,119
Bank balances and cash		**1,595,215**	495,605
		3,334,885	1,856,963
Total assets		**12,138,076**	10,768,012
EQUITY			
Share capital		**141,519**	124,098
Share premium and reserves		**6,019,296**	4,846,769
Equity attributable to owners of the Company		**6,160,815**	4,970,867
Non-controlling interests		**46,365**	45,632
Total equity		**6,207,180**	5,016,499

	Notes	**30 June 2015** *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	*7*	**3,000**	83,000
Senior notes		**2,409,827**	2,408,288
Medium-term notes	*8*	**–**	796,548
Asset retirement obligation		**20,509**	14,761
Deferred tax liabilities		**20,649**	20,500
Deferred income		**63,127**	66,633
		2,517,112	3,389,730
Current liabilities			
Borrowings	*7*	**851,373**	745,173
Medium-term notes	*8*	**797,788**	–
Trade and other payables	*9*	**1,740,494**	1,597,581
Income tax payable		**24,129**	19,029
		3,413,784	2,361,783
Total liabilities		**5,930,896**	5,751,513
Total equity and liabilities		**12,138,076**	10,768,012
Net current liabilities		**(78,899)**	(504,820)
Total assets less current liabilities		**8,724,292**	8,406,229

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 three areas, namely eastern and southern Shaanxi and Xinjiang. 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.

All of the Group's revenue for the six-month periods ended 30 June 2015 and 2014 are derived from the sale of cements products to customers located in the western part of PRC. 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	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Current period	**39,871**	50,189
Under provision in prior years	**6,975**	–
	46,846	50,189
Deferred tax		
Current period	**(9,246)**	(609)
Attributable to change in tax rate	**(4,998)**	(307)
	(14,244)	(916)
Income tax expense	**32,602**	49,273

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax	**35,768**	211,681
Tax at domestic income tax rate of 25% (six months ended 30 June 2014: 25%)	**8,942**	52,920
Tax effects of:		
Expenses not deductible for tax purpose	**18,457**	20,855
Tax exemption and reduced tax rate *(note)*	**–**	(21,915)
Tax credit	**–**	(4,766)
Change in tax rate for deferred tax recognised	**(4,998)**	(307)
Withholding tax on distributed profits of PRC subsidiaries and interest income on intra-group loans	**2,232**	2,768
Tax losses not recognised as deferred tax assets	**4,847**	55
Utilisation of tax losses previously not recognised as deferred tax assets	**(1,248)**	–
Expiration of tax losses previously recognised as deferred tax assets	**–**	(337)
Under provision in prior years	**6,975**	–
Recognition of deferred tax assets on tax losses generated in previous years	**(2,605)**	–
Tax expense for the period	**32,602**	49,273

Note:

In prior years, certain subsidiaries of the Group namely Shaanxi Yaobai, Xi'an Lantian Yaobai Cement Co., Ltd., Ankang Yaobai Cement Co., Ltd., Hanzhong Yaobai Cement Co., Ltd., Shifeng Cement Co., Ltd., Fuping Cement Co., Ltd., Hancheng Yaobai Yangshanzhuang Cement Co., Ltd., and Longqiao Yaobai Cement Co., Ltd. met the requirements of the notice related to Western Development Policy which entitled them to the preferential EIT rate of 15% if the principal businesses were listed in the Catalogue for Industries, Products and Technologies Currently and Particularly Encouraged by the State for Development issued in 2008 by National Development and Reform Commission ("NDRC"). In August 2014, NDRC revised the catalogue ("Revised Catalogue"), pursuant to which the enterprises engaged in production and sale of cement are no longer listed in the Revised Catalogue. On 10 March 2015, the State Administration of Taxation issued a notice confirming that the industries added to the Revised Catalogue will entitle to a preferential EIT rate of 15%, while the industries removed from the Revised Catalogue ceased to enjoy the preferential EIT rate of 15% commencing from 1 October 2014. Accordingly, the Group subsidiaries above ceased to enjoy the preferential EIT rate of 15% commencing from 1 October 2014 and the EIT rate applicable to these subsidiaries during the six months ended 30 June 2015 is 25%. Accordingly, the Group recognised an under provision of current income tax of RMB6,975,000 and made adjustments to the deferred taxes based on the revised tax rates.

3. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**323,261**	294,472
Amortisation of prepaid lease payments	**6,390**	6,293
Amortisation of mining rights	**6,441**	4,576
Amortisation of other intangible assets	**1,204**	1,100
Total depreciation and amortisation	**337,296**	306,441

4. DIVIDEND

During the six months ended 30 June 2015, a final dividend of RMB0.2 cents per share in respect of the year ended 31 December 2014 (six months ended 30 June 2014: final dividend of RMB2.00 cents per share in respect of the year ended 31 December 2013) in total of approximately RMB9,035,000 (six months ended 30 June 2014: RMB90,994,000) was declared and approved by the shareholders in annual general meeting.

The directors of the Company proposed no dividend in respect of the current interim period (six months ended 30 June 2014: Nil).

5. 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	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**2,433**	160,205

	Six months ended 30 June	
	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,537,306**	4,539,735
Effect of dilutive potential ordinary shares from share option issued by the Company	**1,200**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,538,506**	4,539,735

The calculation of diluted earnings per share for the six months ended 30 June 2014 did not take into account the share options of the Company because the exercise price or the exercise price after adjustment for the unvested share-based payments of these share options was higher than the average market price of the Company's share during that period.

6. TRADE RECEIVABLES

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Trade receivables	**413,418**	271,421
Less: Allowance for doubtful debts	**(5,922)**	(5,922)
	407,496	265,499
Bills receivable	**143,543**	83,920
	551,039	349,419

The Group allows a credit period of 60–90 days to its trade customers. 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 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
0 to 90 days	**251,605**	192,032
91 to 180 days	**63,185**	61,827
181 to 360 days	**84,638**	3,663
361 to 720 days	**5,432**	7,256
Over 720 days	**2,636**	721
	407,496	265,499

Bills receivable are mainly aged within six months.

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. As at 30 June 2015, RMB194,324,000 (31 December 2014: RMB155,966,000) of the trade receivables that are neither past due nor impaired have high credit ranking attributable under the credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB213,172,000 (31 December 2014: RMB109,533,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

7. BORROWINGS

During the current interim period, the Group received the proceeds of approximately RMB216,200,000 (six months ended 30 June 2014: RMB361,088,000) related to its renewed and newly obtained bank loans and made repayments amounting to approximately RMB190,000,000 (six months ended 30 June 2014: RMB339,423,000). The new loans are secured, carry annual interest rates range from 5.36% to 6.12% (six months ended 30 June 2014: 2.94% to 7.38%) and repayable by the end of 2016.

8. MEDIUM-TERM NOTES

The medium-term notes are due for repayment in March 2016 and accordingly is classified as current liabilities as at 30 June 2015.

9. TRADE PAYABLES

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**643,783**	610,163
91 to 180 days	**99,811**	102,934
181 to 360 days	**74,542**	51,230
361 to 720 days	**35,773**	14,021
Over 720 days	**7,910**	14,418
	861,819	792,766

The average credit period on purchases of goods is 90 days.

10. PLEDGE OF ASSETS

At the end of each reporting period, certain assets of the Group were pledged to secure trade facilities and bank loans. The aggregate carrying amount of the pledged assets at the end of each reporting period is as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Restricted bank deposits	**262,407**	189,000
Prepaid lease payments	**51,632**	44,122
Property, plant and equipment	**1,708,532**	1,401,014
	2,022,571	1,634,136

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The tough operating environment faced by the Group in the second half of 2014 has continued into the first half of 2015. Sales volumes in Shaanxi Province have seen falls, most significantly in the Xi'an Metropolitan Area and Central Shaanxi region where low demand has led to occasional voluntary production halts by all producers during the first half of the year. Volumes in Xinjiang Province have remained slow, only registering sales growth due to the addition of new capacity. Group sales volume of cement and clinker in the first half of 2015 were 7.95 million tons, a small decrease from the 8.36 million tons recorded in the first half of 2014. This volume figure however includes 3 months' maiden contribution of approximately 671,000 tons from the newly constructed Xinjiang Yili and Guiyang Huaxi Plants, although it does not include capitalized sales of approximately 231,000 tons from both plants prior to receiving their relevant operating licenses and being fully commissioned.

The Group has been able to maintain its strong market position in its Southern Shaanxi core markets, where the Group's high levels of market share coupled with good infrastructure demand have resulted in continued average selling price ("ASPs") premiums and more stable margins. However, ASP's have remained poor in Central Shaanxi, with a continuation of competitive pricing by all producers. A mitigating factor to the poor ASPs has been a continued fall in costs, both in terms of falling input prices and the implementation of efficiency and cost cutting measures, which have partially eased the impact on margins. The Group has maintained healthy cash flows, with EBITDA in the first half of 2015 at RMB483.5 million, which is lower than the RMB635.6 million recorded in the first half of 2014, but an improvement on the RMB361.3 million recorded in the second half of 2014 (or RMB453.5 million if the 2016 Senior Note Redemption Costs of RMB92.2 million are excluded).

The Group's capacity as at 30 June 2015 has now reached 27 million tons of cement with the full commissioning of the Group's two new cement plants in Xinjiang and Guizhou Provinces. The Group has no further plants under construction or current plans for expansion, and is now focused on the construction of Phase II of the Cement Kiln Waste Sludge Treatment Facility at its Lantian Plant and a Municipal Waste Incineration Facility at its Fuping Plant.

Anhui Conch Subscription of New Shares in West China Cement Ltd.

In June 2015, the Company announced a transaction that it believes represents a significant opportunity to promote the further consolidation of the cement industry in Shaanxi Province. On 19 June 2015, the Company announced it has entered into a subscription agreement ("Subscription Agreement") with Conch International Holdings (HK) Limited ("Conch"), a wholly-owned subsidiary of Anhui Conch Cement Company Limited. Anhui Conch Cement Company Limited is a leading PRC cement company and one of the Group's competitors in Shaanxi Province, 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). Under the Subscription Agreement, Conch subscribed for 903,467,970 shares in the Company, representing approximately 16.67% of the Company's enlarged issued share capital. The subscription price of the share issue was HK$1.69 per share and the Group received net proceeds of approximately HK$1.51 billion. As disclosed in the announcement of the Company dated 19 June 2015 regarding the Subscription Agreement, the Company and Conch are exploring other possible further collaboration with a view to create further synergies between them, including but not limited to the formation of joint ventures, combination of assets or other types of cooperation. The issue of new shares to Conch and its potential implications for the resolution of the oversupply issue in Shaanxi Province is discussed in more detail in the prospects section below.

The subscription was subsequently completed on 26 June 2015. For further information relating to the subscription, please refer to the announcements of the Company dated 19 June 2015 and 26 June 2015.

Operating Environment

The differentiation between the Group's cement ASPs in Southern Shaanxi (Group cement capacity of 9.7 million tons) and Central Shaanxi (Group cement capacity of 11.4 million tons), as in 2014, has remained a key feature of the Group's operations in the first half of 2015. This has been due to the different supply side factors in the two areas but has also been influenced by contrasting demand factors in these areas.

Shaanxi Province as a whole has seen quite a significant fall off in Fixed Asset Investment ("FAI") growth rates in the first half of 2015. FAI growth in the first half of 2015 was approximately 6% year on year as compared with 17.8% for the whole of 2014, and this drop in growth has been driven primarily by a 11.7% drop in FAI in Xi'an and falls of 16% and 38% respectively in the northern Shaanxi districts of Yulin and Yanan. The drop in FAI growth has led to falls in demand for cement products from all producers in the Central Shaanxi area of between 10% and 20%, and this demand drop off has been felt both in the residential property and infrastructure markets. Southern Shaanxi, however, has continued to enjoy higher infrastructure led construction growth. FAI growth in the southern districts of Hanzhong, Ankang and Shangluo have registered growth rates of 25%, 25% and 23% respectively. These growth rates are comparable to levels in 2014 and have supported a significantly more stable cement market in the south with continued ASP premiums as compared to the centre of the province.

An important mitigating factor to the poor ASPs has been a continued fall in costs of production. This is both as a result of falls in coal prices, which have impacted Cost of Goods Sold ("COGS"), and the group's implementation of efficiency and cost cutting measures which have had a beneficial effect on both COGS and Selling, General and Administrative Expenses ("SG&A"). These cost cutting measures have also begun to have a positive effect on the Group's SG&A costs, which are lower as compared with the corresponding period in 2014, in spite of the addition of the two new plants in Xinjiang and Guizhou. These lower costs have been accompanied by lower gross interest expenses following the Group's refinancing of its Senior Notes in 2014 as well as interest cuts on the Group's local RMB bank loans.

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi have remained relatively stable during the first half of 2015. The supply side has remained rational, as a result of little new capacity built up and effective closure of obsolete and small-scale clinker kiln and cement grinding capacity over recent years, as well as long transportation distances from other regions. The Group has effectively maintained a strong position of market leadership in this area, promoting a disciplined supply side.

Demand in this area has remained reasonable during the first half of 2015, supported by continued growth in infrastructure project construction led by railway, hydro projects and road construction in particular. The Xi'an to Chengdu High Speed Railway, the Baoji to Hanzhong Expressway and the Hanjiang to Weihe River Water Transport Project have been, amongst others, particularly important demand drivers, and the commencement of the Ankang to Yangpingguan Double Track Railway construction has added to this good project demand scenario.

Whilst sales volumes in Southern Shaanxi have fallen marginally year on year to approximately 3.4 million tons in the first half of 2015 (first half 2014: 3.7 million tons), the above supply demand scenario has led to relatively strong pricing for the Group's products in this area. There has been some pressure on ASPs due to the low pricing in surrounding areas, but the good infrastructure project demand and insulation from outside competition, most especially in the Ankang region, has supported pricing. During the first half of 2015, the Group has recorded cement ASPs in Southern Shaanxi of approximately RMB230 per ton (excluding VAT), which is higher than the Group's total ASP of RMB208 per ton, with capacity utilization at approximately 70%.

Central Shaanxi

The Central Shaanxi market has been much tougher with actual falls in demand, especially from the Xi'an Metropolitan market, leading to cement sales volume falls of between 10% and 20% amongst all producers. This low demand scenario has been exacerbated by the supply demand imbalances already existing in the area. Central Shaanxi is an area that has seen 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 this is still being reflected through intense competition.

The lower demand scenario in the first half of 2015, which has been felt across both residential and infrastructure markets, has led to some voluntary production halts by all producers in March and June of 2015. During the period, the Group has continued to maintain its market share in Eastern Xi'an, Fuping County and the rest of Weinan District where urbanisation remains a demand driver. The Group has also supplied cement to a number of infrastructure projects, including the construction of Line 4 of the Xi'an Metro, the Xi'an to Xianyang Ring Road Project and the Weinan to Yushan and Tongchuan to Xunyi Expressways.

Sales volumes in Central Shaanxi have fallen year on year to approximately 3.3 million tons (first half 2014: 3.8 million tons) and have been accompanied by weak ASPs. Production halts in the first quarter of 2015 had led to some price rises in April, although weak demand later in the second quarter led to further ASP falls. Over the period as a whole, the Group has recorded cement ASPs in Central Shaanxi of RMB192 per ton (excluding VAT), which is lower than the Group's total ASP of RMB208 per ton, with capacity utilization at approximately 60%.

Xinjiang & Guizhou Provinces

Operations at the Group's plants in Xinjiang Province have continued to be slow in the first half of 2015. The Group has sold approximately 400,000 tons of mostly low-grade cement from its Southern Xinjiang Luxin and Yutian plants. In addition, the Group's Northern Xinjiang Yili Plant was fully commissioned in April and has contributed a further 270,000 tons of sales, resulting in a total sales volume in Xinjiang of approximately 670,000 tons. This compares with total Xinjiang sales volume of 450,000 tons in the first half of 2014. Whilst volumes have been low, ASPs have remained at reasonable levels at the Group's Southern Xinjiang Plants. The newly commissioned Yili Plant has however seen lower ASPs and negative margins during the period under review due to introductory market entry pricing levels.

In Guizhou Province, the Group's new Guiyang Huaxi Plant was also fully commissioned in April and contributed 3 months of sales volume of approximately 402,000 tons of cement. Whilst volumes at the Huaxi Plant have been good, due to its location advantage in close proximity to Guiyang City and the Guiyang — Anshun ("Gui-An") New Area, ASPs have been low with negative margins, again due to market introductory entry pricing levels.

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 the 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 has also been 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 recycles 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 2015, these systems are operational at 14 out of 19 production lines, with an installation rate of over 80% of total Group capacity. 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.

During the period under review, the Group completed the installation of De-nitration ("De-NOx") equipment at its Xinjiang Luxin and Xinjiang Yutian Plants, thus completing the installation of this 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, bringing NOx emissions to within the new standards stipulated by the Cement Industrial Air Pollution Emissions Standards which are effective from July 2015. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed prior to the current period, resulting in all of the Group's plants having been upgraded to meet new PM emission standards as well. New clinker storage sheds have also been completed at the Group's Lantian and Fuping Plants during the period under review, further reducing dust emissions.

Phase I of the Group's Lantian Cement Kiln Waste Sludge Treatment Facility ("Lantian Waste Treatment Facility") has been in full operation in the first half of 2015. The facility, which has a current processing capacity of 31,000 tons per annum, makes use of the high temperature of the Lantian Plant cement kiln to incinerate waste sludge. The group has a number of waste processing contracts with industrial enterprises, including Samsung (China) Semiconductor Corporation. During the period under review, Phase I of the Lantian Waste Treatment Facility has been operating at full capacity, generating good profitability. Phase II of the facility, including carbonless sludge processing for use as raw materials with an annual capacity of approximately 49,500 tons per year, and municipal waste sludge processing with an annual capacity of 33,000 tons, is under construction and is expected to be completed by 2016.

In addition, preparatory work has also commenced at the Group's Fuping plant for the construction of a Municipal Waste Facility ("Fuping Waste Treatment Facility"). A carbonless sludge processing facility, with an annual capacity of 100,000 tons, has commenced construction in June 2015 and is expected to be completed and in trial operation by the end of 2015. A domestic waste processing facility, with approximately 200,000 tons of annual capacity, is due to start construction in the second half of this year with operations planned in 2016.

Safety and Social Responsibility

The Group's safety and environmental protection department continuously monitors and reviews safety procedures and continually reviews these procedures in accordance with evolving environmental and safety regulations in the PRC. In the period under review, the Group has focused its EHS (Environmental, Health & Safety) efforts on completing accident emergency rescue procedure training for each member of staff as well as the initiation of a number of other safety related training courses. In addition, the Group has completed the second phase of the "Sustainable Safety Development Project" under the auspices of its strategic partner and shareholder, Italcementi S.P.A.. This second phase of the project has involved continuous training for both management and on-site employees, on-site inspections and audits, stringent safety reports and on-going suggestions for safety improvements at all of the Group's plants.

During the period, charitable donations made by the Group amounted to RMB0.5 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

Expansion and Acquisitions

In April 2015, the Group completed the construction and full commissioning of the Xinjiang Yili Cement Plant and the Guiyang Huaxi Cement Plant. The Xinjiang Yili Plant, located in Yining County in the Ili Kazakh Autonomous Prefecture in North-West Xinjiang Province, has a capacity of 1.5 million tons. The Guiyang Huaxi Plant, with a capacity of 1.8 million tons, is located in close proximity to Guiyang City centre, the capital of Guizhou Province, and within the Guiyang — Anshun ("Gui-An") New Area.

The Group has no other on-going cement plant construction projects or current acquisition plans. The absence of any further expansion has resulted in relatively modest total capital expenditure for the Group in the period under review as compared with previous financial years. Capital expenditure amounted to RMB216.7 million in the first half of 2015, mostly linked to remaining payments for the construction of the Yili and Huaxi Plants, Waste Sludge Treatment projects at the Lantian and Fuping Plants as well as other minor upgrades to existing plants.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 15.4% from RMB1,997.7 million for the six months ended 30 June 2014 to RMB1,690.8 million for the six months ended 30 June 2015. Cement sales volume fell marginally by 1.9%, from approximately 7.98 million tons to approximately 7.83 million during the period. Including clinker sales, total sales volume for the six months ended 30 June 2015 amounted to approximately 7.95 million tons, compared to the 8.36 million tons sold in the corresponding period in 2014.

During the period under review, the newly constructed Xinjiang Yili and Guiyang Huaxi Plants received their relevant operating licenses and were fully commissioned on 1 April 2015. Combined sales of approximately 671,000 tons of cement from these two new plants have been included in the Group's Profit and Loss accounts from this date onwards. Any sales prior to this date have been capitalized and not included in the Group's Profit and Loss accounts.

Overall cement prices have been lower than those seen in the corresponding period in 2014, and this has resulted in lower revenues. Cement ASPs for the first six months of 2015 were RMB208 per ton as compared with RMB239 per ton in the corresponding period in 2014. ASPs had been relatively high in the first half of 2014 but fell quite significantly in the second half of 2014, and have remained at low levels since then. The reasons for these fluctuations in ASPs are discussed in the "Operating Environment" section above.

Cost of Sales

Cost of sales fell by 8.5% from RMB1,612.7 million for the six months ended 30 June 2014 to RMB1,474.9 million for the six months ended 30 June 2015.

There were savings in coal costs as a result of general falls in coal prices in the PRC over the previous 12 months, as well as an approximate 10.3% fall in coal consumption volume as compared with the corresponding period in 2014, due to both coal utilization efficiency gains and lower volumes of cement production. The average cost per ton of coal decreased by approximately 22.0% to approximately RMB337 per ton from approximately RMB432 per ton in the corresponding period in 2014. This has resulted in a cost saving of approximately RMB13.5 per ton of total cement and clinker produced, with total coal costs decreasing by approximately 30.8% as compared with the corresponding period in 2014.

There were also savings in electricity costs mainly as a result of an approximate 9.4% fall in electricity consumption volume as compared with the corresponding period in 2014, due both to electricity utilization efficiency gains and lower volumes of cement production. Average cost of electricity, after taking savings from the waste heat recycling systems into account, decreased by approximately 0.9% to approximately RMB0.436 per kwh from approximately RMB0.440 per kwh in the corresponding period in 2014. This has resulted in an electricity cost saving of approximately RMB2.5 per ton of total cement and clinker produced, with total electricity costs decreasing by approximately 10.8% as compared with the corresponding period in 2014.

There have been no significant changes in material costs and consumption during the period under review.

The cost savings from lower coal prices have been partially offset by higher depreciation costs, staff costs, and environmental protection costs which are reflected both in depreciation and other costs.

Total depreciation costs increased by approximately 6.5%, or approximately RMB16.7 million, as compared with the same period in 2014. This was mainly due to the effect of lower capacity utilization levels during the period under review and the increase in operating capacity following the full commissioning of the Xinjiang Yili and Guiyang Huaxi Plants in April 2015, as well as other plant modifications and upgrades relating to more stringent emission standards that do not have a direct bearing on sales volume or capacity increases.

Staff costs increased by approximately 8%, or approximately RMB7.0 million, as compared with the corresponding period in 2014. The rise in staff costs has mainly been due to the increase in operating capacity and staff expenses following the full commissioning of the Xinjiang Yili and Guiyang Huaxi Plants, but this has been partly counterbalanced by the Group's implementation of staff cost cutting measures during the period under review.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB169.0 million, or 43.9%, from RMB385.0 million for the six months ended 30 June 2014 to RMB216.0 million for the six months ended 30 June 2015. The fall in gross profit was mainly due to the decrease in ASPs described above. Gross profit margins therefore decreased from 19.3% for the six months ended 30 June 2014 to 12.8% for the six months ended 30 June 2015.

Administrative and Selling & Marketing Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. These expenses decreased by 6.3% from RMB131.1 million for the six months ended 30 June 2014 to RMB122.9 million for the six months ended 30 June 2015. The fall in administrative expenses has been a result of the implementation of cost cutting measures and this has been achieved in spite of the increase in capacity due to the commissioning of the Xinjiang Yili and Guizhou Huaxi Plants. Selling & Marketing expenses rose by 1.8% from RMB16.8 million to RMB17.1 million as compared with the corresponding period in 2014.

Other Income

Other income comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as a production input, and other government subsidies. Other income decreased by approximately 20.0% from RMB83.4 million for the six months ended 30 June 2014 to RMB66.7 million for the six months ended 30 June 2015. The ratio of VAT rebates over revenue was 3.6% for the period under review (six months ended 30 June 2014: 4%). The fall in the VAT rebates over revenue ratio was largely due to the decreases in ASPs. Lower ASPs result in lower output VAT, which in turn results in lower net VAT and rebates.

Other Gains and Losses, net

Other losses decreased by RMB13.5 million from a RMB14.3 million loss for the six months ended 30 June 2014 to a RMB0.8 million loss for the six months ended 30 June 2015. The change was primarily due to an unrealized foreign exchange gain of RMB0.5 million relating to the Group's Senior Notes as compared with a foreign exchange loss of RMB19.4 million for the six months ended 30 June 2014.

Interest Income

Interest income during the period under review was RMB2.7 million, an increase of RMB0.3 million from RMB2.4 million for the six months ended 30 June 2014.

Finance Costs

Finance costs increased by RMB11.9 million, or 12.3%, from RMB96.9 million for the six months ended 30 June 2014 to RMB108.8 million for the six months ended 30 June 2015. Gross finance costs, before adjusting for interest capitalization, decreased from RMB143.6 million for the six months ended 30 June 2014 to RMB129.9 million for the six months ended 30 June 2015. The fall in gross finance costs, before adjusting for interest capitalization, was mainly due to a fall in the interest payable on the Group's senior notes as a result of the refinancing of these senior notes in September 2014 at lower interest rates.

Interest capitalized as part of the costs of assets for the six months ended 30 June 2015 was RMB21.6 million, a decrease of RMB25.5 million as compared with RMB47.1 million for the six months ended 30 June 2014.

Income Tax Expense

Income tax expenses decreased by RMB16.7 million, or 33.9%, from RMB49.3 million for the six months ended 30 June 2014 to RMB32.6 million for the six months ended 30 June 2015. Current income tax expense decreased by RMB3.4 million to RMB46.8 million, whereas deferred tax credits increased by RMB13.3 million to RMB14.2 million for the six months ended 30 June 2015.

Although there has been a decrease in the Group's tax expenses during the period under review, the percentage of this decrease is less than the percentage decrease in gross profit and profit before tax. This is mainly due to the following reasons. Firstly, certain of the Group's operating subsidiaries have incurred a loss and these losses cannot be offset against gains from other operating subsidiaries. Moreover, as stipulated by a notice issued by the State Administration of Taxation on 10 March 2015, certain of the Group's subsidiaries have ceased to enjoy the preferential EIT rate of 15%, with the EIT rate applicable to these subsidiaries reverting to 25% during the period under review.

The increase in deferred tax credits was mainly due to an increase in the recognition of tax losses as deferred tax assets. During the period under review, RMB12.1 million of deferred tax assets relating to tax losses were recognized and credited to the profit and loss, while RMB3.9 million of tax losses were reversed and charged to the profit and loss during the previous period.

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

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased by 98.5% from RMB160.2 million for the six months ended 30 June 2014 to RMB2.4 million for the six months ended 30 June 2015. This sharp fall is primarily due to the significant falls in cement ASPs as compared with the same period in 2014, leading to poor operational performance.

Basic earnings per share for the six months ended 30 June 2015 decreased by RMB3.4 cents to RMB0.1 cents.

FINANCIAL AND LIQUIDITY POSITION

As at 30 June 2015, the Group's total assets increased by 12.7% to RMB12,138.1 million (31 December 2014: RMB10,768.0 million) while total equity increased by 23.7% to RMB6,207.2 million (31 December 2014: RMB5,016.5 million). During the period under review, the Company issued 903,467,970 new shares to Conch at a price of RMB1.33 (or HK$1.69) and these shares were subsequently allotted to Conch on 26 June 2015, resulting in a total number of shares in issue of 5,420,807,820.

As at 30 June 2015, the Group had cash and cash equivalents, as well as restricted bank deposits, amounting to RMB1,874.2 million (31 December 2014: RMB707.7 million). This amount includes the net proceeds of approximately RMB1.2 billion from the issuance of new shares to Conch. After deducting total borrowings, Senior Notes and medium term notes issued in the first half of 2013 ("MTN") of RMB4,062.0 million (31 December 2014: RMB4,117.3 million), the Group had net debt of RMB2,187.8 million (31 December 2014: RMB3,409.6 million). 81.3% (31 December 2014: 80.0%) of borrowings are at a fixed interest rate. Please refer to notes 7, 8 and 10 of the condensed consolidated financial statements above for the details of the borrowings, MTN and the respective pledge of assets.

As at 30 June 2015, the Group's net gearing ratio, measured as net debt to equity, was 35.3% (31 December 2014: 68.0%).

Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern. As at 30 June 2015, the Group had net current liabilities of RMB78.9 million (31 December 2014: RMB504.8 million). This net amount includes bank and other borrowings of RMB851.4 million (31 December 2014: RMB745.2 million) classified as current liabilities, as well as RMB797.8 million of MTN which mature in March 2016. The Group intends to rollover part of these bank borrowings, as permitted under the existing facility terms, when they fall due and has facilities in place to re-finance the Medium Term Notes.

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

CONTINGENT LIABILITIES

As at 30 June 2015, 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 six months ended 30 June 2015 amounted to RMB216.7 million (six months ended 30 June 2014: RMB413.3 million). Capital commitments as at 30 June 2015 amounted to RMB28.6 million (31 December 2014: RMB180.5 million). Both capital expenditure and capital commitments were mainly related to the construction of new production facilities and waste treatment facilities and 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 2015, the Group employed a total of 5,127 (30 June 2014: 5,168) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2015, employees benefit expenses were RMB147.4 million (six months ended 30 June 2014: RMB150.0 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.

MATERIAL ACQUISITION AND DISPOSALS

The Group had no material acquisitions or disposals during the six months ended 30 June 2015.

FOREIGN EXCHANGE RISK MANAGEMENT

During the six months ended 30 June 2015, the Group's sales and purchases were all denominated in Renminbi. However, some of the Group's bank borrowings and the proceeds raised through the Senior Notes issued by the Company in September 2014 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 the Renminbi. The appreciation or devaluation of the 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.

PROSPECTS

The Group's results for the first half of 2015 reflect the continuation of a tough operating environment for cement producers in both Shaanxi Province and the PRC in general. Although prospects for infrastructure and urbanization led demand in Shaanxi Province and Western China remain strong, particularly driven by the Silk Road Economic Belt Development Policies in Western China, demand in the first half of 2015 has been disappointing. This demand situation has been exacerbated by the supply demand imbalances that have existed in Shaanxi Province, especially Central Shaanxi, for a number of years now. The Group has long recognized that it is the supply side that is of primary importance in the structure of the industry in Shaanxi Province, and has long advocated the need for a significant consolidation move in order to promote market discipline.

Conch Share Subscription Implications

The Company was therefore very pleased to announce it has entered into an agreement with Conch in June 2015 whereby Conch subscribed for new shares in the Company, becoming the second largest shareholder holding approximately 16.67% of the Company's enlarged issued share capital. Both groups are exploring other possible further collaboration with a view to create further synergies between them, including but not limited to the formation of joint ventures, combination of assets or other types of cooperation. Subsequent to the completion of the subscription by Conch, the Board appointed two new board directors, Ms Liu Yan and Mr Qin Hongji who are representatives of Conch. The Board welcomes Ms Liu and Mr Qin to the Board and believes that these two new appointments will promote a strong working relationship with the Company's new shareholder. This transaction has very important and positive implications for the resolution of the supply side issues facing Shaanxi Province.

The Group possesses a very strong strategic cement asset of over 21 million tons capacity in Shaanxi Province, the gateway to the Silk Road and Western China. Its capacity in Southern Shaanxi is excellent and has proved its pricing advantages during very tough times. Its capacity in Eastern Shaanxi, although not so resilient in terms of pricing at present, is superbly located next to Xi'an and benefits from Western China development policies. Conch is one of the biggest and strongest national level cement groups and has a very strong footprint in the Baoji and Xianyang Districts of Central Shaanxi, with approximately 14 million tons of capacity. Although a relatively new entrant into the area, since 2011 they have proved to be a very strong player in Shaanxi as well as showing aspirations to become a major player in the West of China as a whole.

Taken together, the assets of both groups represent close to 50% of the total capacity in Shaanxi Province, and hold strong market positions in the Southern Districts of Hanzhong, Ankang and Shangluo as well as the central districts of Weinan, Xianyang and Baoji. The transaction by Conch is the first major consolidation agreement in Shaanxi Province since the beginning of 2012, and the Group believes it represents the first step in the resolution of the fragmented nature of the Shaanxi supply side. The Group believes that the possible further collaboration between the two groups will lead to a significantly more stable market and pricing outlook for the region.

Operations — Shaanxi

The demand scenario for Shaanxi Province in the second half of 2015 remains uncertain, although there have been some signs of recovery in residential property, with FAI growth rates picking up slightly in May and June of 2015. An important feature of the Central Shaanxi cement market in the first half of 2015 were the voluntary production halts by all producers in January to March 2015 and June 2015, and the Group expects these halts to continue into the third quarter of 2015. This is likely to limit the Group's volumes in Shaanxi Province, but is expected to have a positive effect on ASPs. Demand in the Group's rural markets is likely to remain stable with continued urbanization trends supporting rural growth rates.

Whilst infrastructure demand growth has also been slow in the first half of the year, construction at the large railway and water projects in Southern Shaanxi have proceeded normally. The Xi'an to Chengdu High Speed Railway, Xi'an to Yongning Railway, Baoji to Hanzhong Expressway and the Hanjiang to Weihe River Water Transfer project are all continuing with bulk consumption. The Ankang to Yangpingguan Double Track Railway and Pingli to Zhenping Expressway, both of which have just commenced construction, are expected to generate increasing demand into the second half of this year. In addition, the Group sees significant demand from a number of new Hydropower projects into 2016, including the Hanjinag Xunyang, Zhen'an Yuehe and Hanjiang Baihe Hydropower Stations, which in total are expected to generate over 1 million tons of demand.

The Group therefore remains confident that it can maintain its strong performance in Southern Shaanxi in the second half of the year and into 2016 due to the continued good infrastructure demand and disciplined supply side.

In Central Shaanxi, there are a number of infrastructure projects that have recently started or are expected to start construction in the second half of 2015. The Inner Mongolia to Jiangxi Coal Transportation Railway (Shaanxi Section) commenced construction in March of this year and is expected to consume over 600,000 tons of cement. The Pucheng to Huanglong, Heyang to Fengxiang and Chengxian to Weizhuang Expressway's are also expected to start in the second half of the year and these will consume up to 1 million tons of cement. In addition, Metro (Lines 4,5,6) and Central Shaanxi Intercity Railway construction, as well as the expansion of the Xi'an Railway Station and other urban regeneration projects are expected to boost demand in this area.

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in the second half of 2015, although the Group does expect some improvement to ASPs. 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 demand in the second half of the year. These include the Yutian Ji Yin Hydro Project, the Hotan Airport Extension, the Moyu to Hetian Section Expansion of the 3012 National Road and the Pishan Akeqiao Hydro Project. In Northern Xinjiang, the new 1.5 million ton Yili Plant commenced full operations in April, but pricing has been low as the plant has set low selling prices to enter into the market. The Group expects to see more volume sold from the Yili Plant in the second half of the year, and an improvement in pricing once the plant is established in the local market and the new capacity is absorbed. In Guizhou, the new 1.8 million ton Huaxi Plant also commenced operations in April under similar low market entry pricing conditions. The Huaxi Plant is very well located close to Guiyang City centre, and the Group therefore expects strong volume contribution in the second half of the year coupled with ASP improvements as the plant establishes itself in the local market and benefits from its location advantage.

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 further implementation of measures to strengthen environmental management and monitoring during the second half of the year and will also implement the third phase of the "Sustainable Safety Development Project" under the auspices of its strategic partner and Shareholder, Italcementi S.P.A..

The Group's main environmental focus in 2015 and beyond is its Waste Treatment Facilities, both as a means to reduce pollution and as a revenue and profit generator. Phase I of the Group's Lantian Waste Treatment Facility has been operating and profitable in the first half of 2015, and the Group expects to complete Phase II of this project by the beginning of 2016, resulting in a total waste processing capacity of 113,500 tons. Phase I of the Group's Fuping Waste Facility is also expected to be in trial operation by the end of 2015, with Phase II construction planned to commence by the end of 2015 and operations in 2016. Total capacity at the Fuping Waste Facility is expected to be 300,000 tons. In addition, the Group is currently in the planning stages for three further smaller facilities. An industrial solid waste facility is planned for the Danfeng Plant, with a total capacity of approximately 35,000 tons per year; and further solid waste disposal facilities are planned for both the Hancheng and Mianxian Plants, each with a processing capacity of between 30,000 to 50,000 tons per annum. These projects are currently at planning stage, with possible commencement of construction in 2016, and both involve low levels of capital expenditure.

In order to further improve its environmental impact and safety procedures, the Group has applied to join 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: C02 & Climate Protection, Responsible use of fuels and raw materials, Employee Health & Safety, Emission Reduction, Local Environmental Impact, Water and Reporting Practices. The Group believes that membership of the CSI will further support its knowledge and efforts in all aspects of environment, health and safety.

Costs & Taxes

The Group will continue to implement a number of cost cutting measures, which are expected to benefit both COGS and SG&A, over the second half of 2015. These measure include administrative and head office cost cuts, headcount reductions and staff incentives to promote efficient use of raw materials and resources. These cost savings are accompanied by lower interest expenses as well as the benefit gained from low coal costs in general. The Group has already seen a positive effect from these cost cutting measures in the first half of 2015 and expects increased benefits in the second half of the year.

A further development that will impact the Group's operations is a change to the VAT rebates system for the recycling of industrial waste as a production input, which is to be implemented from July 2015. This change is designed to speed up the elimination of use of low-grade cement as well as the closure of smaller inefficient capacity. Under the new tax regime, the amount of VAT rebate will be reduced from 100% of VAT on cement using waste inputs to 70% of VAT. In addition, the amount of waste input needed to attract this rebate will be raised to 40% for low-grade (32.5) cement but lowered to 20% for high-grade (42.5) cement. The Group is currently studying the immediate impact of this change, but it believes that although there is a reduction in the proportion of VAT that can be reclaimed, this move will have three positive effects. Firstly, this promotes a shift into high-grade cement, which has a higher price. Secondly, the lowering of the proportion of waste input in high-grade cement needed to qualify for rebates will result in a higher proportion of the Group's high grade cement products qualifying for VAT rebates. Thirdly, this is an important step in the continued rationalization of the industry and will have the effect of forcing the closure of any remaining obsolete or small scale capacity, especially grinding capacity.

Capital Expenditure

Following the commissioning of the Group's two new plants in Xinjiang and Guiyang, the Group has no particular plans for capacity expansion and the Group will focus its capital expenditure, which is expected to be greatly reduced as compared with previous years, on waste treatment projects. The Company has approximately RMB1.874 billion of cash on hand (including restricted bank deposits) and this amount includes the net proceeds of approximately RMB1.2 billion from the issuance of new shares to Conch. As stated in the share subscription announcement of the Company dated 19 June 2015, the Company intends to use the net proceeds from the subscription for general working capital and for future potential acquisitions and/or other investment opportunities. In the event of any changes in the use of net proceeds, the Company will make further announcements in compliance with the Listing Rules.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2015 (2014: 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 optimize returns for the shareholders of the Company.

During the six months ended 30 June 2015, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code (the "Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 2015.

AUDITORS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2015 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 2015, 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 2015.

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 2015 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, 17 August 2015

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, Mr. Franck Wu, 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.