西部水泥

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)

2024 Interim Results Announcement

FINANCIAL HIGHLIGHTS

RMB' Million (unless otherwise specified)	**Six months ended 30 June 2024 (Unaudited)**	Six months ended 30 June 2023 (Unaudited)	% Change
Total Cement and Clinker Sales Volume (million tons)	**8.75**	9.54	(8.3%)
Cement Sales Volume (million tons)	**8.25**	9.14	(9.7%)
Aggregates Sales Volume (million tons)	**1.60**	2.06	(22.3%)
Commercial Concrete Sales Volume (million cubic meters)	**0.66**	0.92	(28.3%)
Revenue	**3,701.8**	4,398.3	(15.8%)
Gross Profit	**985.1**	1,234.2	(20.2%)
EBITDA[(1)]	**1,283.9**	1,517.2	(15.4%)
Profit Attributable to Owners of the Company	**386.9**	532.2	(27.3%)
Basic Earnings Per Share	**7.1 cents**	9.8 cents	(27.6%)
Gross Profit Margin	**26.6%**	28.1%	(1.5 p.pt)
EBITDA Margin	**34.7%**	34.5%	0.2 p.pt

	30 June 2024 (Unaudited)	31 December 2023 (Audited)	% Change
Total Assets	**35,953.5**	32,902.9	9.3%
Net Debt[(2)]	**8,896.3**	8,556.1	3.6%
Net Gearing[(3)]	**60.1%**	60.4%	(0.3 p.pt)
Net Assets Per Share	**271 cents**	260 cents	4.2%

Notes:

(1) EBITDA equals to profit before tax plus finance costs, depreciation and amortisation and impairment losses less net fair value gains, interest income, net foreign exchange gains, gain on disposal of a subsidiary and hyperinflationary restatement.

(2) Net debt equals to borrowings and senior notes less bank balances and cash and restricted/pledged bank deposits.

(3) 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 2024 together with the comparative figures for the corresponding period of 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*2*	**3,701,812**	4,398,290
Cost of sales		**(2,716,667)**	(3,164,046)
Gross profit		**985,145**	1,234,244
Other income		**61,677**	55,619
Selling and marketing expenses		**(86,583)**	(57,379)
Administrative expenses		**(318,435)**	(329,337)
Other expenses		**(36,223)**	(25,534)
Other gains and losses, net		**137,473**	143,990
Impairment loss under expected credit loss model, net of reversal	*4*	**(18,005)**	(62,593)
Share of results of an associate and a joint venture		**1,550**	(3,403)
Interest income		**24,631**	46,388
Finance costs		**(102,713)**	(155,035)
Profit before tax		**648,517**	846,960
Income tax expense	*3*	**(153,382)**	(193,370)
Profit for the period	*4*	**495,135**	653,590

	Notes	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Other comprehensive income (expense) for the period			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**25,649**	(12,192)
Total comprehensive income for the period		**520,784**	641,398
Profit for the period attributable to:			
— Owners of the Company		**386,882**	532,160
— Non-controlling interests		**108,253**	121,430
		495,135	653,590
Total comprehensive income attributable to:			
— Owners of the Company		**404,999**	505,994
— Non-controlling interests		**115,785**	135,404
		520,784	641,398
Earnings per share			
— Basic (RMB)	*5*	**0.071**	0.098
— Diluted (RMB)	*5*	**0.071**	0.098

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**22,418,718**	20,809,466
Investment properties		**47,059**	47,059
Right-of-use assets		**823,670**	833,809
Mining rights		**1,795,153**	1,728,434
Other intangible assets		**442,367**	430,705
Interest in an associate		**9,550**	8,000
Equity investments at fair value through profit or loss ("FVTPL")		**39,488**	37,128
Loan receivables	*6*	**117,370**	396,109
Deferred tax assets		**150,563**	165,980
Prepayments for right-of-use assets		**30,360**	26,600
Deposits paid for acquisition of property, plant and equipment and mining rights		**461,399**	404,857
Other deposits		**125,499**	134,637
Pledged/restricted bank deposits		**111,600**	70,000
		26,572,796	25,092,784
Current assets			
Inventories		**1,468,954**	1,398,662
Properties under development		**1,067,661**	944,082
Trade and other receivables and prepayments	*7*	**3,596,280**	3,175,323
Loan receivables	*6*	**499,052**	241,668
Pledged/restricted bank deposits		**1,734,923**	1,127,669
Cash and cash equivalents		**1,013,860**	922,662
		9,380,730	7,810,066

	Notes	**30 June 2024** *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
Current liabilities			
Trade and other payables	*9*	**6,022,253**	5,125,429
Borrowings	*8*	**3,976,049**	3,632,813
Dividend payable		**256,087**	129,415
Contract liabilities		**1,075,675**	721,709
Deferred income		**4,303**	4,850
Income tax payable		**121,822**	195,439
		11,456,189	9,809,655
Net current liabilities		**(2,075,459)**	(1,999,589)
Total assets less current liabilities		**24,497,337**	23,093,195
Non-current liabilities			
Borrowings	*8*	**3,335,715**	2,719,404
Asset retirement obligations		**363,158**	358,178
Deferred tax liabilities		**409,302**	409,578
Deferred income		**18,803**	20,804
Senior notes	*10*	**4,444,924**	4,324,193
Other long-term payables		**1,132,982**	1,093,088
		9,704,884	8,925,245
Net assets		**14,792,453**	14,167,950
Capital and reserves			
Share capital		**142,111**	141,837
Share premium and reserves		**12,573,638**	12,141,608
Equity attributable to owners of the Company		**12,715,749**	12,283,445
Non-controlling interests		**2,076,704**	1,884,505
Total equity		**14,792,453**	14,167,950

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2023.

1.1 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current interim period, the Group has applied the following amendments to IFRSs issued by International Accounting Standards Board, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	*Lease liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IAS 1	*Non-current Liabilities with Covenants*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

The application of the amendments to IFRSs in the current interim 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.

1.2 BASIS FOR PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2024, the Group has net current liabilities position of approximately RMB2,075,459,000. The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future after considering the followings:

- as at 30 June 2024, the Group has unused banking facility of approximately RMB1,023,835,000, which is available for drawdown and utilisation in the course of ordinary business from the date of the approval of these condensed consolidated financial statements;

- subsequent to 30 June 2024, the Group has obtained additional banking facilities of approximately RMB595,000,000, which is made available for the Group to utilise at the date of granting such facilities;

- subsequent to 30 June 2024, the Group has been in negotiation with certain banks which expressed their willingness to grant additional banking facilities to the Group. As at the date of approval of these condensed consolidated financial statements, the Group is negotiating banking facilities amounted to RMB1,925,835,000 with these banks, of which the offer letter for RMB1,417,123,500 has been issued by the bank; and

- the Group expects to generate sufficient operating cash flow which enable the Group to meet its obligation when it falls due in the foreseeable future.

In view of the above circumstances, the directors of the Company expect that the Group will have sufficient liquidity to finance its operations for the next twelve months from 30 June 2024. Therefore, the condensed consolidated financial statements have been prepared on going concern basis. The going concern basis assumes that the Group will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

2. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of products and services		
Sales of cement and related products	**3,462,906**	4,278,546
Provision of construction and installation service	**2,520**	12,098
Sales of plastics bags	**33,110**	15,407
Trading of cement-related raw materials	**57,573**	7,690
Sales of gypsum	**20,422**	23,043
Others	**125,281**	61,506
	3,701,812	4,398,290

Performance obligation for contracts with customers

Revenue is recognised at a point in time when control of the goods has been transferred to the customer, being at the point the goods are delivered to the customer, except that revenue from provision of construction and installation service is recognised over time by reference to the progress towards complete satisfaction for construction and installation service. The Group normally accepts the normal credit term of 90 to 180 days upon delivery.

Operating Segments

The Group is principally engaged in the production and sale of cement and related products, both in the PRC and overseas. Information reported to the Chief Executive Officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on different regions.

Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" are as follows:

1. The PRC markets

2. Overseas markets

(1) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 30 June 2024

	The PRC markets *RMB'000* (Unaudited)	**Overseas markets** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)	**Adjustments and eliminations** *RMB'000* (Unaudited)	**Consolidated** *RMB'000* (Unaudited)
SEGMENT REVENUE					
External sales	**2,379,787**	**1,322,025**	**3,701,812**	**–**	**3,701,812**
Inter-segment sales	**17,438**	**–**	**17,438**	**(17,438)**	**–**
Total	**2,397,225**	**1,322,025**	**3,719,250**	**(17,438)**	**3,701,812**
SEGMENT PROFIT	**68,455**	**587,130**	**655,585**	**–**	**655,585**
Share of result of an associate					**1,550**
Fair value change on equity investments at FVTPL					**2,360**
Dividend income from equity investments at FVTPL					**1,087**
Unallocated directors' emoluments					**(5,700)**
Unallocated central administrative costs					**(5,010)**
Unallocated legal and professional expenses					**(1,355)**
Profit before tax					**648,517**

For the six months ended 30 June 2023

	The PRC markets RMB'000 (Unaudited)	Overseas markets RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
SEGMENT REVENUE					
External sales	3,189,595	1,208,695	4,398,290	–	4,398,290
Inter-segment sales	31,965	–	31,965	(31,965)	–
Total	3,221,560	1,208,695	4,430,255	(31,965)	4,398,290
SEGMENT PROFIT	309,558	596,565	906,123	–	906,123
Share of result of a joint venture					(3,403)
Fair value change on equity investments at FVTPL					(32,413)
Dividend income from equity investments at FVTPL					1,897
Unallocated directors' emoluments					(5,614)
Unallocated central administrative costs					(18,425)
Unallocated legal and professional expenses					(1,205)
Profit before tax					846,960

(2) Segment assets and liabilities

The CODM makes decision according to the operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Geographical Information

Information about the Group's revenue from external customers is presented based on the geographical location of the markets.

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC	**2,379,787**	3,189,595
Africa		
— Ethiopia	**374,599**	575,236
— Mozambique	**497,696**	467,540
— Other African countries	**438,397**	162,714
Others	**11,333**	3,205
	3,701,812	4,398,290

The proportion of the Group's non-current assets (excluding financial instruments and deferred tax assets) by geographical location of the assets is as follows:

	30 June	31 December
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
The PRC	**10,838,964**	11,097,801
Africa		
— Ethiopia	**4,645,085**	3,380,507
— Mozambique	**3,144,916**	3,069,436
— Other African countries	**5,946,935**	5,848,801
Others	**1,452,376**	892,385
	26,028,276	24,288,930

No single customer contributed 10% or more to the Group's revenue for both periods ended 30 June 2024 and 2023.

3. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC enterprise income tax	**33,061**	37,760
Hong Kong Profits Tax	**–**	13,528
Mozambique Profit Tax	**53,258**	2,455
Ethiopia Profit Tax	**33,718**	90,754
Other jurisdictions	**3,084**	4,460
Withholding tax	**12,645**	26,250
	135,766	175,207
Under (over) provision in prior years:		
Other jurisdictions	**3,834**	(4,174)
Deferred tax:		
Current period	**13,782**	22,337
Income tax expense	**153,382**	193,370

4. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**627,797**	621,025
Depreciation of right-of-use assets	**10,524**	8,724
Amortisation of mining rights	**22,479**	20,870
Amortisation of other intangible assets	**2,945**	2,945
Total depreciation and amortisation	**663,745**	653,564
Recognised in cost of sales	**(134,056)**	(148,622)
Capitalised in inventories	**(457,476)**	(454,649)
	72,213	50,293

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments)		
Salaries and allowances	**343,985**	363,151
Retirement benefits	**30,002**	29,590
Total staff costs	**373,987**	392,741
Recognised in cost of sales	**(25,990)**	(40,631)
Capitalised in inventories	**(179,606)**	(156,090)
	168,391	196,020
Net allowance for credit losses recognised (reversed) in respect of:		
Loan receivables	**8,359**	12,391
Trade receivables	**9,647**	50,202
Other receivables	**(1)**	–
	18,005	62,593
Donations (included in other expenses)	**3,095**	5,599

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	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**386,882**	532,160

	Six months ended 30 June	
	2024	2023
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,447,429**	5,438,883
Effect of dilutive potential ordinary shares from share options issued by the Company	**–**	920
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,447,429**	5,439,803

The computation of diluted earnings per share for the six months ended 30 June 2024 and 2023 does not assume the exercise of certain share options because the exercise price of those options was higher than the average market price for shares for both periods.

6. LOAN RECEIVABLES

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loans collateralised by property, plant and equipment *(Note a)*	**366,600**	375,596
Loans collateralised by receivables *(Note b)*	**502,300**	502,300
Small loans *(Note c)*	**4,900**	8,900
	873,800	886,796
Less: Allowance for credit losses	**(257,378)**	(249,019)
	616,422	637,777
Analysed as:		
Current	**499,052**	241,668
Non-current	**117,370**	396,109
	616,422	637,777

Notes:

(a) As at 30 June 2024 and 31 December 2023, the Group has entered into certain arrangements (the "Arrangements") with third parties for periods ranging from one to four years under which:

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

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

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

Despite the Arrangements involving a legal form of a lease, the Group accounted for the Arrangements as collateralised loans in accordance with the financial arrangement under IFRS 9 as the transfer does not satisfy the requirement of IFRS 15 as a sale. All interest rates inherent in the Arrangements are fixed at the contract dates over the contract terms.

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

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

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

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**499,052**	241,668
In more than one year but not more than two years	**117,370**	396,109
	616,422	637,777

The ranges of effective rates on the Group's loan receivables was 8% to 15% per annum as at 30 June 2024 (31 December 2023: 8% to 15% per annum).

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

7. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,652,642**	1,333,019
Trade receivables backed by bills	**158,548**	401,636
	1,811,190	1,734,655
Less: Allowance for credit losses	**(211,225)**	(201,578)
	1,599,965	1,533,077
Other receivables	**1,437,657**	1,198,171
Less: Allowance for credit losses	**(1,189)**	(1,190)
	1,436,468	1,196,981
VAT recoverables	**288,651**	276,295
VAT refund receivables	**23,525**	4,680
Dividend receivable from equity investments at FVTPL	**1,087**	–
Prepayments to suppliers	**372,083**	298,927
	3,721,779	3,309,960
Less: Non-current portion of other deposits (included in "Other receivables" above)	**(125,499)**	(134,637)
	3,596,280	3,175,323

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

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

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**704,540**	600,152
91 to 180 days	**236,441**	227,533
181 to 360 days	**365,207**	183,777
361 to 720 days	**248,397**	243,000
Over 720 days	**98,057**	78,557
	1,652,642	1,333,019

As at 30 June 2024, included in trade receivables backed by bills represents total bills received amounting to RMB68,454,700 (31 December 2023: RMB126,031,000) that were endorsed to suppliers on a full recourse basis. As the Group has not transferred substantially all the risks and rewards relating to these receivables, it continues to recognise the full carrying amounts of the receivables and the corresponding trade payables.

8. BORROWINGS

During the current interim period, the Group obtained new loans amounting to RMB3,239,148,000 (six months ended 30 June 2023: RMB862,901,000) and made repayments amounting to RMB2,310,941,000 (six months ended 30 June 2023: RMB732,571,000). The borrowings carry annual interest rates ranging from 1% to 17% per annum as at 30 June 2024 (31 December 2023: 0.7% to 17% per annum) and are repayable between 2024 and 2041 (31 December 2023: repayable between 2024 and 2041).

9. TRADE AND OTHER PAYABLES

As at 30 June 2024, included in trade payables are bills amounting to approximately RMB869,303,000 (31 December 2023: RMB313,000,000) which are issued by the Group to settle trade payables.

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

	30 June 2024 *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
0 to 90 days	**1,111,973**	848,765
91 to 180 days	**252,700**	317,561
181 to 360 days	**495,008**	314,355
361 to 720 days	**187,950**	288,048
Over 720 days	**110,335**	197,301
	2,157,966	1,966,030

10. SENIOR NOTES

On 9 July 2021, the Company issued 4.95%, five-year senior notes with an aggregated principal amount of United States Dollars ("US$") 600,000,000 due in 2026 (the "Senior Notes") at 100% of the face value. The effective interest rate was approximately 5.18% per annum after adjusting for transaction costs. The Senior Notes were listed on The Stock Exchange of Hong Kong Limited and guaranteed by certain subsidiaries of the Company.

According to the terms and conditions of the Senior Notes, at any time or from time to time prior to 8 July 2024, the Company may at its option redeem the notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The applicable premium is the greater of (1) 1.00% of the principal amount of such note and (2) the excess of (A) the present value at such redemption date of the redemption price of such note at 8 July 2024, plus all required remaining scheduled interest payments due on such note (but excluding accrued and unpaid interest to the redemption date) through 8 July 2024, computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of such note on such redemption date.

At any time and from time to time prior to 8 July 2024, the Company may at its option redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 104.95% of the principal amount of the notes, plus accrued and unpaid interest, if any.

On or after 8 July 2024, the Company may on any one or more occasions redeem all or any part of the notes, at the redemption prices of 102.475% (if redeemed prior to 8 July 2025) or 101.238% (if redeemed on or after 8 July 2025), plus accrued and unpaid interest, if any, on the notes redeemed, to (but not including) the applicable date of redemption.

The early redemption options were regarded as embedded derivatives not closely related to the host contract. The directors of the Company considered the fair value of the Company's early redemption options at the initial recognition and at the end of the reporting period was insignificant.

11. DIVIDENDS

During the six months ended 30 June 2024, the Group declared a final dividend of HK2.5 cents (equivalent to RMB2.3 cents) per ordinary share in respect of the year ended 31 December 2023 (six months ended 30 June 2023: HK7.4 cents (equivalent to RMB6.7 cents)) per ordinary share in respect of the year ended 31 December 2022) in total of approximately RMB125,094,000 (six months ended 30 June 2023: RMB364,405,000).

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

12. ASSETS PLEDGED FOR SECURITY

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

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**4,708,176**	4,726,510
Properties under development	**556,903**	556,903
Trade receivables	**–**	1,910
Right-of-use assets	**147,954**	179,490
Pledged bank deposits	**1,557,554**	1,008,676
	6,970,587	6,473,489

13. EVENT AFTER THE REPORTING PERIOD

On 29 July 2024, following up on the government's recent statement regarding Ethiopia's economic reform program, the National Bank of Ethiopia ("NBE") has announced a major revision of the country's foreign exchange system ("FX Reform") that effective immediately. The reform introduces a competitive, market-based determination of the exchange rate and addresses a long-standing distortion within the Ethiopian economy. Subsequent to the launch of the FX Reform, Ethiopian Birr ("ETB") devaluates over 50% against other major currencies (i.e. US$, RMB, etc.) according to exchange rate statistics released by NBE. As the functional currency of the Group's subsidiaries in Ethiopia is ETB, the devaluation of ETB will largely impact the Group's consolidated financial statements when these subsidiaries are translated into RMB for presentation purpose. Management of the Company is taking necessary steps to assess the impact of the devaluation of ETB on the Group's financial performance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group has been facing a tough operating environment in the first half of 2024. Sales volumes in Shaanxi, Xinjiang and Guizhou Provinces have decreased by 8.9%, 11.4% and 32.1%, respectively, as compared with the corresponding period of 2023. For the overseas side, sales volumes in Mozambique and Ethiopia have decreased by 2.7% and 36.4%, respectively, as compared with the corresponding period of 2023 while the plants in Democratic Republic of the Congo ("D.R. Congo") have contributed approximately 334,000 tons of cement and clinker sales during the six months ended 30 June 2024 (the "**Period**"). The Group's sales volumes of cement and clinker for the Period were 8.75 million tons, representing a 8.3% decrease from 9.54 million tons recorded in the first half of 2023.

As a result of the declining demand of cement in PRC during the Period, average selling prices ("ASPs") of cement in Shaanxi, Guizhou and Xinjiang were decreasing. The Group has continued to implement efficiency enhancements and cost-cutting measures and has been able to reduce the costs in the first half of 2024. Accompanied with the greater margins from Mozambique, D.R. Congo and Ethiopia, the Group's overall margins remained relatively stable in the first half of 2024. The Group has maintained healthy and stable cash flows, with EBITDA of RMB1,283.9 million for the first half of 2024, which is 15.4% lower than that of RMB1,517.2 million recorded in the first half of 2023.

As at 30 June 2024, the Group had a total production capacity of 34.3 million tons, comprising 21 new suspension preheater ("NSP") cement production lines, with 21.7 million tons in Shaanxi Province, 3.5 million tons in Xinjiang Province, 1.8 million tons in Guizhou Province, 2.0 million tons in Mozambique, 1.5 million tons in D.R. Congo, 1.3 million tons in Ethiopia and 2.5 million tons in Uzbekistan. Moreover, the Group had total production capacities of 15.0 million tons of aggregates and 12.4 million cubic meters of commercial concrete.

Operating Environment

In the first half of 2024, as a result of the weak global economy recovery, high inflation as well as a complex and severe external international environment, the PRC economy recovery has been relatively slow as compared with that of 2023. The performance of the infrastructure investment was slowing down, while the property investment was deteriorating, leading to a decline in the demand of cement in the PRC. On the other hand, in order to control the air pollution and preserve the blue sky, the environmental management of atmospheric pollution and the local environmental control remained stringent. As a result, the effect of various policies such as peak-shifting production halts and mine comprehensive regulations are more favorable to balance the supply and demand of the cement industry.

Both Fixed Asset Investment ("FAI") and Real Estate Development Investment ("RDI") growth rates improved slightly in the PRC in the first half of 2024. The FAI increased by 2.7% (six months ended 30 June 2023: 1.4%) and the RDI decreased by 0.4% (six months ended 30 June 2023: 5.9%) in Shaanxi Province during the first half of 2024, respectively. The slightly improved FAI and RDI growth rates were not adequate enough to strengthen the relatively weak demand for cement products in Shaanxi Province. Fortunately, intense competition from the supply side is still a strong factor affecting the ASPs in Shaanxi Province, which continued to be balanced through the occasional peak-shifting production halts during low season periods under the stringent environmental policy.

As a result of the greater margins contributed by the plants in Africa, the Group was able to maintain overall relatively stable margins in the first half of 2024 even though under the abovementioned impact of low ASPs in the PRC. Another important factor contributing to the Group's stable margins was the maintenance of the costs at a stable level, which was resulted from the Group's successful implementation of efficiency enhancements and cost-cutting measures during the Period.

Shaanxi

The Group's operations and markets in Southern Shaanxi have remained reasonable and stable during the first half of 2024. The supply side has remained rational and stable, as a result of little new capacity and effective closure of obsolete and small-scale clinker kiln and cement grinding capacity over past years, as well as long transportation distances from other regions. The Group has effectively maintained strong market leadership in this area, promoting a disciplined supply side.

During the Period, demand in this region has remained reasonable, supported by continued growth in railway and expressway infrastructure project construction. The Ankang to Langao Expressway, the Micang Avenue, the Xi'an to Ankang High-Speed Railway and the Ankang to Chongqing High-Speed Railway, have been, amongst others, particularly important demand drivers; and the constructions of the Lushi to Luanchuan Expressway, the Cangxi to Bazhong Expressway, the Luonan to Lushi Expressway, the G5 Beijing to Kuming Expressway (Guangyuan-Hanzhong section) and the Tuxikou Reservoir have also supported the demand. Rural and urban development in Southern Shaanxi have continued to be supported by the Hanjiang to Weihe River Water Transport Project which has been important for both cement demand and development in this region.

The demand in Central Shaanxi market has remained low, especially in the Xi'an Metropolitan market. This low demand scenario has exacerbated the imbalance between supply and demand already existing in the area. Fortunately, through the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy and the continuous recovery and expedited infrastructure construction demand as a result of the government's economic stimulating policies, the abovementioned imbalance was mitigated.

During the Period, the Group has continued to maintain its market share in Eastern Xi'an, Yaowangshan, Fuping County and the rest of Weinan District where urbanisation remains a key demand driver. The Group has also supplied cement to a number of infrastructure projects, including the constructions of the Huaneng Power — Coal Transportation Railway, the High-Speed Railway from Yanan to Yulin to Eerduosi, the 209 province road, the expansion of 210 national road, the Huyi to Zhouzhi to Meixian Expressway, the Xi'an Metro/Municipal Projects, the Eastern Xi'an Railway Station, the Dongzhuang Reservoir and the Hanjiang to Weihe River Water Transport Project (Phase II and III). The largest projects, the Xi'an to Yan'an High-Speed Railway and the Xi'an to Shiyan High-Speed Railway, have consumed over 220,000 tons and 350,000 tons of cement in the first half of 2024, respectively.

Sales volumes in Shaanxi have decreased by approximately 8.9% to approximately 5.95 million tons during the Period (six months ended 30 June 2023: 6.53 million tons), while ASPs in Shaanxi have decreased by approximately 19.5%. Over the Period as a whole, the Group has recorded cement ASPs in Shaanxi of RMB244 per ton (six months ended 30 June 2023: RMB303 per ton) (excluding VAT), with capacity utilization rate at approximately 55% (six months ended 30 June 2023: 60%).

Xinjiang & Guizhou Provinces

Operation at the Group's plant in Xinjiang Province has been declining in the first half of 2024. Sales volume in Xinjiang has decreased by approximately 11.4% to approximately 0.78 million tons (six months ended 30 June 2023: 0.88 million tons). During the first half of 2024, both sales volume and ASPs in Xinjiang have decreased as a result of the decrease in the infrastructure projects and the downtrend of the real estate market. The Group has recorded a decreased cement ASPs of approximately RMB409 per ton during the Period (six months ended 30 June 2023: RMB415 per ton) (excluding VAT), with capacity utilization rate at approximately 45% (six months ended 30 June 2023: 55%).

In Guizhou Province, the Group's plant contributed approximately 0.36 million tons of cement to the total sales volume as compared to that of 0.53 million tons in the first half of 2023, which represented a decrease of approximately 32.1%. During the first half of 2024, the Group has recorded cement ASPs in Guizhou of approximately RMB404 per ton (six months ended 30 June 2023: RMB385 per ton) (excluding VAT), with capacity utilization rate at approximately 40% (six months ended 30 June 2023: 59%). The imbalance between demand and supply in Guizhou was even exacerbated by the continuously 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 New Area.

Mozambique

The Group built a cement plant in Mozambique, a "window" country in South Africa, in close compliance with the "Belt and Road" development policy of the PRC and to seize the opportunity brought by the "Go Global" policy to maximize the cement production capacity. The Mozambique plant was commissioned in December 2020. Sales volume of cement and clinker in Mozambique have decreased slightly by 2.7% to approximately 0.72 million tons for the six months ended 30 June 2024 (six months ended 30 June 2023: 0.74 million tons). The Group has recorded an increased cement ASPs of approximately RMB681 per ton (six months ended 30 June 2023: RMB638 per ton) (excluding VAT), with capacity utilization rate at approximately 80.0% (six months ended 30 June 2023: 84.0%).

Democratic Republic of the Congo

The Great Lakes plant is a production line with a capacity of 3500-ton clinker and cement per day and approximately 1.50 million tons of cement per year, equipped with limestone mines, coal mines, power stations and wharfs. The Great Lakes plant is located in the city of Kalemie in the eastern region of D. R. Congo. Our cement sales cover Kalemie and neighboring countries and regions such as Rwanda, Burundi and western Tanzania. These market areas are relatively undeveloped and there is no large-scaled cement production line. With Lake Tanganyika as the center, the area where the plant is situated has a large population density and high population growth, which can ensure a certain market demand for cement. In addition to the potential of the civilian market, there are a large amount of unexploited mineral resources in the underneath and surrounding areas of Lake Tanganyika, which, once developed in the future, will directly drive related infrastructure and economic development, generating significant demand for cement. All markets covered can be reached mainly by water transportation from the lake, supported by truck transportation on land. The Great Lakes plant was commissioned in December 2022. During the Period, the Group has recorded cement ASPs of approximately RMB1,049 per ton (six months ended 30 June 2023: RMB1,509 per ton) (excluding VAT) and sales volume of cement and clinker of 334,000 tons (six months ended 30 June 2023: 39,000 tons), with capacity utilization rate at approximately 27% (six months ended 30 June 2023: 5%).

Ethiopia

Given the strategic layout in the African market, the Group is optimistic about the long-term development of the Ethiopian market. In 2022, the Group acquired National Cement plant with a capacity of 1.3 million tons of cement per year. The plant was then upgraded and commissioned in November 2022. The cement production was affected as a result of the production halts caused by the overhauls in the first quarter of 2024 and the prohibition of importing coal by the government accompanied with unstable local coal supply during the Period. Sales volume in Ethiopia has decreased by 36.4% to approximately 0.42 million tons for the six months ended 30 June 2024 (six months ended 30 June 2023: 0.66 million tons). The Group has recorded cement ASPs of approximately RMB842 per ton (six months ended 30 June 2023: RMB875 per ton) (excluding VAT), with capacity utilization rate at approximately 65% (six months ended 30 June 2023: 101%).

Energy Conservation, Emissions & Environmental Protection Solutions

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

The Group has residual heat recovery systems installed at most of its production facilities. As at 30 June 2024, these systems were operated at 15 out of 21 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce carbon dioxide emissions by approximately 22,000 tons per million tons of cement production.

The Group has already completed the installation of de-nitration ("De-NOx") equipment at all of the Group's plants in Shaanxi, Xinjiang and Guizhou Provinces. This equipment reduces nitrous oxide ("NOx") emissions by approximately 60% per ton of clinker produced, so that NOx emissions at the Group's plants comply with the Cement Industrial Air Pollution Emissions Standards. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed, resulting in all of the Group's plants having been upgraded to meet new PM emission standards as well. Moreover, the Group has effectively reduced the emission of dust through the technical renovation and kiln-end dust collectors and also further reduced NOx emission and the consumption of ammonia water through the implementation of de-nitration spray guns and automated technological innovation.

The Group's plants that are capable of treating dangerous and hazardous waste currently include (i) the Municipal Waste Treatment Facility at the Group's Fuping Plant, which has been operating since March 2016; and (ii) the Solid Waste Treatment Facility at the Group's Mianxian Plant which has been in full operations since October 2017. In 2024, the Group will continue to actively look for new opportunities in setting up cement kilns co-processing solid waste disposal projects in response to the development need of China's recycling economy and relevant specific policies for the industry, as well as taking into account specific conditions in the solid waste market of Shaanxi.

During the six months ended 30 June 2024, the Group performed certain environmental protection related tasks. Firstly, the Group formulated the Benchmarking Checklist of Environmental Protection Regulations and Standards, carried out in-depth environmental protection inspections and provided environmental protection training to the leaders and cadres of the inspected units in accordance with the inspection conditions. Secondly, the Group's safety and environment department insisted on conducting quarterly inspections of the Group's self-monitoring reports, pollution discharge permit implementation reports and environmental management accounts. Thirdly, each production unit took stock of the amount of hazardous waste disposed of and stored in the previous year, estimated the types and amount of hazardous waste likely to be generated in 2024, and completed the preparation and filing of the annual management plan for hazardous waste. Fourthly, the Group's safety and environment department prepared a reference template for hazardous waste labelling in accordance with the new standards issued by the Ministry of Ecology and Environment, and organised self-checks and study sessions for each unit. Fifthly, we verified the oxygen content recorded by online monitoring from our cement production units in Shaanxi Province, to ensure that the online equipment is airtight and the monitoring data is true and valid. Sixthly, the Group's safety and environment department took the lead in organising a group-wide inspection of sewage outfalls, blocking and rectifying sewage outfalls, and regulating the installation of rainwater outfalls.

Moreover, all plants in the PRC were already refurbished as garden like plants in the preliminary stage and the Group will further develop the garden like plants to meet the environmental policy requirements. Green limestone mines projects, including soil reclamation and mine re-greening, have already commenced construction to comply with the environmental policy. For each major unit in the Group's mines, an annual monitoring plan has been formulated specifically, and monitoring work on areas such as landscape, slope deformation, soil and water pollution, soil quality, reclamation and vegetation has started in accordance with the plan, so that the orderly progress of mine recovery and land reclamation has been ensured. The Group will continue to implement the green mine projects to reduce the pollution to the soil and mines during mining in order to comply with the government policy of "managing while mining" in the future.

Safety and Social Responsibility

The Group's safety and environmental protection department continuously monitors and reviews safety procedures in accordance with evolving environmental and safety regulations in the PRC. In the first half of 2024, the Group has focused its EHS (Environmental, Health & Safety) efforts on revising and improving the safety emergency response plan by employing independent safety experts to strengthen the handling capacity of all employees in emergency accidents. Moreover, several handbooks and guidelines were revised to improve the work safety measures as well as numerous of safety related training courses were initiated to strengthen the staff's safety awareness. In addition, the Group will continue to implement a "Sustainable Safety Development Project", which involved continuous training for both management and on-site employees, on-site inspections and audits, stringent safety reports and on-going suggestions for safety improvements at all of the Group's plants.

During the six months ended 30 June 2024, charitable donations made by the Group amounted to RMB3.1 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

Material Acquisitions and Disposal

The Group had no material acquisitions or disposals during the six months ended 30 June 2024.

PROSPECTS

2024 is a critical year for the implementation of the 14th Five-Year Plan. The central government of the PRC will insist on the principle of seeking progress in stability, where the new development concept will be implemented thoroughly in an exhaustive, accurate and comprehensive manner, so as to spur the formation of a new development landscape and facilitate high-quality development. Counter-cyclical and inter-cyclical adjustments will be strengthened in its macropolicy, with due reinforcement in the proactive fiscal policy to enhance quality and effectiveness, as well as a prudent monetary policy that remains flexible, precise and effective. By stepping up the innovation of and coordination among policy tools, economic vitality will be effectively improved, and risks will be prevented and neutralised, so that the positive economic trend will be strengthened and boosted, promoting the economy to achieve effective improvement in quality and reasonable growth in quantity.

In 2024, the state will proactively expand effective investment and reasonably broaden the capitalisation scope of local government special bonds, thereby remediating the shortcomings in economy and society at a faster pace, and facilitating the construction of major infrastructure, such as that of energy, water conservancy and transport, as well as new infrastructure. Moreover, the issuance of the additional national bonds of RMB1 trillion has been completed in 2023, which is expected to soon transform into actual jobs, and infrastructure would remain a key driving force to the demand for cement. The property market is still undergoing adjustment and may continue to deter cement demand. However, the state will actively avert property risks in a prudent manner and support the reasonable financing needs of the industry as well as project development and construction. The state will insist on city-based policies, one policy for one city and targeted policymaking to meet the rigid housing needs and demand for improved housing, devoting continuous effort to ensure the delivery of flats and safeguard people's livelihood and social stability. It will spur the construction of affordable housing and public infrastructure "used under normal condition and emergency" and expedite the transformation of urban villages, thus formulating a new property development model and stabilising the property market. As the state continuous to refine the policy regime for the "dual carbon" strategy, the cement industry is urged to roll out official policies on ultra-low emission. With the peak-shifting production remaining a norm in the cement industry, it is conducive to reduce excess capacity and swiftly eliminate backward capacity. However, the positive effect of peak-shifting production and other regular measures on the supply-demand dynamic will be limited under insufficient demand, and it is expected that the supply-demand dilemma of the industry will remain challenging. In terms of investment and development, the Group will keep its focus on effective investment to continuously improve its core cement business and consolidate the upstream and downstream industrial chains, with a view to cultivate high-quality development momentum. In terms of overseas development, steady progress will be made to strengthen the market presence in its invested countries, develop uncharted markets around the globe in a stable manner, and ensure the due commissioning of projects under construction to enhance the operating quality of overseas projects.

In 2024, in terms of operation and management, the Group will closely monitor the PRC and overseas macroeconomic situation and enhance the level of precision management. It will enhance the market competitiveness of its products by strengthening research on supply-demand dynamic in the market as well as market co-ordination, insisting on effective capacity utilisation, expanding production and sales on the basis of stabilising market share, and playing a good mix of marketing, brand promotion and delivery service. To reduce the overall procurement cost, the Group will deploy a material supply system that is both economic and green, deepen its strategic co-operation with major coal enterprises, actively expand the direct supply co-operation model, and keep abreast of the changing pulse of the raw fuel material market in a reasonable manner. The Group will fully observe the state's decisions and plans in respect of ecological civilisation construction and green low-carbon development. To this end, the Group will continue to step up investment in research and development on energy conservation and reduction in emission, pollution and carbon, upgrade and revamp the production lines to improve overall energy efficiency, and press ahead with the ultra-low emission renovation. Advancement will be made on the level of intelligent manufacturing, so as to accelerate the iterative updates of its expert system and promote the application of digital and intelligence technologies, which will contribute to the Group's operation and management efficiency and optimise its production indicators. The Group will consolidate training resources to make solid improvement on staff quality, and the incentive mechanism will be optimised and improved on a continuous basis to guarantee a robust talent pool for the Group's high-quality development.

Operations — Shaanxi

Under the current macroeconomic conditions in the PRC and in particular, the Shaanxi Province, the Group expects to see a moderate increase in demand in the second half of 2024. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2024, and a moderate growth is expected accordingly. Both urban property demand and rural demand is expected to remain stable with continued urbanisation trends supporting rural growth rates.

With regards to the supply side, the Group expects stable prices in the second half of 2024 as a result of the limited supply under the increasingly stringent environmental policies imposed by the government.

In Central Shaanxi, the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy are expected to remain as an important feature and this can support ASPs. There are a number of infrastructure projects that have recently started or are expected to start construction in 2024, including the constructions of several Central Shaanxi Intercity Railways, several expressways, the Guxian Reservoir and the Fuping pumped storage hydro power plant.

In Southern Shaanxi, the Group expects to maintain its relatively stable performance due to reasonable infrastructure construction activities and an already disciplined supply side. There are a number of infrastructure projects in Southern Shaanxi which have recently started or are expected to start construction in 2024, including the constructions of the Lanzhou to Hanzhong to Shiyan High-Speed Railway, the Hanzhong to Bazhong to Nanchong High-Speed Railway, several expressways, the Hengkou Reservoir, the Xingping Reservoir and several pumped storage hydro power plants. The Group expects to see certain demand from a number of infrastructure projects in 2024 and beyond.

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in 2024. With the elimination of the use of low grade (32.5) cement since May 2017 in Xinjiang, which led to the closure of inefficient facilities with small production capacity as well as the occasional peak-shifting production halts during low season periods under the stringent environmental policy, the Group can see a more stable market of the cement industry since then. In Southern Xinjiang, where the Group's Moyu Plant is located with 2.0 million tons of capacity, there are a number of on-going infrastructure projects, which are expected to contribute to support the demand in 2024 and beyond. These include the constructions of water conservancy projects and the expansion of the Yutian airport. Moreover, in Northern Xinjiang, the production volume and ASPs of the 1.5 million-ton Yili Plant remained low. The Group expects to see higher volume sold from the Yili Plant and a stable pricing in 2024 with the support of certain coming infrastructure projects, i.e. the G219 — Zhaosu to Wensu Expressway. In Guizhou, sales volume is improving due to the imbalance between demand and supply which is even exacerbated by the continuously decreasing demand scenario and the Group expects that the scenario may continue over a certain period of time. Fortunately, the 1.8 million-ton Huaxi Plant was located close to Guiyang City Centre and the Group expects it can keep benefiting from its location advantage, with a continuation of better volume than other locations in Guizhou in 2024 and beyond.

Operations — Mozambique, D.R Congo & Ethiopia

Since the official launch of sales in Mozambique in 2021, through two years of market operation, channel construction and brand building work, the overall development has continued to be positive. Remote markets and overseas export business are also on track. The overall cement production capacity distribution and basic layout in Mozambique in 2024 are not expected to change significantly, while the civil segment in the southern market has stabilized. 2024 focus will be on the sales of cement and clinker in the central part of the country and overseas (South Africa, Zimbabwe and Madagascar). The Group expects that the sales volume will increase with stable ASPs.

In D.R. Congo, the Great Lakes plant can export clinker, cement and other products to surrounding countries such as Burundi, Rwanda, and western Tanzania. In the Lake Tanganyika regions, there are currently only one old cement plant and four grinding stations. All regions are actually facing a shortage of clinker and the Group expects that the market demand is strong. The import of clinker in these regions mainly comes from Tanzania, Zambia and other countries and the clinker quantity is unstable. The Great Lake plant is able to occupy the market quickly through its stable quality and lower price strategy. The Group expects that the sales volume will improve with stable ASPs after gradually developing the markets around the Lake Tanganyika regions.

The current market demand of cement in Ethiopia is strong. The Group can foresee several key projects such as new capital city construction and airport construction, as well as infrastructure such as state-level highway and railway construction in the regions of Addis Ababa, Amhara and Oromia, which in turn will gradually increase the cement demand. The Group expects that both sales volumes and ASPs will increase gradually with these long-term demand increment.

Capacity Development

Ethiopia

Given the strategic layout in the African market, the Group is optimistic about the long-term development of the Ethiopian market. With the strong support of the local governments at all levels, the Group has built a new production line with a daily production capacity of 10,000 tons of clinker in Lemi, Amhara State, Ethiopia, following the acquisition of the National Cement plant. The production line is built by the new dry-process pre-decomposition production technology with an annual production capacity of 5 million tons of cement. The market for the Lemi project extends to the regions of Addis Ababa, Amhara and Oromia. The major markets in such regions focus on key projects such as new capital city construction and airport construction, as well as infrastructure such as state-level highway and railway construction. Currently, the ASPs of cement in the region is approximately US$120 per ton. The Lemi plant is expected to commence production in the third quarter of 2024.

The Lemi project has gained strong support from the government in terms of preferential income tax, priority provision of land and mine resources. Upon the completion of the project, the Group's advantages in technology, management and cost, coupled with the great demand for cement in Ethiopia in the future, will lay a foundation for the Group's subsequent expansion in the Ethiopian market.

Uzbekistan

With a relatively stable political situation and a fast-growing economy, Uzbekistan has the largest population in Central Asia, ranking second in terms of total GDP. The government has improved its economic reform and considered economic development as the main objective. A series of policies to improve key areas such as road traffic, communications and social infrastructure have resulted in long-term favorable national demand for cement. Uzbekistan has both oil and gas resources, with 100 million tons of proved reserves of petroleum, 190 million tons of proved reserves of condensate and 3.4 trillion cubic meters of proved reserves of natural gas. The development of oil and gas resources has fostered a great market potential for the special cements required for oil and gas cementing.

Based on the aforementioned belief of the long-term growth of the Uzbekistan market, the Group has built a new production line with a daily production capacity of 6,000 tons of clinker in Andijan region, which produce 2.5 million tons of cement per annum, using the internationally advanced New Generation II dry process cement production line technology. Currently, the ASPs of cement in the region is approximately US$50 per ton. The Andijan plant has just commenced production in May 2024.

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

Costs Control

The Group will continue to implement a number of cost-cutting measures, which are expected to benefit cost of sales and selling, general and administrative expenses in 2024. These measures include reducing administrative and head office cost and formulating staff incentives to promote efficient use of raw materials and resources.

Environment, Health & Safety

Plant upgrades to meet new NOx and PM emission standards as stipulated by the Cement Industrial Air Pollution Emissions Standards law have now been completed at all of the Group's plants and the Group will continue to further reduce emissions through incremental up grades. The Group plans to further implement measures to strengthen environmental management and monitoring during the second half of 2024 and will continue to implement the "Sustainable Safety Development Project". Moreover, the Group will continue to implement the green mine projects to reduce the pollution to the soil and mines during mining in order to comply with the government policy of "managing while mining" in the future.

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

Capital Expenditure

Other than the capital expenditure spent for maintenance and upgrading of existing production facilities as well as the construction of new production facilities in Ethiopia and Uzbekistan, the Group has no particular plans for capacity expansion and related capital expenditure in 2024. The Group has funded and expects to continue to fund these commitments from operating cash flow and available banking facilities.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 15.8% from RMB4,398.3 million for the first half of 2023 to RMB3,701.8 million for the first half of 2024. Cement sales volume decreased by 9.9%, from approximately 9.14 million tons for the first half of 2023 to approximately 8.25 million tons during the six months ended 30 June 2024. Including clinker sales, total sales volume for the first half of 2024 amounted to approximately 8.75 million tons, compared to the 9.54 million tons sold in the first half of 2023.

Overall cement prices in the first half of 2024 were lower than those in the first half of 2023. Cement ASP for the first half of 2024 was RMB344 per ton as compared with RMB383 per ton in the first half of 2023. The reasons for these fluctuations in ASPs and sales volume are discussed in the "Operating Environment" section above.

Other than the above cement sales revenue, the revenues arising from the sales of aggregates and commercial concrete decreased by 46.6% and 39.3% to RMB51.7 million (six months ended 30 June 2023: RMB96.8 million) and RMB224.0 million (six months ended 30 June 2023: RMB368.8 million) for the first half of 2024, respectively, which is primarily due to the effect of the decreases in prices of aggregates and commercial concrete by 21.3% and 14.8%, respectively, as well as decrease in sales volumes of aggregates and commercial concrete by 22.3% and 28.3%, respectively.

Cost of Sales

Cost of sales decreased by 14.1% from RMB3,164.0 million for the first half of 2023 to RMB2,716.7 million for the first half of 2024.

Coal costs were decreasing in the PRC during the Period because the local coal supply become more stable under the guaranteed supply policy implemented by the PRC government. With the decrease in the demand of coal under the slowing down recovery of economic activities, the average cost per ton of coal decreased by approximately 13.4% to approximately RMB760 per ton from approximately RMB975 per ton in the first half of 2023. These have resulted in a cost decrease of approximately RMB22.2 per ton of total cement produced. With the effect of the decrease in sales volume, total coal costs decreased by approximately 29.0% as compared with that of the first half of 2023.

The average cost of limestone increased to approximately RMB19.7 per ton during the Period (six months ended 30 June 2023: RMB16.7 per ton) as a result of the higher costs and quantities of limestone utilised by the overseas plants. Moreover, the average prices of other raw materials were increasing over the Period. Even though the cement sales volume decreased by 8.3%, the total raw materials costs increased by approximately 13.9% and the raw materials costs increased by approximately RMB17.2 per ton of total cement produced, as compared with that of the corresponding period in 2023.

The average cost of electricity was decreasing over the first half of 2024 as a result of the decrease in electricity price under the decreasing coal costs and the decrease in the demand of electricity under the slowing down recovery of economic activities. The electricity costs decreased by approximately RMB2.8 per ton of total cement produced. With the effect of the decrease in sales volume, total electricity costs decreased by approximately 17.5% as compared with that of the first half of 2023.

The total depreciation cost decreased by approximately 15.6% as compared with that of the first half of 2023, which was approximately a decrease of RMB2.4 per ton of total cement produced, since there is no more depreciation charged for some fully depreciated assets during the Period.

The total staff cost decreased by approximately 20.5% as compared with that of the first half of 2023, which was approximately a decrease of RMB1.9 per ton of total cement produced, as a result of the strengthened cost control during the Period.

As to other items in the costs balance, the balance mainly represented certain environmental related expenses, i.e. sewage fee, environmental protection fee, charged by the government, and safety fee as well as overhaul expense.

Other costs in total decreased by approximately 17.6% as compared with that of the first half of 2023, which was approximately an increase of RMB1.6 per ton of total cement produced, as a result of the strengthened cost control during the Period.

Moreover, as mentioned in the revenue analysis above, as a result of the decrease in the sales volumes of aggregates and commercial concrete by 22.3% and 28.3%, respectively, the costs arising from the production of aggregates and commercial concrete also decreased by 26.1% and 36.6% to RMB33.1 million (six months ended 30 June 2023: RMB44.8 million) and RMB206.7 million (six months ended 30 June 2023: RMB325.8 million), for the first half of 2024, respectively.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB249.1 million, or 20.2%, from RM1,234.2 million for the first half of 2023 to RMB985.1 million for the first half of 2024. The decrease in gross profit was mainly due to the effect of the decrease in ASPs and sales volume as described above. Gross profit margin decreased from 28.1% for the first half of 2023 to 26.6% for the first half of 2024.

Other Income

Other income mainly comprised 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 11.0% from RMB55.6 million for the first half of 2023 to RMB61.7 million for the first half of 2024. The increase in other income is mainly due to the increase in the other government subsidiaries during the Period.

Administrative and Selling & Marketing Expenses

Administrative expenses primarily included staff costs, general administrative expenses, depreciation and amortization. The amount decreased by 3.3% from RMB329.3 million for the first half of 2023 to RMB318.4 million for the first half of 2024. Selling & marketing expenses increased by 50.9% from RMB57.4 million to RMB86.6 million for the first half of 2024 as compared with that of 2023. The increase in selling and marketing expenses were mainly due to the increase in expenses in relation to the sale of properties under development and the increase in respective selling expenses related to the new business in Africa.

Other Gains and Losses, net

Other gains decreased by RMB6.5 million from RMB144.0 million for the first half of 2023 to RMB137.5 million for the first half of 2024. The decrease was mainly due to the net effect of the following factors. Firstly, there were net foreign exchange gains mainly relating to the translation of the Group's USD receivables from the subsidiaries of RMB71.2 million for the first half of 2024 (six months ended 30 June 2023: RMB177.0

million). Secondly, there was an impairment loss recognised on goodwill and other non-current assets of RMB19.6 million (six months ended 30 June 2023: Nil) during the Period as a result of the downturn of the business environment in the cement industry in the PRC. Thirdly, there was an impairment loss in respect of inter-group receivables due from Kangding Paomashan Cement Co., Ltd. (康定跑馬山水泥有限責任公司) ("Paomashan") of RMB33.8 million for the first half of 2024 (six months ended 30 June 2023: Nil). As at the date of this announcement, Paomashan was in bankruptcy liquidation proceedings and it is estimated that the Group will not be able to recover all receivables due from Paomashan. Fourthly, there was a fair value gain on equity investment at FVTPL of RMB2.4 million (six months ended 30 June 2023: loss of RMB32.4 million). Finally, there was a hyperinflation restatement regarding the subsidiary in Ethiopia of RMB101.3 million (six months ended 30 June 2023: Nil) recorded during the Period.

Interest Income

Interest income decreased by RMB21.8 million from RMB46.4 million for the first half of 2023 to RMB24.6 million for the first half of 2024. The decrease was mainly due to the decrease in the interest income arising from the loan receivables business of RMB29.9 million recorded for the first half of 2024 (six months ended 30 June 2023: RMB34.1 million) as a result of the decrease in loan receivables business.

Finance Costs

Finance costs decreased by RMB52.3 million, or 33.7%, from RMB155.0 million for the first half of 2023 to RMB102.7 million for the first half of 2024. The decrease was mainly due to the increase in the capitalized interest for the construction in progress during the Period.

Income Tax Expense

Income tax expenses decreased by RMB40.0 million from RMB193.4 million for the first half of 2023 to RMB153.4 million for the first half of 2024. Current income tax expense net of over provision decreased by RMB31.5 million to RMB139.5 million for the first half of 2024 (six months ended 30 June 2023: RMB171.0 million) , whereas deferred tax expenses decreased by RMB8.5 million to RMB13.8 million for the first half of 2024 (six months ended 30 June 2023: RMB22.3 million).

The decrease in the current income tax expense was mainly attributable to the net effect of the decrease in profit tax attributable to the Ethiopia subsidiary and the Hong Kong subsidiaries, the decrease in withholding tax and the increase in profit tax attributable to the Mozambique subsidiary.

The detailed income tax expenses for the Group are outlined in note 3 of this interim result announcement.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased from RMB532.2 million for the first half of 2023 to RMB386.9 million for the first half of 2024. This decrease is primarily due to the decrease in gross profit as mentioned above.

Basic earnings per share decreased from RMB9.8 cents for the first half of 2023 to RMB7.1 cents for the first half of 2024.

EVENT AFTER THE REPORTING PERIOD

On 29 July 2024, following up on the government's recent statement regarding Ethiopia's economic reform program, the National Bank of Ethiopia ("NBE") has announced a major revision of the country's foreign exchange system ("FX Reform") that effective immediately. The reform introduces a competitive, market-based determination of the exchange rate and addresses a long-standing distortion within the Ethiopian economy. Subsequent to the launch of the FX Reform, Ethiopian Birr ("ETB") devaluates over 50% against other major currencies (i.e. US$, RMB, etc.) according to exchange rate statistics released by NBE. As the functional currency of the Group's subsidiaries in Ethiopia is ETB, the devaluation of ETB will largely impact the Group's consolidated financial statements when these subsidiaries are translated into RMB for presentation purpose. Management of the Company is taking necessary steps to assess the impact of the devaluation of ETB on the Group's financial performance.

FINANCIAL AND LIQUIDITY POSITION

As at 30 June 2024, the Group's total assets increased by 9.3% to RMB35,953.5 million (31 December 2023: RMB32,902.9 million) while total equity increased by 4.4% to RMB14,792.5 million (31 December 2023: RMB14,168.0 million).

As at 30 June 2024, the Group had bank balances and cash as well as restricted/pledged bank deposits amounting to RMB2,860.4 million (31 December 2023: RMB2,120.3 million). After deducting borrowings and senior notes of RMB11,756.7 million (31 December 2023: RMB10,676.4 million), the Group had net debt of RMB8,896.3 million (31 December 2023: RMB8,556.1 million). 88.8% (31 December 2023: 78.3%) of borrowings and senior notes are at a fixed interest rate. Moreover, the Group also held loan receivables of RMB616.4 million (31 December 2023: RMB637.8 million) at fixed interest rates. Please refer to notes 6, 8, 10 and 12 of this interim result announcement for the details of the loan receivables, borrowings, senior notes and the respective pledge of assets.

As at 30 June 2024, the Group's net gearing ratio, measured as net debt to equity was 60.1% (31 December 2023: 60.4%). 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 2024, the Group has net current liabilities position of approximately RMB2,075.5 million. As at 30 June 2024, the Group has unused banking facility of approximately RMB1,023.8 million, which is available for drawdown and utilisation in the course of ordinary business from the date of the approval of these condensed consolidated financial statements. Subsequent to 30 June 2024, the Group has obtained additional banking facilities of approximately RMB595 million, which is made available for the Group to utilise at the date of granting such facilities and the Group had been in negotiation with certain banks which expressed their willingness to grant additional banking facilities to the Group. As at the date of this announcement, the Group was negotiating banking facilities amounted to RMB1,925.8 million with these banks, of which the offer letter of RMB1,417.1 million had been issued by the banks. In view of the above circumstances, the directors of the Company expect that the Group will have sufficient liquidity to finance its operations for the next twelve months from 30 June 2024. Therefore, the condensed consolidated financial statements have been prepared on going concern basis. The going concern basis assumes that the Group will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

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

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the additions of property, plant and equipment, right-of-use assets, mining rights and construction in progress, for the first half of 2024 amounted to RMB1,635.7 million (six months ended 30 June 2023: RMB764.6 million). Capital commitments as at 30 June 2024 amounted to RMB1,802.4 million (31 December 2023: RMB2,668.3 million). Both capital expenditure and capital commitments were mainly related to the maintenance and upgrading of existing production facilities as well as the construction of new production facilities in Uzbekistan and Ethiopia. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2024, the Group employed a total of 8,948 (31 December 2023: 8,780) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2024, employees benefit expenses were RMB374.0 million (six months ended 30 June 2023: RMB392.7 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 2024, the Group's sales, purchases, loans receivables, restricted/pledged deposit, bank balances and cash and borrowings were mainly denominated in Renminbi. Moreover, the Group's other long term payables and senior notes were denominated in United States Dollars and several intercompany balances between the subsidiaries were denominated in different functional currencies, i.e. Meticais, Ethiopian Birr. Renminbi, Meticais and Ethiopian Birr are not a freely convertible currency. Future exchange rates of the Renminbi, Meticais and Ethiopian Birr could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government, Mozambique government and Ethiopia 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, Meticais and Ethiopian Birr. The appreciation or depreciation of Renminbi, Meticais and Ethiopian Birr against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

CREDIT RISK MANAGEMENT

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

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

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

CORPORATE GOVERNANCE PRACTICE

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

The Board is of the view that the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2024.

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 Corporate Governance 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 four independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Zhu Dong, Mr. Tam King Ching Kenny and Mr. Feng Tao. 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 2024.

AUDITORS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2024 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 2024, 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 C3 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 2024.

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 2024 containing all the information required by Appendix D2 to the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 19 August 2024

As at the date of this announcement, the executive Directors are Mr. Zhang Jimin, Mr. Cao Jianshun, Mr. Chu Yufeng, and Ms. Wang Rui, the non-executive Directors are Mr. Ma Zhaoyang, Mr. Fan Zhan and Mr. Wang Zhixin, and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Zhu Dong, Mr. Tam King Ching, Kenny and Mr. Feng Tao.