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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)

2019 Interim Results Announcement

Financial highlights

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

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

Notes:

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

(2) EBITDA margin is measured as EBITDA to revenue

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

(4) 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 2019 together with the comparative figures for the corresponding period of 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2019

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**7,101,530**	7,180,198
Right-of-use assets		**475,978**	–
Prepaid lease payments		**–**	459,275
Mining rights		**318,275**	326,926
Other intangible assets		**199,969**	199,561
Investment in an associate		**67,475**	80,661
Loan receivables	*6*	**998,721**	837,203
Deferred tax assets		**47,464**	39,110
Amounts due from non-controlling shareholder of a subsidiary		**–**	15,218
Prepayments for construction in progress		**479,175**	101,002
Debt instruments at fair value through other comprehensive income	*7*	**181,855**	–
		9,870,442	9,239,154
Current assets			
Inventories		**657,805**	491,116
Trade and other receivables and prepayments	*8*	**743,675**	477,284
Loan receivables	*6*	**831,621**	855,453
Bill receivables measured at fair value through other comprehensive income		**139,906**	253,972
Restricted/pledged bank deposits		**225,304**	189,032
Bank balances and cash		**1,074,545**	886,046
		3,672,856	3,152,903
Total assets		**13,543,298**	12,392,057
EQUITY			
Share capital		**141,771**	141,771
Share premium and reserves		**8,101,132**	7,383,494
Equity attributable to owners of the Company		**8,242,903**	7,525,265
Non-controlling interests		**139,775**	73,690
Total equity		**8,382,678**	7,598,955

	Notes	**30 June 2019**	31 December 2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings	*9*	**200,000**	–
Medium-term notes	*10*	**497,750**	–
Asset retirement obligation		**46,142**	45,935
Deferred tax liabilities		**44,293**	80,279
Deferred income		**39,747**	45,542
		827,932	171,756
Current liabilities			
Bank borrowings	*9*	**720,000**	863,571
Senior notes		**1,371,898**	2,188,003
Trade and other payables	*11*	**1,794,366**	1,152,034
Dividend payable		**76,090**	–
Contract liabilities		**239,838**	231,000
Income tax payable		**130,496**	186,738
		4,332,688	4,621,346
Total liabilities		**5,160,620**	4,793,102
Total equity and liabilities		**13,543,298**	12,392,057
Net current liabilities		**(659,832)**	(1,468,443)
Total assets less current liabilities		**9,210,610**	7,770,711

NOTES:

1. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

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

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

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

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

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

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

Definition of a lease

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

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

As a leasee

Allocation of consideration to components of a contract

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

Right-of-use assets

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

The cost of right-of-use asset includes:

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

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

- any initial direct costs incurred by the Group; and

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

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

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

Lease liabilities

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

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

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

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

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

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

Lease modifications

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

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

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

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

Taxation

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

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

As a lessor

Allocation of consideration to components of a contract

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

Lease modification

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

Sale and leaseback transactions

The Group acts as a buyer-lessor

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

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

Definition of a lease

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

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

As a leasee

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

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

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

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

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

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

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

Note:

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

As a lessor

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

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

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

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

Sales and leaseback transactions

The Group acts as a buyer — lessor

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

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

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

Impact on the condensed consolidated statement of financial position

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

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

2. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Geographical markets		
Central Shaanxi	**1,418,180**	1,123,193
Southern Shaanxi	**1,388,066**	1,020,887
Xinjiang	**355,369**	265,272
Guizhou	**148,968**	192,536
	3,310,583	2,601,888

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

Revenue is recognised at a point in time when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. The normal credit term is 60 to 180 days upon delivery.

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

3. INCOME TAX EXPENSE

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

4. PROFIT FOR THE PERIOD

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

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

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

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

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

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

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

6. LOAN RECEIVABLES

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

Notes:

(a) As at 30 June 2019 and 31 December 2018, the Group has entered into certain arrangements (the "Arrangements") with third parties for periods ranging from 1 to 4 years under which:

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

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

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

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

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

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

(c) Balance represents the small loans provided to small and medium sized enterprises or individuals. The interests are receivable periodically according to the contractual terms with fixed interest rate with principal collected at the end of the period or by instalments.

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

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

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

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

7. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

As at 30 June 2019 and 31 December 2018, the majority of the balance of trade receivables are due from certain cement mixing companies and customers who are in construction related businesses usually settle the amounts due within 360 days.

9. BANK BORROWINGS

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

10. SHORT-TERM NOTES/MEDIUM-TERM NOTES

On 3 March 2017, Yaobai Special Cement Group Co., Ltd. ("Shaanxi Yaobai"), a subsidiary of the Company, issued 6.98% per annum, unsecured one-year short-term notes of RMB400,000,000 at 100% of the face value, with effective interest rate of approximately 7.17% per annum after adjusted for transaction costs of RMB1,600,000. The short-term note was due and fully repaid during the six months ended 30 June 2018.

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

11. TRADE PAYABLES

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

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

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

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

12. DIVIDENDS

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

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

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 2019. Sales volumes in Shaanxi Province have remained stable. Sales volumes in Xinjiang and Guizhou Provinces have recorded a 5.5% increase and a 16.7% decrease, respectively. The Group's sales volumes of cement and clinker for the six months ended 30 June 2019 were 8.61 million tons, representing a slight increase from the 8.19 million tons recorded in the first half of 2018.

The Group has maintained a strong market position in its Southern Shaanxi core markets, where high levels of market share coupled with good infrastructure demand have resulted in continued average selling prices ("ASPs") premiums and more stable margins. ASPs in Central Shaanxi have moderately improved even under the continuing low demand scenario through the continuation of occasional peak -shifting production halts during low season periods under the stringent environmental policy. Moreover, the Group has continued to implement efficiency gains and cost-cutting measures and has been able to maintain a stable cost in the first half of 2019. Taken together, these have contributed to the Group's stable margins in the first half of 2019.

The Group has maintained healthy and improving cash flows, with EBITDA of RMB1,377.6 million for the first half of 2019, which is higher than the RMB1,301.1 million recorded in the first half of 2018. Moreover, the Group's interim results at the net profit level have been significantly affected by the depreciation of RMB against USD in the first half of 2019. The Group has recorded a foreign exchange loss of RMB3.9 million mainly arising from the foreign exchange translation from USD to RMB of the 2019 Senior Notes issued by the Company in September 2014 (the "Senior Notes"), as compared to RMB33.8 million in the first half of 2018.

The Group's capacity as at 30 June 2019 has reached 29.2 million tons of cement. The Group has no other plants under construction.

Operating Environment

A key feature of the Group's operational performance in 2019 has been the significant narrowing of the differentiation between the Group's cement ASPs in Southern Shaanxi (where the Group's cement capacity amounts to 9.7 million tons) which have remained reasonable and strong, as compared with those in Central Shaanxi (where the Group's cement capacity amounts to 13.6 million tons) which have been improved to a similar price level. Such improvement in ASPs in Central Shaanxi even under the continuing low demand scenario was made through the continuation of occasional peak shifting production halts during low season periods under the stringent environmental policy.

Shaanxi Province as a whole has seen a stable Fixed Asset Investment ("FAI") growth rates in the first half of 2019. The stable FAI growth rate has led to a stable growth in demand for cement products from all producers in the Shaanxi Province. Accordingly, intense competition from the supply side is still a strong factor affecting the ASPs in Central Shaanxi. Southern Shaanxi has continued to enjoy higher infrastructure-led construction growth. FAI growth rates in Southern Shaanxi have been above the provincial average and have supported a more stable cement market with continued ASPs premiums as compared to Central Shaanxi.

Another important factor contributing to the Group's stable margins was the maintenance of a stable cost in the first half of 2019. This resulted from the Group's implementation of efficiency gains and cost-cutting measures.

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi have remained stable and strong during the first half of 2019. The supply side has remained rational and stable, as a result of little new capacity and effective closure of obsolete and small-scale clinker kiln and cement grinding capacity over past years, as well as long transportation distances from other regions. The Group has effectively maintained strong market leadership in this area, promoting a disciplined supply side.

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

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

Central Shaanxi

The demand in Central Shaanxi market has remained low, especially in the Xi'an Metropolitan market. This low demand scenario has been exacerbated by the imbalance between supply and demand already existing in the area. Central Shaanxi is an area with a significant build-out of new capacity since 2010 and, although all new capacity has been completed since early 2014 with no further additions planned for the foreseeable future, the effect of such new capacity is still being reflected through intense competition. Fortunately, through the continuation of occasional peak-shifting production halts under the stringent environmental policy, ASPs in Central Shaanxi still moderately improved even under the abovementioned continuing low demand scenario in the first half of 2019.

During the first half of 2019, the Group has continued to maintain its market share in Eastern Xi'an, Yaowangshan, Fuping County and the rest of Weinan District where urbanisation remains a key demand driver. The Group has also supplied cement to a number of infrastructure projects, including the constructions of Line 5 and Line 6 of the Xi'an Metro, the Yinchuan to Xi'an High Speed Railway, the Xi'an to Hancheng Intercity Railway, the Dongzhuang Reservoir, the Nangoumen Reservoir, the Shuinangou Reservoir, the Gongzhaigou Reservoir, the Chunhua Tunzhuang Reservoir, the Luyanghu Airport, the Yanchuan Yellow River Diversion Project, the expansion of Xi'an Train Station, the Yan'an to Huanglong Expressway, the Pucheng to Huanglong Expressway and the Xixian Expressway-Southern Section. The largest of these, the Heyang to Tongchuan Expressway consumed over 0.17 million tons of cement in the first half of 2019.

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

Xinjiang & Guizhou Provinces

Operations at the Group's plants in Xinjiang Province remained slow in the first half of 2019. Sales volume in Xinjiang have increased slightly by close to 5.5% to approximately 0.77 million tons (2018: 0.73 million tons). During the first half of 2019, ASPs in Xinjiang have improved through the occasional peak-shifting production halts under the stringent environmental policy, the Group has recorded cement ASP at approximately RMB453 per ton (2018: RMB363 per ton) (excluding VAT), with capacity utilization rate at approximately 3 7% (2018: 36%).

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

Energy Conservation, Emissions & Environmental Protection Solutions

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

The Group has residual heat recovery systems installed at most of its production facilities. As at 30 June 2019, these systems are operated at 13 out of 20 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce carbon dioxide ("CO2") emissions by approximately 20,000 tons per million tons of cement production.

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

Yaobai Environmental — Waste Treatment

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

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

The Group's plants that are cooperating with Yaobai Environmental's operations currently including: Phase I & Phase II of the Waste Sludge Treatment Facility at the Group's Lantian Plan t ("Lantian Waste Sludge Treatment Facility"), which have been in full operations since 2015; the Municipal Waste Treatment Facility at the Group's Fuping Plant ("Fuping Waste Treatment Facility"), which has been operating since March 2016; and the Solid Waste Treatment Facility at the Group's Mianxian Plant ("Mianxian Waste Treatment Facility") which has been in full operations since October 2017. In 2019, Yaobai Environmental will continue to actively look for new opportunities in setting up cement kilns co-processing solid waste disposal projects in response to the development need of China's recycling economy and relevant specific policies for the industry, as well as taking into account specific conditions in the solid waste market of Shaanxi.

Safety and Social Responsibility

The Group's safety and environmental protection department continuously monitors and reviews safety procedures in accordance with evolving environmental and safety regulations in the PRC. In 2019, the Group has focused its EHS (Environmental, Health & Safety) efforts on revising and improving the safety emergency response plan by employing independent safety experts to strengthen the handling capacity of all employees in emergency accidents. Moreover, several handbooks and guidelines were revised significantly to improve the work safety measures as well as numerous of safety related training courses were initiated to strengthen the staff's safety awareness. In addition, the Group will continue to implement a "Sustainable Safety Development Project", which involved continuous training for both management and on-site employees, on-site inspections and audits, stringent safety reports and on — going suggestions for safety improvements at all of the Group's plants.

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

During the period, charitable donations made by the Group amounted to RMB1.4 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

Material Acquisitions and Disposal

The Group had no significant material acquisitions or disposals during the six months ended 30 June 2019.

FINANCIAL REVIEW

Revenue

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

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

Cost of Sales

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

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

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

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

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

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

Gross Profit and Gross Profit Margin

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

Other Income

Other income mainly comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as production input, and other government subsidies. Other income increased by approximately 5.0% from RMB143.2 million for the first half of 2018 to RMB150.3 million for the first half of 2019. The ratio of VAT rebates over revenue was 4.3% for the first half of 2019 (2018: 4.9%). The increase in the VAT rebates was mainly due to the increases in ASPs, with higher ASPs resulting in higher output VAT which in turn resulted in higher net VAT and rebates, as well as the increase in the ratio of cement produced by using recycled industrial waste. VAT rebates increased by approximately 11.3% as compared with that of the first half of 2018.

Other Gains and Losses, net

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

Impairment loss, net of reversal

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

Administrative expenses

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

Interest Income

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

Income Tax Expense

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

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

The detailed income tax expenses for the Group are outlined in note 3 to the condensed consolidated financial statements above.

Profit attributable to the Owners of the Company

Profit attributable to the owners of the Company increased from RMB646.7 million for the first half of 2018 to RMB793.5 million for the first half of 2019. This increase is primarily due to the increase in gross profit as a result of the increase in ASPs as mentioned above.

Basic earnings per share increased from RMB11.9 cents for the first half of 2018 to RMB14.6 cents for the first half of 2019.

FINANCIAL AND LIQUIDITY POSITION

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

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

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

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

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

CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the additions of property, plant and equipment, prepaid lease payments and mining rights, for the first half of 2019 amounted to RMB700.9 million (the first half of 2018: RMB399.6 million). Capital commitments as at 30 June 2019 amounted to RMB1,032.8 million (31 December 2018: RMB127.4 million). Both capital expenditure and capital commitments were mainly related to the upgrading of existing production facilities. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2019, the Group employed a total of 5,726 (30 June 2018: 4,848) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2019, employees benefit expenses were RMB306.2 million (six months ended 30 June 2018: RMB179.6 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

FOREIGN EXCHANGE RISK MANAGEMENT

During the six months ended 30 June 2019, the Group's sales and purchases were all denominated in Renminbi. However, the proceeds raised through the Senior Notes issued by the Company in September 2014 and a bank loan were denominated in foreign currency. Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes on a domestic and/or international level, and the demand and supply of Renminbi. The appreciation or depreciation of Renminbi against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

CREDIT RISK MANAGEMENT

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

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

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

PROSPECTS

The improving operating environment in the first half of 2019 reflected that the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy is the solution to the problem of lacklustre demand in Shaanxi Province and in the PRC as a whole. However, the resolution of the fragmented nature of the supply side is still of primary importance in promoting a more stable market and improvement to production capacity for the region, which in turn will benefit the Group.

Whilst demand in Shaanxi Province remained stable in the first half of 2019, with a slight increase in cement sales volume as compared with that of the first half of 2018, the Company is cautiously optimistic about the outlook of the demand from the infrastructure construction and urbanisation for the region into the second half of 2019 and beyond.

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

Conch International Holdings (HK) Limited, a wholly-owned subsidiary of Anhui Conch Cement Co., Ltd ("Conch Cement"), had 1,147,565,970 shares in the Company, representing approximately 21.11% of the Company's issued share capital as at 30 June 2019. Conch Cement is a leading PRC cement company, with its H-shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 914) and its A-shares listed on the Shanghai Stock Exchange (stock code: 600585).

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

The Group believes that further collaboration between the two groups will lead to a significantly more stable supply side and market outlook for the region, significantly improving the trading prospects for the Group into 2019 and beyond.

Operations — Shaanxi

Under the current macro economic conditions in the PRC and Shaanxi Province, the Group does not expect to see a significant pick up in demand in the second half of 2019. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2019, but significant growth is not expected. Both urban property demand and rural demand is expected to remain stable with continued urbanisation trends supporting rural growth rates.

In regards to the supply side, the Group expects an increasing prices in the second half of 2019, both as a result of the limited supply under the increasingly stringent environmental policies imposed by the government as well as in light of the business collaboration between the Group and Conch Cement, which is expected to improve sales coordination across the province and stronger bargaining power on selling prices.

In Central Shaanxi, the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy are expected to remain an important feature, especially during low season periods, and this can support ASPs. There are a number of infrastructure projects that have recently started or are expected to start construction in 2019, including the constructions of the Xi'an to Yan'an High Speed Railway, several Central Shaanxi Intercity Railways, the Hanheng to Huanglong Expressway, the Xi'an Xianyang International Airport (Phase 3), the construction of Line 8 of Xi'an Metro and the reconstruction and extension of Pucheng-Laoyukou Expressway of the Beijing-Kunming line.

In Southern Shaanxi, the Group expects to maintain its relatively strong performance due to reasonable infrastructure construction activity, an already disciplined supply side and the potential for increasingly stable pricing in the surrounding areas of Central Shaanxi and Northern Sichuan. Construction of the large railway and road projects in Southern Shaanxi are expected to proceed in accordance with the respective plans in 2019. The Pingli to Zhenping Expressway, the Shiquan to Ningshan Expressway, the Ankang to Langao Expressway and the Xixiang to Zhenba Expressway have commenced construction and are expected to generate increasing demand in 2019. In addition, the Group expects to see substantial demand from a number of new railways, and expressways and airport projects in 2019 and 2020, including the constructions of High Speed Railways from Xi'an to Wuhan and from Xi'an to Chongqing as well as other projects related to the Hanjiang to Weihe River Water Transfer Project.

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in 2019. However, with the elimination of the use of low grade (32.5) cement since May 2017 in Xinjiang, which led to the closure of inefficient facilities with small production capacity, the Group can see a more stable market of the cement industry with increased ASP since then. In Southern Xinjiang, where the Group has two plants and a total of 2.6 million tons of capacity, there are a number of on-going small infrastructure projects, which are expected to contribute to support the demand in 2019 and beyond. These include the constructions of the Yutian Airport and the Hetian to Ruoqiang Railway. In Northern Xinjiang, the 1.5 million-ton Yili Plant with production volumes remained low but improved pricing in the first half of 2019. The Group expects to see higher volume sold from the Yili Plant and an improvement in pricing in 2019

and beyond. In Guizhou, the decreases in both ASPs and sales volume were mainly due to imbalance between demand and supply as a result of the continuation of decreasing demand scenario and the Group expects that the scenario may continue for a certain period. Fortunately, the 1.8 million-ton Huaxi Plant was located close to Guiyang City Centre and the Group expects it can keep benefiting from its location advantage, with a continuation of better volumes than other locations in Guizhou in 2019 and beyond.

Costs

The Group will continue to implement a number of cost-cutting measures, which are expected to benefit cost of sales and selling, general and administrative expenses in 2019. These measures include administrative and head office cost cuts and staff incentives to promote efficient use of raw materials and resources.

Environment, Health & Safety

Plant upgrades to meet new NOx and PM emission standards as stipulated by the Cement Industrial Air Pollution Emissions Standards law have now been completed at all of the Group's plants and the Group will continue to further reduce emissions through incremental up grades. The Group plans to further implement measures to strengthen environmental management and monitoring during the second half of 2019 and will continue to implement the "Sustainable Safety Development Project". The Group also expects to benefit from its membership of the Cement Sustainability Initiative (CSI) in gaining expertise and know how in all aspects of environmental control and health and safety. Moreover, the Group will continue to implement the green mine projects to reduce the pollution to the soil and mines during mining in order to comply with the government policy of "managing while mining" in the future.

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

Capital Expenditure

Other than the capital expenditure spent for maintenance and upgrading of existing production facilities, the Group has no particular plans for capacity expansion and related capital expenditure in 2019.

INTERIM DIVIDEND

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

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

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine shareholders who qualify for the interim dividend, the register of members will be closed from 29 August 2019 (Thursday) to 2 September 2019 (Monday), both dates inclusive and during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 28 August 2019 (Wednesday).

CORPORATE GOVERNANCE PRACTICE

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

Code provision A.6.7 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code") provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Qin Hongji, our non-executive Director at the relevant time, was unable to attend the Company's annual general meeting held on 17 May 2019 due to other business engagements.

Save as disclosed above, the Board is of the view that the Company has complied with all code provisions as set out in the Corporate Governance Code throughout the six months ended 30 June 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written term of reference in compliance with the Code, the primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management systems of the Group and to provide advice and comments to the Board, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. Following the resignation of Mr. Wong Kun Kau as an independent non-executive Director and a member of the Audit Committee with effect from 16 May 2019, Mr. Zhu Dong was appointed as an independent non-executive Director and a member of the Audit Committee with effect from 15 July 2019. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Zhu Dong and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2019.

AUDITORS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019 have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the auditors of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiries have been made with all the Directors, all the Directors confirmed and declared that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2019.

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 2019 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, 12 August 2019

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. Fan Chanhong and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Zhu Dong and Mr. Tam King Ching, Kenny.