2022
INTERIM REPORT

西部水泥

中國西部水泥有限公司
WEST CHINA CEMENT LIMITED

(Incorporated in Jersey with limited liabilty with registered number 94796)
Stock Code: 2233

CONTENTS

CORPORATE INFORMATION

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Yaobai R&D Training Center
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Aerospace Industrial Base
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Xi'an, Shaanxi Province, PRC

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Harbour City, 9 Canton Road
Tsim Sha Tsui
Hong Kong

COMPANY WEBSITE

www.westchinacement.com

BOARD OF DIRECTORS

Executive Directors

Zhang Jimin *(Chairman)*
Ma Weiping *(Chief Executive Officer)*

Non-Executive Directors

Ma Zhaoyang
Shi Guanglei *(resigned with effect from 19 April 2022)*
Wang Jingqian *(appointed with effect from 19 April 2022)*
Fan Changhong

Independent Non-Executive Directors

Lee Kong Wai Conway
Tam King Ching Kenny
Zhu Dong

COMPANY SECRETARY

Chan King Sau *HKICPA*

AUTHORIZED REPRESENTATIVES

Ma Weiping
Chan King Sau *HKICPA*

MEMBERS OF THE AUDIT COMMITTEE

Lee Kong Wai Conway *(Chairman)*
Tam King Ching Kenny
Zhu Dong

MEMBERS OF THE REMUNERATION COMMITTEE

Tam King Ching Kenny *(Chairman)*
Zhang Jimin
Lee Kong Wai Conway
Zhu Dong

MEMBERS OF THE NOMINATION COMMITTEE

Zhang Jimin *(Chairman)*
Lee Kong Wai Conway
Tam King Ching Kenny

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors
35/F One Pacific Place
88 Queensway
Hong Kong

JERSEY PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Investor Services (Channel Islands) Limited
Ordinance House
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St Helier
Jersey JE4 8PW

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
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183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China
Bank of Xi'an

FINANCIAL HIGHLIGHTS

RMB' Million (unless otherwise specified)	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)	% Change
Total Cement and Clinker Sales Volume (million tons)	**9.15**	10.30	(11.2%)
Cement Sales Volume (million tons)	**8.70**	10.09	(13.8%)
Aggregates Sales Volume (million tons)	**2.30**	2.00	15.0%
Commercial Concrete sales volume (million cubic meters)	**0.64**	0.76	(15.8%)
Revenue	**4,152.3**	4,232.9	(1.9%)
Gross Profit	**1,352.9**	1,343.7	0.7%
EBITDA(1)	**1,690.1**	1,677.5	0.8%
Profit Attributable to Owners of the Company	**658.2**	1,056.1	(37.7%)
Basic Earnings Per Share	**12.1 cents**	19.4 cents	(37.6%)
Gross Profit Margin	**32.6%**	31.7%	0.9 p.pt
EBITDA Margin	**40.7%**	39.6%	1.1 p.pt

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	% Change
Total Assets	**27,389.4**	26,648.4	2.8%
Net Debt(2)	**5,569.0**	4,990.4	11.6%
Net Gearing(3)	**46.5%**	42.3%	4.2 p.pt
Net Assets Per Share	**220 cents**	217 cents	1.4%

Notes:

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

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

(3) Net gearing is measured as net debt to equity.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") faced a tough operating environment in the first half of 2022. Sales volumes in Shaanxi, Xinjiang and Guizhou Provinces have decreased by 12.7%, 30.7% and 39.0%, respectively, as compared with the corresponding period of 2021. On the other hand, sales volume in Mozambique have increased by 127.3% as compared with the corresponding period of 2021. The Group's sales volumes of cement and clinker for the six months ended 30 June 2022 were 9.15 million tons, representing a 11.2% decrease from 10.30 million tons recorded in the first half of 2021.

As a result of the continuous high coal price maintained during the period, average selling prices ("ASPs") in Southern Shaanxi, Central Shaanxi, Guizhou and Xinjiang were also increasing to cover the increasing cost. Moreover, the Group has continued to implement efficiency enhancements and cost-cutting measures and has been able to maintain the other costs at a comparatively stable level in the first half of 2022. In addition to the greater margins from Mozambique, the Group's overall margins remained stable in the first half of 2022. The Group has maintained healthy and stable cash flows, with EBITDA of RMB1,690.1 million for the first half of 2022, which is slightly higher than the RMB1,677.5 million recorded in the first half of 2021.

As at 30 June 2022, the Group had a total production capacity of 29.0 million tons, comprising 17 new suspension preheater ("NSP") cement production lines, with 21.7 million tons in Shaanxi Province, 3.5 million tons in Xinjiang Province, 1.8 million tons in Guizhou Province and 2.0 million tons in Mozambique, Africa. Moreover, the Group had total production capacities of 15.0 million tons of aggregates and 12.4 million cubic meters of commercial concrete.

Operating Environment

In the first half of 2022, the COVID-19 outbreak continuously impacted the operating environment adversely. The PRC government continued to closely coordinate the pandemic prevention and control as well as the economic work. The performance of infrastructure investment remained stable, while that of property investment was deteriorating, leading to a decline in the demand of cement. On the other hand, in order to control air pollution and preserve the blue sky, the environmental management of atmospheric pollution did not relax and the local environmental control became more stringent. As a result, the effect of various policies such as peak-shifting production halts and mine comprehensive regulation are more favorable to balancing the supply and demand of the cement industry.

Shaanxi Province as a whole has seen a stable Fixed Asset Investment ("FAI") growth rate and a declined Real Estate Development Investment ("RDI") growth rate in the first half of 2022. During the first half of 2022, the FAI and the RDI increased by 9.4% (2021: 10.0%) and 4.6% (2021: 11.9%), respectively. The FAI growth rate remained stable during the first half of 2022 as a result of the government's economic stimulating policies. However, the declined RDI growth rate has overall led to a decline in demand for cement products from all producers in the 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.

Another important factor contributing to the Group's stable margins was the maintenance of the other costs at a stable level even under the continuous high coal price in the first half of 2022. This resulted from the Group's successful implementation of efficiency enhancements and cost-cutting measures during the period.

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi have remained reasonable and stable during the first half of 2022. 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 Wuxi to Zhenping Expressway, the Shiyan to Wuxi North Expressway, the Micang Avenue and the Xi'an to Ankang High-Speed Railway, have been, amongst others, particularly important demand drivers; and the constructions of the Hanzhong to Bazhong to Nanchong High-Speed Railway, the Lushi to Luanchuan Expressway, the Ningshan to Shiquan Expressway, Kangxian to Lueyang Expressway, the Cangxi to Bazhong Expressway, the Chengkou to Kaizhou Expressway, the Luonan to Lushi Expressway, the Danfeng to Ningshan Expressway, the Yuehe Hydropower Station, the Xunyang Hydropower Station and the Tuxikou Reservoir have also supported the demand. Rural and urban development in Southern Shaanxi have continued to be supported by the Hanjiang to Weihe River Water Transport Project which has been important for both cement demand and development in this region.

Whilst sales volumes of cement in Southern Shaanxi have decreased by approximately 11.5%, there have been an increase in ASPs. During the first half of 2022, the Group has recorded cement ASPs in Southern Shaanxi of approximately RMB372 per ton (2021: RMB290 per ton) (excluding VAT), which is lower than the Group's overall ASPs of RMB384 per ton (2021: RMB319 per ton) (excluding VAT), with capacity utilization rate at approximately 75% (2021: 75%).

Central Shaanxi

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 Xi'an, Tongchuan District, and 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 Hancheng to Huanglong Expressway, the Xixian Expressway-Southern Section, the Chengcheng to Weizhuang Expressway, the Beijing to Kuming Expressway, the Weizhuang to Luofu Expressway, the Yan'an East Ring Expressway, the Xi'an Metro/Municipal Projects, the Dongzhuang Reservoir, the Hanjiang to Weihe River Water Transport Project (Phase II) and the Xianyang Airport. The largest project, Xi'an to Yan'an High- Speed Railway, has consumed over 170,000 tons of cement in the first half of 2022.

Sales volumes in Central Shaanxi have decreased by approximately 13.7% and have been accompanied by increased ASPs. Over the period as a whole, the Group has recorded cement ASPs in Central Shaanxi of RMB351 per ton (2021: RMB319 per ton) (excluding VAT), which is lower than the Group's overall ASP of RMB384 per ton (2021: RMB319 per ton) (excluding VAT), with capacity utilization rate at approximately 55% (2021: 61%).

Xinjiang & Guizhou Provinces

Operation at the Group's plant in Xinjiang Province has been declining in the first half of 2022. Sales volume in Xinjiang have decreased by close to 30.7% to approximately 0.97 million tons (2021: 1.40 million tons). During the first half of 2022, sales volume 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 an increased cement ASPs at approximately RMB442 per ton (2021: RMB406 per ton) (excluding VAT), with capacity utilization rate at approximately 55% (2021: 55%).

In Guizhou Province, the Group's plant contributed approximately 0.39 million tons of cement to the total sales volume as compared to that of 0.64 million tons in the first half of 2021, which represented a decrease of approximately 39.0%. During the first half of 2022, the Group has recorded cement ASPs in Guizhou of approximately RMB429 per ton (2021: RMB260 per ton) (excluding VAT), with capacity utilization rate at approximately 43% (2021: 71%). 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 ("Gui-An") New Area.

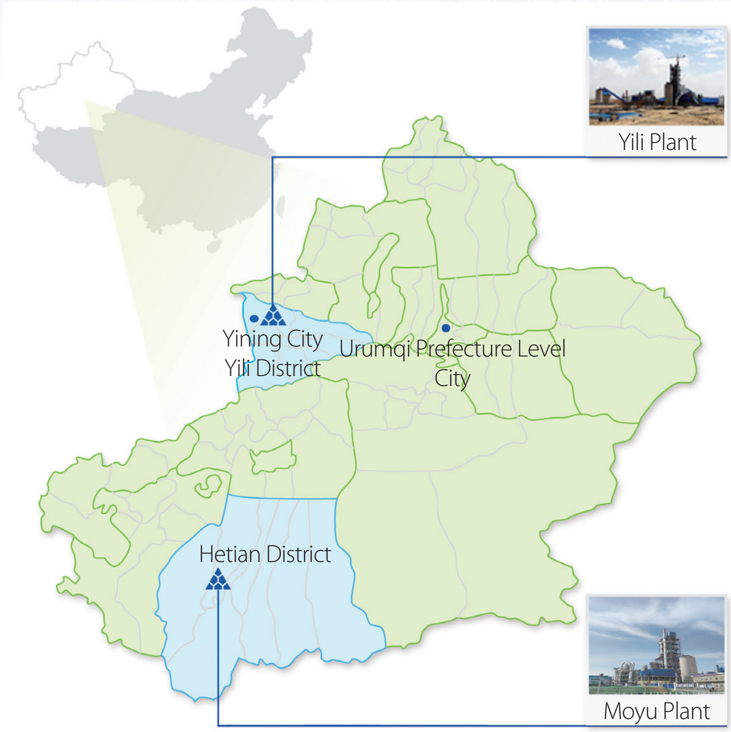
Africa

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 in Mozambique have increased by 127.3% to approximately 0.50 million tons for the six months ended 30 June 2022 (2021: 0.22 million tons). During the first half of 2022, both sales volume and ASPs in Mozambique have increased as a result of the new capacity entering the market successfully during 2021. The Group has recorded an increased cement ASPs at approximately RMB509 per ton (2021: RMB413 per ton) (excluding VAT), with capacity utilization rate at approximately 50.0% (2021: 22.5%).

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Xinjiang Province



Guizhou Province

Africa

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 2022, these systems are operated at 14 out of 17 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce carbon dioxide ("CO2") emissions by approximately 22,000 tons per million tons of cement production.

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

The Group's plants that are capable of treating dangerous and hazardous waste currently include (i) the Municipal Waste Treatment Facility at the Group's Fuping Plant ("Fuping Waste Treatment Facility"), which has been operating since March 2016; and (ii) the Solid Waste Treatment Facility at the Group's Mianxian Plant ("Mianxian Waste Treatment Facility") which has been in full operations since October 2017. In 2022, 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 2022, The Group continued to promote performance upgrading and transformation. So far, five of our units, which means our plants in Fuping, Shifeng, Tongchuan, Danfeng and Xunyang, have begun the standardized transformation for A-level enterprise differentiation, and successively completed the technological transformation of unlimited reduction denitrification, the transformation of dust collector and the installation of online monitoring equipment for cement grinding (水泥磨) and for ammonia escape at kiln tail (窯尾氨逃逸). For our Danfeng plant, the desulfurization transformation has completed, and, for our Xunyang plant, technological transformation of wet-process desulfurization (濕法脱硫) is being carried out. The Group has also continued to perfect the management and control of disorganized particulate matter. Automatic roller blind shutters have been installed at the entrances and exits of vehicles such as sheds, and sprinkler facilities have been installed inside the sheds to ensure that operations are carried out in a closed area, which effectively suppresses disorganized fugitive dust emissions, enabling the disorganized emissions of all plants in our production unites to be far below the standard emission limits. In addition, the Group has also standardized our carbon emission management. For each of our coal-related units, carbon element monitoring has been fully initiated, providing persuasive evidence and preparation for carbon emission calculation and for establishing a carbon emission management system.

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 been already commenced construction to comply with the environmental policy. For each major unit in our 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 2022, 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 2022, charitable donations made by the Group amounted to RMB1.3 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 2022.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 1.9% from RMB4,232.9 million for the first half of 2021 to RMB4,152.3 million for the first half of 2022. Cement sales volume decreased by 13.8%, from approximately 10.09 million tons for the first half of 2021 to approximately 8.70 million tons during the six months ended 30 June 2022. Including clinker sales, total sales volume for the first half of 2022 amounted to approximately 9.15 million tons, compared to the 10.30 million tons sold in the first half of 2021.

Overall cement prices in the first half of 2022 were higher than those in the first half of 2021. Cement ASP for the first half of 2022 was RMB384 per ton as compared with RMB319 per ton in the first half of 2021. 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 increased and decreased by 74.2% and 12.9% to RMB118.6 million and RMB278.5 million, for the first half of 2022, respectively, which is primarily due to the net effect of increase in prices by 50.0% and 3.3% as well as increase and decrease in the sales volumes by 15.0% and 15.8%, respectively.

Cost of Sales

Cost of sales decreased by 3.1% from RMB2,889.2 million for the first half of 2021 to RMB2,799.3 million for the first half of 2022.

Coal costs were maintaining at a high level in the PRC since 2021 because the supply and production of coal were continuously keeping at an imbalance level as a result of the decrease in import of coal and the limited local supply as well as the increase in the demand of coal under the recovery of economic activities after the COVID-19 impact was mitigating. The average cost per ton of coal increased by approximately 56.1% to approximately RMB980 per ton from approximately RMB628 per ton in the first half of 2021. These have resulted in a cost increase of approximately RMB40.3 per ton of total cement produced, with total coal costs increased by approximately 37.5% as compared with that of the first half of 2021.

The average cost per ton of limestone remained stable at approximately RMB16.8 per ton for the first half of 2022 (2021: RMB17.9 per ton). However, the average prices of other raw materials were increasing over the first half of 2022. Even though the cement sales volume decreased, the total raw materials costs decreased by approximately 0.5% only and the raw materials costs increased by approximately RMB8.8 per ton of total cement produced, as compared with that of the first half of 2021.

The average cost of electricity was increasing over the first half of 2022 as a result of the increase in electricity price as a result of the high coal costs and the increase in the demand of electricity under the recovery of economic activities after the COVID-19 impact was mitigating. The electricity costs increased by approximately RMB5.3 per ton of total cement produced, while total electricity costs increased by approximately 2.9% as compared with that of the first half of 2021.

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 increased by approximately 6.9% as compared with that of the first half of 2021. With the decrease in cement sales volume, this resulted in a cost increase of approximately RMB3 per ton of total cement produced.

The cost of depreciation increased by approximately 12.8% as compared with that of the first half of 2021 as a result of the increase in the production capacities and the technology upgrading of the existing production facilities. With the decrease in cement sales volume, this resulted in a cost increase of approximately RMB8.3 per ton of total cement produced.

There have been no significant changes in the staff cost during the period.

Moreover, as mentioned in the revenue analysis above, as a result of the increase and decrease in the sales volumes by 15.0% and 15.8%, respectively, the costs arising from the production of aggregates and commercial concrete also increase and decrease by 25.0% and 14.7% to RMB45.0 million and RMB239.2 million, for the first half of 2022, respectively.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB9.2 million, or 0.7%, from RMB1,343.7 million for the first half of 2021 to RMB1,352.9 million for the first half of 2022. The increase in gross profit was mainly due to net effect of the increase in ASPs and the decrease in sales volume as described above. Gross profit margin increased slightly from 31.7% for the first half of 2021 to 32.6% for the first half of 2022.

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 decreased by approximately 39.4% from RMB127.8 million for the first half of 2021 to RMB77.5 million for the first half of 2022. The decrease in the VAT rebates was mainly due to the decrease in the ratio of cement produced by using recycled industrial waste during the period.

Administrative and Selling & Marketing Expenses

Administrative expenses primarily included staff costs, general administrative expenses, depreciation and amortization. The amount increased by 15.2% from RMB246.6 million for the first half of 2021 to RMB284.0 million for the first half of 2022. Selling & marketing expenses decreased by 13.6% from RMB50.0 million to RMB43.2 million for the first half of 2022 as compared with that of 2021, as a result of the cost-cutting measures implemented during the period. The increase in administrative expenses were mainly attributable to the increase in the depreciation and amortisation arising from the new production capacities and the increase in respective administrative expenses related to the development of the business in Africa.

Other Expenses

Other expenses primarily included the donations and the legal and professional fee. The amount increased by RMB12.2 million from RMB14.3 million for the first half 2021 to RMB26.5 million for the first half of 2022. The increase was mainly due to the increase in the legal and professional fees to RMB25.2 million for the first half of 2022 (2021: RMB12.7 million) as a result of the increase in business development activities during the period.

Other Gains and Losses, net

Other gains decreased by RMB318.8 million from RMB326.4 million for the first half of 2021 to RMB7.6 million for the first half of 2022. 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 other long term payable from USD to Meticals, the official currency of Mozambique and the translation of the intercompany balances between the subsidiaries with different functional currencies of RMB27.5 million for the first half of 2022 (2021: RMB347.3 million). Secondly, an impairment loss on mining right of RMB20.8 million was recognised as the government requested to close a limestone mine in Lantian due to environmental reasons in 2021. No such impairment loss was recorded for the first half of 2022. On the other hand, a compensation of RMB32.7 million was received from the government to compensate for the closure of this mine for the first half of 2022 (2021: Nil). Finally, there was a fair value loss of RMB61.7 million on an equity investment, which was acquired upon the disposal of an associate in 2021, during the first half of 2022 (2021: RMB17.1 million).

Impairment Loss Under Expected Credit Loss Model, Net of Reversal

The balance decreased by RMB16.2 million from RMB86.7 million for the first half of 2021 to RMB70.5 million for the first half of 2022. The decrease was mainly due to an decrease in impairment loss on loan receivables to RMB34.4 million for the first half of 2022 (2021: RMB52.3 million) as a result of the decrease in loan receivables.

Interest Income

Interest income decreased by RMB25.7 million from RMB96.4 million for the first half of 2021 to RMB70.7 million for the first half of 2022. The decrease was mainly due to the decrease in the interest income arising from the loan receivables business of RMB61.8 million recorded for the first half of 2022 (2021: RMB86.6 million) as a result of the decrease in loan receivables business.

Finance Costs

Finance costs increased by RMB73.3 million, or 62.9%, from RMB116.5 million for the first half of 2021 to RMB189.8 million for the first half of 2022. The increase was mainly due to the senior notes issued in July 2021.

Gain on Disposal of An Associate

In 2021, the Group disposed of 20% interests in Yaobai Environmental Technology Engineering Co., Ltd. The disposal is made to a direct wholly-owned subsidiary of China Conch Ventures Holdings Limited ("China Conch Ventures"), a company listed on the Main Board of The Hong Kong Stock Exchange Limited. The Group received 5,206,349 shares issued by China Conch Ventures in return. This transaction has resulted in the Group recognising a gain on disposal of RMB79.3 million in profit or loss in 2021. No such gain was recorded for the first half of 2022.

Income Tax Expense

Income tax expenses decreased by RMB47.9 million from RMB241.7 million for the first half of 2021 to RMB193.8 million for the first half of 2022. Current income tax expense net of (over)/under provision decreased by RMB115.0 million to RMB105.3 million for the first half of 2022 (2021: RMB220.3 million) , whereas deferred tax expenses increased by RMB67.1 million to RMB88.5 million for the first half of 2022 (2021: RMB21.4 million).

The decrease in the current income tax expense were mainly attributable to the decrease in profit, increase in deductible of research and development expenditure as well as decrease in withholding tax on the distributed and paid profits of PRC subsidiaries. The increase in deferred tax expense was mainly due to the increase in tax losses utilized and withholding tax on the distributed but not yet paid profits of PRC subsidiaries.

The detailed income tax expenses for the Group are outlined in note 8 to the condensed consolidated financial statements.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased from RMB1,056.1 million for the first half of 2021 to RMB658.2 million for the first half of 2022. This decrease is primarily due to the decreases in net foreign exchange gains and gain on disposal of an associate as mentioned above.

Basic earnings per share decreased from RMB19.4 cents for the first half of 2021 to RMB12.1 cents for the first half of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND LIQUIDITY POSITION

As at 30 June 2022, the Group's total assets increased by 2.8% to RMB27,389.4 million (31 December 2021: RMB26,648.4 million) while total equity increased by 1.7% to RMB11,988.0 million (31 December 2021: RMB11,791.6 million).

As at 30 June 2022, the Group had bank balances and cash as well as restricted/pledged bank deposits, amounting to RMB3,138.9 million (31 December 2021: RMB4,140.1 million). After deducting bank borrowings, medium-term notes ("MTN") and senior notes ("SN") of RMB8,707.9 million (31 December 2021: RMB9,130.5 million), the Group had net debt of RMB5,569.0 million (31 December 2021: RMB4,990.4 million). 72.4% (31 December 2021: 70.8%) of borrowings are at a fixed interest rate. Moreover, the Group also held loan receivables of RMB871.4 million (31 December 2021: RMB1,004.9 million) at fixed interest rates. Please refer to notes 13, 17, 19, 20 and 28 to the condensed consolidated financial statements for the details of the loan receivables, bank borrowings, SN, MTN and the respective pledge of assets.

As at 30 June 2022, the Group's net gearing ratio, measured as net debt to equity, was 46.5% (31 December 2021: 42.3%). Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern.

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

CONTINGENT LIABILITIES

On 29 June 2022, the Group had received an administrative penalty order made by Shaanxi Administration for Market Regulation ("SXAMR") for an accusation of price monopoly in the Central Shaanxi market in the PRC from July 2017 to March 2019 together with other 12 cement entities in the region. The Group is ordered to pay a penalty of approximately RMB172,300,000. The directors of the Group determined that the penalty order made by SXAMR was unjustified and the Group has filed an appeal to the State Administration for Market Regulation ("SAMR") against the original order. As at the date of this report, the Group has yet to receive the hearing notice from SAMR.

The Group has been vigorously defending this penalty order. Based on the legal opinion obtained from the Group's appointed legal representative, the directors of the Group believe that the final outcome will not have material impact on the financial position or operations of the Group and it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the additions of property, plant and equipment, right-of-use assets and mining rights, for the first half of 2022 amounted to RMB1,302.9 million (2021: RMB1,764.5 million). Capital commitments as at 30 June 2022 amounted to RMB1,477.6 million (31 December 2021: RMB1,416.4 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 Democratic Republic of the Congo and Ethiopia. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2022, the Group employed a total of 7,299 (2021: 7,237) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2022, employees benefit expenses were RMB381.8 million (2021: RMB430.2 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 2022, the Group's sales, purchases, loans receivables, restricted/pledged deposit, bank balances and cash, medium-term notes and bank borrowings were mainly denominated in Renminbi. Moreover, the Group's other long term payable was denominated in United States Dollars and several intercompany balances between the subsidiaries were denominated in different functional currencies, i.e. Meticais. Renminbi and Meticais are not a freely convertible currency. Future exchange rates of the Renminbi and Meticais could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government and Mozambique government. The exchange rates may also be affected by economic developments and political changes on a domestic and/or international level, and the demand and supply of Renminbi and Meticais. The appreciation or depreciation of Renminbi and Meticais against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

CREDIT RISK MANAGEMENT

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

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

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

PROSPECTS

In 2022, the central government will adhere to the keynote of seeking progress in a stable manner, complete, refine and thoroughly execute the new development concept, comprehensively deepen the reform and opening-up, speed up the establishment of the new development layout, adhere to the supply-side structural reform as the main line, coordinate the pandemic prevention and control and the economic and social development, continue to work on the "six stabilities" (六穩) and "six guarantees" (六保), strengthen the cross-cycle and counter cycle adjustments in response to macro policies, enhance the effectiveness of active fiscal policy, step up the implementation of sound monetary policy, make efforts to stabilize the macroeconomic market, and maintain economic operation at a reasonable level.

In 2022, the cement industry will face many challenges and pressures such as downward market demand, high costs and energy consumption control. In terms of infrastructure, the government will actively expand effective investment, around the major national strategic deployment and the "14th Five-Year Plan", appropriately make advance infrastructure investment, construct key water conservancy projects and comprehensive transportation network, promote the development of the Yangtze River Economic Belt, the construction in Guangdong-Hong Kong-Macao Greater Bay Area and integrated development of the Yangtze River Delta. Infrastructure investment, to some extent, will stimulate the demand for cement. In respect of real estate, the PRC government will adhere to the stance of "houses are for inhabitation and not for speculation", adhere to encouraging both housing purchase and renting, accelerate the development of long-term rental housing market, promote the construction of security housing, stabilize the land price, house price and expectation, implement city-based policies to promote the virtuous cycle and healthy development of the real estate industry; however, it is difficulty to reverse the downward trend of real estate investment in short term, which will adversely affect the demand for cement. The PRC government will comprehensively promote the revitalization of villages, improve the quality of new urbanization construction, advance urban renewal in an orderly manner, and steadily promote the construction of urban clusters and metropolitan areas. At the same time, the PRC government will strengthen the comprehensive treatment of the ecological environment, fight the difficult battle of pollution prevention and treatment, promote peaking carbon emissions and carbon neutrality in an orderly manner, promote the transformation from controlling the amount and intensity of energy consumption (能耗雙控) to controlling the amount and intensity of carbon emission (碳排放雙控), improve pollution reduction and carbon reduction incentive restraint policy, with the cement industry extending the normalization of staggering peak production, the supply contraction and the elimination of excess capacity has a positive effect. Therefore, it is expected that industry supply and demand may remain relatively balanced.

In terms of investment development, the Group plans to continue to increase investment and development efforts around the Company's "14th Five-Year" development plan, strive to enhance the industrial energy level and build a new round of development pattern. The Group will accelerate the extension of the upstream and downstream industrial chain, push forward the expansion of aggregate projects and production capacity in full force, accelerate the layout of the commercial concrete industry and create new industrial growth poles. It will steadily promote overseas development, actively build a diversified cooperation model, insist on both new construction and mergers and acquisitions, accelerate the construction process of landed projects, strengthen the reserve of potential project development, establish a sound overall management and control system, and improve the quality of overseas project operations.

In terms of operation and management, the Group will pay close attention to the domestic and international macroeconomic changes, coordinate and implement epidemic prevention and control and production, operation, and management. The Group will conduct further analysis and studies on the market conditions, promote marketing model innovation, optimize resource allocation, strengthen the construction of end-user market, increase channel control and steadily increase market share. With an emphasis on securing the safe supply of key resources at competitive prices, the Group will continue to trace and control the source of raw materials and fuel, consolidate and expand strategic cooperation with large coal enterprises; accelerate the optimization of fuel energy structure, increase the use of biomass fuel and other clean energy, and gradually increase the proportion of "green energy" usage. The Group will implement the green development strategy, continue to increase investment in environmental protection, solidly grasp the energy-saving technology reform, and consolidate and expand the results of pollution prevention and control. Combining the requirements of the peaking carbon emissions and carbon neutrality policy, the Group will increase the research on carbon reduction technology, optimize the energy structure, formulate the medium- and long-term solutions to reduce carbon emission for the Company, and accelerate the industrial transformation and upgrading. The Group will accelerate the iteration and upgrade of the existing intelligent system and comprehensively enhance innovation as the driving force. The Group will further promote the strategy of strengthening enterprises with talents, continuously optimize and improve the incentive mechanism, build a diversified payroll performance management system, stimulate innovation and creativity, so as to promote high-quality development for the Company.

Operations — Shaanxi

Under the current macro economic conditions in the PRC and Shaanxi Province, the Group does not expect to see a significant increase in demand in the second half of 2022. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2022, but significant growth is not expected. Both urban property demand and rural demand is expected to remain stable with continued urbanisation trends supporting rural growth rates.

With regards to the supply side, the Group expects stable prices in the second half of 2022, both as a result of the limited supply under the increasingly stringent environmental policies imposed by the government.

In Central Shaanxi, the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy is expected to remain an important feature and this can support ASPs. There are a number of infrastructure projects that have recently started or are expected to start construction in 2022 and beyond, including the constructions of several Central Shaanxi Intercity Railways, the Yan'an to Yulin to Eerduosi High-Speed Railway, the Xihu Railway Reconstruction, the Huyi to Zhouzhi to Meixian Expressway, the Gaoxin to Huyuan Expressway, the Qujiang to Taiyigong Expressway Reconstruction, the 210 National Expressway (Xi'an) — Dazhai to Houguanzhai , the East 3rd Ring to Lin Tong Expressway and the Guxian Reservoir.

In Southern Shaanxi, the Group expects to maintain its relatively stable performance due to reasonable infrastructure construction activities and an already disciplined supply side. There are a number of infrastructure projects in Southern Shaanxi which have recently started or are expected to start construction in 2022 and beyond, including the constructions of the Tianshui to Longnan Railway, the Xi'an to Chongqing High-Speed Railway, the Lanzhou to Hanzhong to Shiyan High-Speed Railway, the Yangxian to Xixiang Expressway, the Zhengba to Guangan Expressway, the Hengkou Reservoir and the Xingping Reservoir.

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in 2022. 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 2022 and beyond. These include the constructions of the Minfeng to Heishihu Expressway and the Minfeng to Luopu Expressway. 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 2022. In Guizhou, sales volume is declining 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 for a certain period. Fortunately, the 1.8 million-ton Huaxi Plant was located close to Guiyang City Centre and the Group expects it can keep benefiting from its location advantage, with a continuation of better volume than other locations in Guizhou in 2022 and beyond.

Operations — Africa

Since the official launch of sales in Mozambique in 2021, through one and a half 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 the second half of 2022 are expected not to change significantly, and the civil segment in the southern market has stabilized. Focus in the later stage will be on the sales of cement and clinker in the central part of the country and overseas (South Africa, Zimbabwe and Madagascar), and sales volume is expected to increase and prices are expected to remain stable.

Capacity Development

The Great Lakes plant is another strategy implemented by the Group to "develop internationally and explore Africa" following the Mozambique plant, which is a key project accelerating our penetration toward the African continent. 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 Tanganyika Kalemie in the eastern region of the Democratic Republic of the 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 is expected to commence production in the fourth quarter of 2022.

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 2022. 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 2022 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 Democratic Republic of the Congo and Ethiopia, the Group has no particular plans for capacity expansion and related capital expenditure in 2022. The Group has funded and expects to continue to fund these commitments from operating cash flow and available banking facilities.

DISCLOSURE OF INTEREST

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(1) Interests in shares of the Company

As at 30 June 2022:

Name of Director	Capacity	Number of ordinary shares held as at 30 June 2022 Total *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2022
Zhang Jimin	Interest in a controlled corporation	1,756,469,900 (L) *(Note 2)*	32.30%
Ma Zhaoyang	Interest in a controlled corporation	221,587,950 (L) *(Note 3)*	4.07%

Notes:

(1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.

(2) These shares are held by Asia Gain Investments Limited ("Asia Gain") which is beneficially and wholly-owned by Zhang Jimin.

(3) These shares are held by Techno Faith Investments Limited and Red Day Limited which are beneficially and wholly-owned by Ma Zhaoyang.

(2) Interests in underlying shares of the Company — equity derivatives of the Company

As at 30 June 2022:

Name of Director	Capacity	Number of underlying shares in respect of the share options granted under the Post-IPO Share Option Scheme	Approximate % of issued share capital of the Company as at 30 June 2022
Zhang Jimin	Beneficial owner	8,175,000	0.150%
Ma Weiping	Beneficial owner	9,075,000	0.167%
Ma Zhaoyang	Beneficial owner	1,775,000	0.033%
Lee Kong Wai, Conway	Beneficial owner	1,275,000	0.023%
Tam King Ching, Kenny	Beneficial owner	1,775,000	0.033%

Save as disclosed above, as at 30 June 2022, none of the Directors, chief executives of the Company and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2022, the persons other than a Director or chief executive of the Company who had an interest or short position in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of ordinary shares of £0.002 each held as at 30 June 2022 *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2022
Asia Gain *(Note 2)*	Beneficial owner	1,756,469,900 (L)	32.30%
Conch International Holdings (HK) Limited ("Conch") *(Note 3)*	Beneficial owner	1,584,849,970 (L)	29.14%
Anhui Conch Cement Co., Ltd. ("Anhui Conch") *(Note 3)*	Interest in a controlled corporation	1,584,849,970 (L)	29.14%
安徽海螺集團有限責任公司 *(Note 3)*	Interest in a controlled corporation	1,584,849,970 (L)	29.14%
China Conch Venture Holdings Limited ("China Conch") *(Note 3)*	Interest in a controlled corporation	1,584,849,970 (L)	29.14%
蕪湖海創實業有限責任公司 *(Note 3)*	Interest in a controlled corporation	1,584,849,970 (L)	29.14%
AllianceBernstein L.P.	Beneficial owner	271,782,000 (L)	5.00%

Notes:

(1) The letter "L" denotes the person's long position in such securities, the letter "S" denotes the person's short position in such securities and the letter "P" denotes the person's interest in such securities held in the lending pool of an approved lending agent.

(2) Asia Gain is beneficially and wholly-owned by Zhang Jimin.

(3) Conch is beneficially and wholly-owned by Anhui Conch, which is owned as to 36.40% by 安徽海螺集團有限責任公司. 安徽海螺集團有限責任公司 is owned as to 49.00% by 蕪湖海創實業有限責任公司, which is indirectly controlled by China Conch.

Save as disclosed above, the Company has not been notified by any person who had interests or short position in the shares or underlying shares of the Company as at 30 June 2022 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under the section 336 of the SFO.

SHARE OPTION SCHEMES

The Company adopted a post-IPO share option scheme (the "Post-IPO Share Option Scheme") on 31 March 2010, which had a term of 10 years and expired on 30 March 2020. All outstanding share options granted under the Post-IPO Share Option Scheme remain valid and exercisable in accordance with its terms.

Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme:

1. **Purpose of the Post-IPO Share Option Scheme:**
   The Post-IPO Share Option Scheme is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group. The Post-IPO Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

   (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

   (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. **Participants of the Post-IPO Share Option Scheme:**
   The board of Directors of the Company (the "Board") may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new shares as the Board may determine:

   (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

   (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and

   (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. **Total number of shares available for issue under the Post-IPO Share Option Scheme and percentage of issued share capital it represents as at 23 August 2010 and as at the date of this interim report:**
The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme shall not in aggregate exceed 411,533,185 shares (representing 10% of the issued share capital of the Company as at 23 August 2010).

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

4. **Maximum entitlement of each participant under the Post-IPO Share Option Scheme:**
The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her associates (as defined in the Listing Rules) abstaining from voting.

5. **The period within which the shares must be exercised under the Post-IPO Share Option Scheme:**
An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Post-IPO Share Option Scheme.

6. **The minimum period for which an option must be held before it can be exercised:**
There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.

7. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid:**
Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant.

8. **The basis of determining the exercise price:**
Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the HKSE daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the HKSE daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary share.

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

During the six months ended 30 June 2022:

				Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme					
Category and name of participant	**Date of grant of share options** *(Note 1, 2)*	**Exercise price (HKD)**	**Exercise period**	**Outstanding as at 1 January 2022**	**Granted during the period ended 30 June 2022**	**Exercised during the period ended 30 June 2022**	**Cancelled during the period ended 30 June 2022**	**Lapsed during the period ended 30 June 2022**	**Outstanding as at 30 June 2022**
Directors									
Zhang Jimin	22 March 2013	1.25	22 March 2014 to 21 March 2023	2,000,000	–	–	–	–	2,000,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	2,775,000	–	–	–	–	2,775,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	3,400,000	–	–	–	–	3,400,000
Ma Zhaoyang	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	–	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	750,000	–	–	–	–	750,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	700,000	–	–	–	–	700,000
Ma Weiping	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	–	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	750,000	–	–	–	–	750,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	8,000,000	–	–	–	–	8,000,000
Lee Kong Wai, Conway	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	–	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	250,000	–	–	–	–	250,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	700,000	–	–	–	–	700,000
Tam King Ching, Kenny	22 March 2013	1.25	22 March 2014 to 21 March 2023	325,000	–	–	–	–	325,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	750,000	–	–	–	–	750,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	700,000	–	–	–	–	700,000
Other employees (Group A)	22 March 2013	1.25	22 March 2014 to 21 March 2023	6,750,000	–	–	–	–	6,750,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	16,625,000	–	–	–	–	16,625,000
	13 April 2015	1.45	13 April 2016 to 12 April 2025	11,200,000	–	–	–	–	11,200,000
Total				56,650,000	–	–	–	–	56,650,000

Notes:

1. *The closing prices of the shares of the Company on 22 March 2011, 21 March 2013, 21 March 2014 and 10 April 2015, being the dates immediately before the dates on which the share options were granted, were HK$3.32, HK$1.25, HK$0.91 and HK$1.37 per share, respectively.*

2. *The vesting of Share Options granted under the Share Option Scheme on each of 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015 is conditional upon the achievement of certain performance targets as set out in the respective offer letters, including among others, achievement of strategic goals and financial and operational performance targets, during the vesting period and the exercise period of the Share Options.*

   Subject to the abovementioned vesting or performance conditions, the Share Options with respect to a grantee will be exercisable in the following manner:

   (i) *25% of the Share Options will be exercisable at any time on and after the end of first anniversary (or the end of third anniversary for some of the other employees of the Group) of the grant of the Share Options;*

   (ii) *up to 25% of the Share Options and any Share Options that have not been exercised as referred in paragraph (i) above will be exercisable at any time commencing from end of the second anniversary (or the end of fourth anniversary for some of the other employees of the Group) of the grant of the Share Options;*

   (iii) *up to 25% of the Share Options and any Share Options that have not been exercised as referred in paragraphs (i) and (ii) above will be exercisable at any time commencing from the end of third anniversary (or the end of fifth anniversary for some of the other employees of the Group) of the grant of the Share Options; and*

   (iv) *up to 25% of the Share Options and any Share Options that have not been exercised as referred in paragraphs (i) to (iii) above will be exercisable at any time commencing from the end of fourth anniversary (or the end of sixth anniversary for some of the other employees of the Group) of the grant of the Share Options.*

   No Share Options will be exercisable after the expiry of its term.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (2021: Nil).

CORPORATE GOVERNANCE PRACTICE

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

The Board is of the view that the Company has complied with all code provisions as set out in the Corporate Governance Code throughout the six months ended 30 June 2022.

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

The following changes to the Board took place during the six months ended 30 June 2022:

- Mr. Shi Guanglei has resigned as a non-executive Director with effect from 19 April 2022.

- Mr. Wang Jingqian has been appointed as a non-executive Director with effect from 19 April 2022.

Save as above, during the six months ended 30 June 2022, the Company is not aware of other changes in the information of the Directors or the chief executive of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written term of reference in compliance with the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management systems of the Group and to provide advice and comments to the Board, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. 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 2022.

AUDITORS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2022 have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the auditors of the Company.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with paragraph B1 of the Code. The Remuneration Committee currently consists of three independent non-executive Directors, being Mr. Tam King Ching Kenny, Mr. Lee Kong Wai Conway and Mr. Zhu Dong, and one executive Director, being Mr. Zhang Jimin, with Mr. Tam King Ching Kenny serving as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration packages for the Directors and senior management.

CORPORATE GOVERNANCE AND OTHER INFORMATION

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") with written terms of reference as recommended under paragraph A.5 of the Code. The Nomination Committee currently consists of two independent non-executive Directors, being Mr. Lee Kong Wai Conway and Mr. Tam King Ching Kenny, and one executive Director, being Mr. Zhang Jimin, with Mr. Zhang Jimin serving as the chairman of the Nomination Committee.

The primary functions of the Nomination Committee are to make recommendations to the Board regarding the appointment of members of the Board. The Nomination Committee is responsible for identifying the individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, 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 2022.

On behalf of the Board of Directors
Zhang Jimin
Chairman
29 August 2022

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.　　德勤

TO THE BOARD OF DIRECTORS OF WEST CHINA CEMENT LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
	Notes	**2022 RMB'000 (Unaudited)**	2021 RMB'000 (Unaudited)
Revenue	3	**4,152,252**	4,232,906
Cost of sales		**(2,799,305)**	(2,889,159)
Gross profit		**1,352,947**	1,343,747
Other income	4	**77,520**	127,756
Selling and marketing expenses		**(43,229)**	(49,981)
Administrative expenses		**(284,006)**	(246,633)
Other expenses		**(26,510)**	(14,283)
Other gains and losses, net	5	**7,599**	326,424
Impairment loss under expected credit loss model, net of reversal	9	**(70,463)**	(86,702)
Share of result of an associate		**–**	1,904
Share of result of a joint venture		**(2,851)**	–
Interest income	6	**70,656**	96,388
Finance costs	7	**(189,783)**	(116,509)
Gain on disposal of an associate		**–**	79,254
Profit before tax		**891,880**	1,461,365
Income tax expense	8	**(193,831)**	(241,655)
Profit for the period	9	**698,049**	1,219,710
Other comprehensive income for the period			
Item that will not be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**24,362**	44,991
Total comprehensive income for the period		**722,411**	1,264,701
Profit for the period attributable to:			
— Owners of the Company		**658,151**	1,056,068
— Non-controlling interests		**39,898**	163,642
		698,049	1,219,710
Total comprehensive income attributable to:			
— Owners of the Company		**674,004**	1,087,420
— Non-controlling interests		**48,407**	177,281
		722,411	1,264,701
Earnings per share			
— Basic (RMB)	11	**0.121**	0.194
— Diluted (RMB)	11	**0.121**	0.194

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**15,392,779**	13,884,979
Right-of-use assets	12	**884,095**	823,707
Investment properties		**47,058**	–
Mining rights	12	**1,132,723**	1,117,095
Other intangible assets		**370,358**	232,195
Interest in a joint venture		**6,959**	9,810
Amount due from a joint venture	16	**552,124**	534,064
Equity investment at fair value through profit or loss ("FVTPL")		**100,447**	162,181
Loan receivables	13	**148,333**	323
Deferred tax assets		**60,740**	92,463
Prepayments for right-of-use assets		**58,517**	58,506
Prepayments for mining rights		**9,500**	9,500
Deposits paid for acquisition of property, plant and equipment		**252,871**	317,301
Deposits paid for acquisition of a subsidiary		**–**	404,200
Deposits paid for acquisition of an associate		**164,257**	164,257
Other deposits	14	**2,523**	2,884
		19,183,284	17,813,465
Current assets			
Inventories		**1,430,701**	1,111,169
Trade and other receivables and prepayments	14	**2,913,438**	2,497,218
Loan receivables	13	**723,059**	1,004,581
Investment in entrusted product		**–**	81,855
Restricted/pledged bank deposits		**756,076**	632,348
Bank balances and cash		**2,382,857**	3,507,715
		8,206,131	8,834,886
Current liabilities			
Bank borrowings	17	**2,614,428**	2,725,704
Medium-term notes	20	**–**	524,132
Trade and other payables	18	**4,099,050**	3,788,985
Dividend payable		**487,433**	8,000
Contract liabilities		**308,311**	257,925
Deferred income	21	**317,313**	320,995
Income tax payable		**106,375**	108,877
		7,932,910	7,734,618
Net current assets		**273,221**	1,100,268
Total assets less current liabilities		**19,456,505**	18,913,733

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Bank borrowings	17	**1,269,930**	1,291,488
Medium-term notes	20	**737,980**	712,284
Asset retirement obligation		**354,712**	337,043
Deferred tax liabilities		**140,570**	83,783
Deferred income	21	**31,131**	27,771
Senior notes	19	**4,085,588**	3,876,911
Other long-term payables	22	**848,549**	792,826
		7,468,460	7,122,106
Net assets		**11,988,045**	11,791,627
Capital and reserves			
Share capital	23	**141,837**	141,837
Share premium and reserves		**11,372,532**	11,171,711
Equity attributable to owners of the Company		**11,514,369**	11,313,548
Non-controlling interests		**473,676**	478,079
Total equity		**11,988,045**	11,791,627

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Equity reserve RMB'000 (Note b)	Translation reserve RMB'000	Share option reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022 (audited)	141,837	1,827,209	(250,227)	51,399	22,724	1,411,894	8,108,712	11,313,548	478,079	11,791,627
Profit for the period	–	–	–	–	–	–	658,151	658,151	39,898	698,049
Translation difference of foreign currency statements	–	–	–	15,853	–	–	–	15,853	8,509	24,362
Total comprehensive income for the period	–	–	–	15,853	–	–	658,151	674,004	48,407	722,411
Appropriation of maintenance and production funds (Note a)	–	–	–	–	–	38,947	(38,947)	–	–	–
Utilisation of maintenance and production funds (Note a)	–	–	–	–	–	(9,913)	9,913	–	–	–
Dividend recognised as distribution (Note 10)	–	(473,183)	–	–	–	–	–	(473,183)	(18,825)	(492,008)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	(11,485)	(11,485)
Acquisition of additional interests from non-controlling shareholders (Note c)	–	–	–	–	–	–	–	–	(22,500)	(22,500)
At 30 June 2022 (unaudited)	141,837	1,354,026	(250,227)	67,252	22,724	1,440,928	8,737,829	11,514,369	473,676	11,988,045

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

Notes:

a. *Pursuant to the relevant the People's Republic of China (the "PRC") regulations, the Group is required to transfer maintenance and production funds at fixed rates based on relevant bases, such as production volume, to a specific reserve account. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.*

b. *Equity reserve comprises:*

   i. *the differences between the consideration paid and the net assets value of West China Cement Co., Ltd. ("West China BVI") when the Company became the legal parent of West China BVI by a way of share exchange in a reverse acquisition; and*

   ii. *the differences between the consideration paid and the fair value of the non-controlling interests of certain subsidiaries when the Group acquired the remaining interests in these subsidiaries.*

c. *On 29 January 2022, the Group entered into agreements with the non-controlling shareholders of Shaanxi Fengshengdeyuan Industrial Co., Ltd.* ("Shaanxi Fengsheng") 陝西豐盛德遠實業有限公司 to acquire 45% of the equity interests in Shaanxi Fengsheng from the non-controlling shareholders for a total consideration of RMB22,500,000.*

* *The English name is for identification purpose.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES		**976,986**	861,654
INVESTING ACTIVITIES			
Interest received		**70,656**	96,388
Dividends received from an associate		**–**	12,000
Proceeds from disposal of property, plant and equipment		**19,589**	29,823
Proceeds from disposal of entrusted product		**87,591**	–
Proceeds from disposal of structured deposits		**–**	100,000
Purchase of property, plant and equipment		**(1,257,804)**	(1,966,424)
Purchase of mining rights		**(14,021)**	(4,632)
Purchase of other intangible assets		**(1,794)**	(1,495)
Purchase of right-of-use assets		**(52,646)**	(30,745)
Payment for land use rights		**–**	(388,000)
Payment for acquisition of a subsidiary		**–**	(100,000)
Loans to third parties		**(3,600)**	(10,400)
Repayments received for advance to third parties		**–**	27,834
Repayments received from loans to third parties		**68,739**	145,270
Net cash outflow on acquisition of a subsidiary	26	**(97,783)**	(9,544)
Government grants received for demolition		**–**	373,500
Government grants received for acquisition of property, plant and equipment		**3,200**	460
Advance to third parties		**–**	(27,726)
Withdrawal of restricted/pledged bank deposits		**373,536**	631,816
Placement of restricted/pledged bank deposits		**(497,264)**	(641,621)
NET CASH USED IN INVESTING ACTIVITIES		**(1,301,601)**	(1,763,496)
FINANCING ACTIVITIES			
New borrowings raised	17	**1,586,624**	2,959,695
Advances from third parties		**–**	16,585
Capital injection by non-controlling shareholders		**–**	3,774
Repayments of borrowings	17	**(1,767,258)**	(1,448,541)
Repayment of medium-term notes		**(500,000)**	–
Interest paid		**(205,226)**	(138,775)
Dividend paid		**(8,000)**	(8,000)
Repayment of advance from third parties		**–**	(836)
Acquisition of additional interest in non-controlling interests		**(20,500)**	(7,200)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(914,360)**	1,376,702
Net (decrease) increase in cash and cash equivalents		**(1,238,975)**	474,860
Cash and cash equivalents at 1 January		**3,507,715**	651,463
Effect of foreign exchange rate changes		**114,117**	(1,051)
Cash and cash equivalents at 30 June, represented by bank balances and cash		**2,382,857**	1,125,272

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION

West China Cement Limited (the "Company") and its subsidiaries (collectively "the Group") are principally engaged in the production and sale of cement in western China, the PRC and Africa.

The Company was incorporated in Jersey under the Companies (Jersey) Law 1991. The address of the registered office is 47 Esplanade, St Helier, Jersey JE1 0BD, Channel Islands and the principal place of business is Yaobai R&D Training Center, No.336 4th Shenzhou Road, Aerospace Industrial Base, Chang'an District, Xi'an, Shaanxi Province, the PRC.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

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. Thus, the Group continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (''IFRSs") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

2.1 Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendment to IFRS 16	*Covid-19-Related Rent Concession beyond 30 June 2021*
Amendments to IAS 16	*Property, Plant and Equipment — Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Amendments to IFRSs	*Annual Improvements to IFRSs 2018–2020*

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

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.2 Accounting policy newly applied by the Group

The Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the condensed consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the condensed consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of products and services		
Sales of cement and related products	**4,053,908**	3,747,126
Trading of cement-related raw materials	**7,439**	430,288
Others	**90,905**	55,492
	4,152,252	4,232,906

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. The Group normally accepts the normal credit term is 90 to 180 days upon delivery.

All contracts of sale of cement products are for periods of one year or less, as permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Geographical Information

The Group's operations are mainly located in the PRC (including Hong Kong) and Africa for both periods. Information about the Group's revenue from external customers is presented based on the location of the operations.

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC (including Hong Kong)	**3,686,655**	3,985,624
Mozambique	**389,642**	121,313
Others	**75,955**	125,969
	4,152,252	4,232,906

3. REVENUE AND SEGMENT INFORMATION (Cont'd)

Geographical Information (Cont'd)

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
The PRC	12,868,594	12,860,695
Mozambique	2,990,360	2,877,719
Others	2,460,163	1,283,136
	18,319,117	17,021,550

No single customer contributed 10% or more to the Group's revenue for both periods ended 30 June 2022 and 2021.

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 are as follows:

1. The PRC

2. Overseas

3. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments (Cont'd)

(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 2022

	The PRC RMB'000 (Unaudited)	Overseas RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
SEGMENT REVENUE					
External sales	3,686,655	465,597	4,152,252	–	4,152,252
Inter-segment sales	223,108	3,914	227,022	(227,022)	–
Total	3,909,763	469,511	4,379,274	(227,022)	4,152,252
SEGMENT PROFIT	772,888	222,426	995,314	–	995,314
Share of result of a joint venture					(2,851)
Fair value change on an equity investment at FVTPL					(61,734)
Dividend income from an equity investment at FVTPL					2,956
Unallocated directors' emoluments					(5,310)
Unallocated central administrative costs					(11,278)
Unallocated legal and professional expenses					(25,217)
Profit before tax					891,880

3. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments (Cont'd)

(1) Segment revenue and results (Cont'd)

For the six months ended 30 June 2021

	The PRC RMB'000 (Unaudited)	Overseas RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
SEGMENT REVENUE					
External sales	3,985,624	247,282	4,232,906	–	4,232,906
Inter-segment sales	141,041	–	141,041	(141,041)	–
Total	4,126,665	247,282	4,373,947	(141,041)	4,232,906
SEGMENT PROFIT	1,286,208	161,562	1,447,770	–	1,447,770
Share of result of an associate					1,904
Gain on disposal of an associate					79,254
Fair value change on an equity investment at FVTPL					(17,141)
Dividend income from an equity investment at FVTPL					3,032
Unallocated other income					355
Unallocated directors' emoluments					(10,507)
Unallocated central administrative costs					(11,349)
Unallocated legal and professional expenses					(12,699)
Unallocated finance costs on bank loans					(19,254)
Profit before tax					1,461,365

(2) Segment assets and liabilities

The CODM makes decision according to the operating results of each segment. No analysis of segment asset 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.

4. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Tax refund *(Note)*	**61,098**	111,298
Government grant	**13,466**	13,071
Dividend income from an equity investment at fair value through profit or loss ("FVTPL")	**2,956**	3,032
Others	**–**	355
	77,520	127,756

Note:

The tax refund mainly represents government subsidies in the form of value added tax ("VAT") refund approved by relevant government authorities as a result of utilising industrial waste as part of the production materials.

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fair value gain on investment in entrusted product	**5,736**	5,600
Fair value loss on an equity investment at FVTPL	**(61,734)**	(17,141)
Impairment loss recognised on a mining right *(Note a)*	**–**	(20,803)
Net foreign exchange gains *(Note b)*	**27,511**	347,297
Gain on disposal of property, plant and equipment	**658**	6,708
Compensation received *(Note c)*	**32,718**	–
Others	**2,710**	4,763
	7,599	326,424

Notes:

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

(b) *The amounts during the six months ended 30 June 2022 and 2021 mainly related to the translation of other long term payable from United States Dollar ("US$") to Meticais ("MZN") as well as the exchange difference incurred on intercompany balances between the subsidiaries with different functional currencies.*

(c) *The amount in the current interim period mainly represents compensation received from the government to compensate for closure of its mine as stated in (a) above (six months ended 30 June 2021: Nil).*

6. INTEREST INCOME

Interest income represents interest received and receivable from bank balances and deposits and loan receivables.

7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
Borrowings	**80,468**	105,049
Medium-term notes	**39,064**	45,267
Senior notes	**101,034**	–
	220,566	150,316
Less: amount capitalised in construction in progress	**(43,406)**	(42,269)
	177,160	108,047
Unwinding of discount of asset retirement obligation	**12,623**	8,462
	189,783	116,509

Borrowing costs capitalised during the period arose both on specific and general borrowing. Borrowing cost capitalised on general borrowing pool are calculated by applying a weighted average capitalisation rate on funds borrowed of 4.94% (six months ended 30 June 2021: 5.61%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
— PRC enterprise income tax ("EIT")	**102,748**	135,129
— Hong Kong Profits Tax	**2,035**	5,843
— Withholding tax	**15,000**	67,294
	119,783	208,266
(Over) under provision in prior years		
— PRC EIT	**(14,461)**	11,998
Deferred tax		
Current period	**88,509**	21,391
Income tax expense	**193,831**	241,655

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**545,737**	485,710
Depreciation of right-of-use assets	**9,997**	6,658
Amortisation of mining rights	**21,864**	10,258
Amortisation of other intangible assets	**2,537**	851
Total depreciation and amortisation	**580,135**	503,477
Recognised in cost of sales	**(120,626)**	(42,946)
Capitalised in inventories	**(402,694)**	(422,559)
	56,815	37,972
Staff costs (including directors' emoluments)		
Wages and salaries	**354,624**	402,534
Defined contribution retirement plan expenses	**27,219**	27,640
Total staff costs	**381,843**	430,174
Recognised in cost of sales	**(28,056)**	(9,817)
Capitalised in inventories	**(192,388)**	(261,586)
	161,399	158,771
Net allowance for (reversal of) credit losses recognised in respect of:		
Loan receivables	**34,379**	52,330
Trade receivables	**36,652**	34,379
Other receivables	**(568)**	(7)
	70,463	86,702
Donations (included in other expenses)	**1,293**	1,584

10. DIVIDENDS

During the six months ended 30 June 2022, the Group paid a final dividend of HK$10.7 cents (equivalent to RMB8.7 cents) per ordinary share in respect of the year ended 31 December 2021 (six months ended 30 June 2021: HK$10.4 cents, equivalent RMB8.6 cents per ordinary share in respect of the year ended 31 December 2020) in total of approximately RMB473,183,000 (six months ended 30 June 2021: RMB467,744,000). In addition, during the prior interim period, special dividend of HK$4.1 cents (equivalent to RMB3.4 cents) per ordinary shares in respect of the year ended 31 December 2020, in an aggregate amount of RMB184,922,000, was declared and approved by the shareholders in the annual general meeting.

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

11. 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**658,151**	1,056,068

	Six months ended 30 June	
	2022	2021
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,438,883**	5,438,883
Effect of dilutive potential ordinary shares from share options issued by the Company	**5,775**	5,671
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,444,658**	5,444,554

The computation of diluted earnings per share for the six months ended 30 June 2022 and 2021 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.

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

During the current interim period, the Group purchased property, plant and equipment, right-of-use assets (land use rights) and mining rights of RMB122,717,000 (six months ended 30 June 2021: RMB125,972,000), RMB52,646,000 (six months ended 30 June 2021: RMB30,745,000) and RMB14,021,000 (six months ended 30 June 2021: RMB4,632,000), respectively, from third parties and incurred RMB1,113,501,000 on construction in progress (six months ended 30 June 2021: RMB1,603,160,000).

In addition, during the current interim period, the Group acquired subsidiaries with addition of property, plant and equipment, right-of-use assets, and mining rights of approximately RMB642,986,000 (six months ended 30 June 2021: RMB271,653,000), RMB17,758,000 (six months ended 30 June 2021: RMB3,841,000) and RMB305,000 (six months ended 30 June 2021: Nil), respectively.

The amounts of construction in progress transferred to other classes of property, plant and equipment, right-of-use assets and mining rights during the six months ended 30 June 2022 are RMB213,004,000 (six months ended 30 June 2021: RMB2,704,915,000), Nil (six months ended 30 June 2021: RMB107,102,000) and Nil (six months ended 30 June 2021: RMB70,046,000), respectively.

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB18,931,000 (six months ended 30 June 2021: RMB23,115,000), resulting in a gain on disposal of RMB658,000 (six months ended 30 June 2021: loss on disposal of RMB6,708,000).

13. LOAN RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Loans collateralised by property, plant and equipment *(Note a)*	**577,496**	605,590
Entrusted loan *(Note b)*	**40,000**	100,000
Loans collateralised by receivables *(Note b)*	**444,800**	449,800
Small loans *(Note c)*	**43,251**	49,290
	1,105,547	1,204,680
Less: allowance for credit loss	**(234,155)**	(199,776)
	871,392	1,004,904
Analysed as:		
Current	**723,059**	1,004,581
Non-current	**148,333**	323
	871,392	1,004,904

13. LOAN RECEIVABLES (Cont'd)

Notes:

(a) *As at 30 June 2022 and 31 December 2021, the Group has entered into certain arrangements (the "Arrangements") with third parties for periods ranging from 1 to 4 years under which:*

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

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

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

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

Despite the Arrangements involving a legal form of a lease, the Group accounted for the Arrangements as collateralised loans in accordance with the financial arrangement under IFRS 9 prior to 1 January 2019. Upon application of IFRS 16, the Group continues to recognise loan receivables within the scope of IFRS 9 as the transfer does not satisfy the requirement of IFRS 15 as a sale. All interest rates inherent in the Arrangements are fixed at the contract dates over the contract terms.

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

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

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within one year	**723,059**	1,004,581
In more than one year but not more than two years	**148,333**	323
	871,392	1,004,904

The ranges of effective rates on the Group's loan receivables was 8% to 15% per annum as at 30 June 2022 (31 December 2021: 10% to 15% per annum).

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

Details of the impairment assessment are set on in Note 15.

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	**1,229,912**	1,155,025
Trade receivables backed by bills	**538,288**	489,119
	1,768,200	1,644,144
Less: allowance for credit losses	**(199,304)**	(162,652)
	1,568,896	1,481,492
Other receivables	**402,922**	327,201
Less: allowance for credit losses	**(3,156)**	(3,724)
	399,766	323,477
VAT recoverables	**418,815**	433,677
VAT refund receivables	**37,625**	37,401
Prepaid expenses	**156,151**	39,882
Prepayments	**331,752**	184,173
Dividend receivable from equity investment at FVTPL	**2,956**	–
	2,915,961	2,500,102
Less: Non-current portion of other deposits (included in "Other receivables" above)	**(2,523)**	(2,884)
	2,913,438	2,497,218

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Cont'd)

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0 to 90 days	**499,804**	468,259
91 to 180 days	**138,034**	174,718
181 to 360 days	**252,490**	247,991
361 to 720 days	**233,782**	204,480
Over 720 days	**105,802**	59,577
	1,229,912	1,155,025

As at 30 June 2022, included in trade receivables backed by bills represents total bills received amounting to RMB203,079,000 (31 December 2021: RMB310,030,000) 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.

Details of the impairment assessment are set on in Note 15.

15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

Impairment assessment on loan receivables

Credit risk of loan receivables is monitored by the dedicated credit risk department of the Group responsible for the review and managing of credit risk for all corporate loan borrowers. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process aims to allow the Group to define the terms of the loans as well as assess the potential loss as a result of the risks to which it is exposed and take corrective action. The Group monitors credit risk of loan receivables regularly by reviewing changes in creditworthiness of the loan borrowers, past collection history, subsequent settlement of each loan borrowers, and also relevant collaterals and guarantees as well as forward-looking information, in order to mitigate the risk of significant exposure from bad debts.

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

Impairment assessment on trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has formulated a defined trade credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group does not obtain collateral from customers.

The Group performs impairment assessment under ECL model on trade balances individually for significant balances and insignificant balances with specific risks. In addition, the Group measures expected credit loss allowance for the remaining of its trade receivables using a provision matrix by debtors' aging because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Trade receivables with bills received from trade customers amounted to approximately RMB538,288,000 (31 December 2021: RMB489,119,000) as at 30 June 2022. The directors of the Company consider the ECL for these trade receivables is insignificant because the bills are issued by reputable banks with high credit ratings assigned by either international or PRC credit rating agencies.

Impairment assessment on other receivables

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

For other receivables, the management make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive forward-looking information.

Impairment assessment on amount due from joint venture

For amount due from joint venture, the management make periodic assessment on the recoverability of the amount due from joint venture based on quantitative and qualitative information that is reasonable and supportive forward-looking information.

Impairment assessment on bank balances and cash, and restricted/pledged bank deposits

The credit risks on bank balances and cash, and restricted/pledged bank deposits are limited because the counterparties are banks or financial institutions with high credit ratings assigned by either international or PRC credit-rating agencies.

Allowance for impairment

Allowance for credit losses recognised in respect of the financial assets for both periods are set out in Note 9 to the condensed consolidated financial statements.

16. AMOUNT DUE FROM A JOINT VENTURE

Amount represents advance made to the joint venture to finance for its real estate project. The advance is unsecured and bears interest rate of 7% per annum. The Group did not specify the repayment date for the advance but is expecting the joint venture to repay upon its completion and sold out of the real estate unit, which forms part of the net investment in joint venture.

17. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB1,586,624,000 (six months ended 30 June 2021: RMB2,959,695,000) and made repayments amounting to RMB1,767,258,000 (six months ended 30 June 2021: RMB1,448,541,000). The borrowings carry annual interest rates ranging from 0.75% to 8% per annum as at 30 June 2022 (31 December 2021:0.75% to 8% per annum) and are repayable between 2022 and 2028 (31 December 2021: repayable between 2022 and 2028).

18. TRADE AND OTHER PAYABLES

As at 30 June 2022, included in trade payables are bills amounting to RMB253,661,000 (31 December 2021: RMB178,000,000) which are issued by the Group to settle trade payables.

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0 to 90 days	**1,163,104**	1,174,941
91 to 180 days	**204,291**	279,110
181 to 360 days	**377,128**	236,641
361 to 720 days	**96,656**	95,163
Over 720 days	**104,115**	19,645
	1,945,294	1,805,500

19. SENIOR NOTES

On 9 July 2021, the Company issued 4.95%, five-year senior notes with an aggregated principal amount of 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 and secured by pledges of the shares of these subsidiaries.

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.

20. MEDIUM-TERM NOTES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Current	**–**	524,132
Non-current	**737,980**	712,284
	737,980	1,236,416

On 30 April 2019, 堯柏特種水泥集團有限公司 Shanxi Yaobai Special Cement Co., Ltd* ("Yaobai Special Cement"), a subsidiary of the Group, registered with National Association of Financial Market Institutional Investors of the PRC to issue medium-term notes with an aggregate amount of RMB1,500,000,000.

* *The English name is for identification purpose*

20. MEDIUM-TERM NOTES (Cont'd)

On 5 May 2019, the first tranche of the medium-term note with principal amount of RMB500,000,000 ("First Tranche of the Medium-term Note") was issued at an interest rate of 7.50% per annum. First Tranche of the Medium-term Note was unsecured with maturity of three years and carries effective interest rate of approximately 7.58% per annum after adjusting for transaction costs of RMB4,500,000.

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

The First Tranche of the Medium-term Note was due and was fully repaid in May 2022.

21. DEFERRED INCOME

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Government grants relating to:		
— acquisition of property, plant and equipment *(Note a)*	**36,909**	36,818
— demolition of property, plant and equipment *(Note b)*	**311,535**	311,948
	348,444	348,766
Less: amounts expected to be recognised within one year	**(317,313)**	(320,995)
	31,131	27,771

Notes:

(a) *The amount represents unconditional government grants received by the Group's subsidiaries for acquisition of property, plant and equipment. The balance will be amortised based on the useful lives of respective property, plant and equipment from 5 to 12 years. RMB3,109,000 (six months ended 30 June 2021: RMB4,678,000) was released to profit or loss and recorded in other income in the current reporting period.*

(b) *During the year ended 31 December 2021, owing to the need for better urban reservation, one of the Group's subsidiaries had been approached by the local government to close its existing manufacturing plant located in the city. The subsidiary received approximately RMB502,012,000 from the local government in return for the demolition work as well as the compensation for its loss incurred. As at 30 June 2022, the subsidiary was in the process of demolition. During the current interim period, approximately RMB413,000 (six months ended 30 June 2021: Nil) of government grant has been recognised to offset the respective demolition costs and its related loss incurred. The balance represented the grant that was yet to recognise as at 30 June 2022. The demolition is expected to be completed before the end of 2022.*

22. OTHER LONG-TERM PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Payable related to Dugongo (defined below) *(Note a)*	**779,278**	736,777
Payable for mining rights *(Note b)*	**330,199**	305,228
	1,109,477	1,042,005
Less: current portion (included in other payables)	**(260,928)**	(249,179)
	848,549	792,826

Notes:

(a) *During the year ended 31 December 2019, pursuant to a cooperation agreement entered into, among an indirect wholly-owned subsidiary of the Company and the three other non-controlling shareholders, the Group formed a non-wholly owned subsidiary, Moçambique Dugongo Cimentos, S.A. ("Dugongo") in Africa. During the year ended 31 December 2020, one of the non-controlling shareholders contributed the capital in the form of assets and liabilities to Dugongo and Dugongo was assumed to take up the liabilities thus injected and recorded an amount of RMB1,138,506,000 payable to the non-controlling shareholder of Dugongo as at 31 December 2020.*

During the year ended 31 December 2021, Dugongo signed a three-party debt transferring agreement with an independent third party and the non-controlling shareholder of Dugongo to transfer the full amount due to the non-controlling shareholder of Dugongo to the independent third party with repayment periods from 2022 to 2026. The payable is unsecured and bears interest of 6.42% per annum.

(b) *According to the announcement on Collection and Management of the Revenue from the Transfer of Mining Rights in Shaanxi Province "陝西省礦業權出讓收益徵收管理實法" (the "Announcement"), an entity is required to pay a premium when acquiring the relevant exploration right or mining right. The balance represented the amount to be paid to the government in respect of such Announcement with repayments payable from 2022 to 2041 using a discount rate of 4.45% to 4.65% (31 December 2021: 4.65%) per annum.*

23. SHARE CAPITAL

	Number of share	Share capital	
		Shown in the condensed consolidated financial statements	
	'000	GBP'000	RMB'000
Ordinary shares of GBP0.002 each			
Authorised:			
As at 1 January 2021, 31 December 2021 and 30 June 2022	10,000,000	20,000	
Issued and fully paid:			
Balance as at 1 January 2021, 31 December 2021 and 30 June 2022	5,438,883	10,876	141,837

24. SHARE-BASED PAYMENTS

The Company's current share option scheme was adopted pursuant to a resolution of board of directors passed on 31 March 2010 for the primary purpose of providing incentives to directors and eligible employees through the subscription of the Company's shares.

On 23 March 2011, 22 March 2013, 24 March 2014 and 13 April 2015, the Company granted a total of 18,400,000, 34,000,000, 52,100,000 and 29,100,000 options, respectively, to directors, senior management and staff, and the estimated fair value of the four option issuances using the Black-Scholes option pricing model was approximately Hong Kong Dollars ("HK$") 1.04, HK$0.58, HK$0.41 and HK$0.56 at the respective grant date.

The share options granted are exercisable within a period of 10 years after the corresponding vesting periods (from 1 to 2 years) succeeding the specific grant date of each individual tranche under a particular issuance, subject to the fulfilment of certain non-market performance condition, for example, the share options of a specific tranche would vest if the growth in profit after tax of Group during the year ending on the vesting date (Year 1) equal or exceed 15% as compared to the previous financial year (Year 0). In the event when the growth is less than 15%, the share options will not be immediately forfeited and the vesting will delay until the compound growth in profit after tax of the Group in the following financial year (Year 2) equal or exceed 15% as compared to that of Year 0. Where profit after tax of the Group does not meet the growth requirements in both circumstances above, the share options of the said tranche will not vest.

No share options were exercised during the six months ended 30 June 2022 and 2021.

During the six months ended 30 June 2022, no share options (30 June 2021: 1,100,000 share options) were lapsed or expired.

25. CAPITAL COMMITMENTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**1,477,601**	1,416,412

26. ACQUISITION OF A SUBSIDIARY/BUSINESSES

(1) Acquisition of a subsidiary

On 31 July 2020, the Group signed a sales and purchase agreement ("SPA") with an independent third party ("Selling Shareholder") to acquire 55% equity interests in Kangding Paomashan Cement Co., Ltd.* ("Paomashan") 康定跑馬山水泥有限責任公司 at a cash consideration of RMB420,000,000. According to the SPA, it was agreed that the Selling Shareholder would inherit approximately RMB392,131,000 net liabilities of Paomashan.

On 31 March 2022, the Group entered into supplementary sales and purchase agreement with the Selling Shareholder and it was agreed that the consideration be changed to RMB27,869,000 and the clause on the inheritance of net liabilities by the Selling Shareholder was cancelled.

On 8 April 2022, the acquisition was completed and the group obtains control over production and operation of Paomashan. Paomashan is principally engaged in cement production and sales, which its products are widely used in different industries.

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

	RMB'000
Assets	
Trade and other receivables	103,056
Inventories	42,987
Property, plant and equipment	568,368
Right-of-use-assets	17,758
Mining rights	305
Other intangible assets	233
Bank balances and cash	86
Liabilities	
Trade and other payables	(471,515)
Bank borrowings	(47,800)
Amount due to an immediate holding company	(239,000)
	(25,522)

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

Trade and other receivables acquired with gross contractual amounts of RMB103,056,000 represents its fair value, of which in the opinion of the directors of the Company is expected to be fully recoverable within one year.

* *The English name is for identification purpose*

26. ACQUISITION OF A SUBSIDIARY/BUSINESSES (Cont'd)

(1) Acquisition of a subsidiary (Cont'd)

Non-controlling interests

The non-controlling interests (45%) in Paomashan recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net liabilities of Paomashan and amounted to RMB11,485,000.

Goodwill arising on acquisition on a provisional basis.

	RMB'000
Consideration transferred	27,869
Plus: non-controlling interests (45% in Paomashan)	(11,485)
Less: recognised amount of net liabilities acquired	25,522
	41,906

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Considerations paid in cash	27,869
Cash and cash equivalent balances acquired	(86)
	27,783

Impact of acquisition on the results of the Group

Included in the profit for the interim period is loss of RMB13,032,000 attributable to the additional business generated by Paomashan. Revenue for the interim period includes RMB8,437,000 generated from Paomashan.

Had the acquisition of Paomashan been completed on 1 January 2022, revenue for the interim period of the Group would have been RMB4,152,252,000 and the profit for the interim period would have been RMB682,649,000.The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Paomashan been acquired at the beginning of the interim period, the directors of the Company calculated depreciation and amortisation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

26. ACQUISITION OF A SUBSIDIARY/BUSINESSES (Cont'd)

(2) Acquisition of businesses

During the six months ended 30 June 2022, the Group entered into sales and purchase agreements to acquire all the concrete production lines and the related workforce from Shaanxi Hengji Concrete Co., Ltd.* ("Hengji Concrete") 陝西恒基混凝土有限公司 and Weinan Juxin Building Materials Co., Ltd.* ("Juxin Building") 渭南聚信建築材料有限公司. Hengji Concrete and Juxin Building are principally engaged in the manufacture and sales of concrete and they were acquired with the objective of obtaining concrete production qualification. The management assessed and determined the acquisitions as business combination according to IFRS 3 *Business Combinations*. Details of the acquisition are summarised as below:

(a) Hengji Concrete

Consideration transferred

	RMB'000
Cash	65,000
Consideration payable due within one year included in other payables at 30 June 2022	43,000
	108,000

Fair value of assets acquired at the date of acquisition on a provisional basis:

	RMB'000
Property, plant and equipment	53,606
Inventory	3,800
	57,406

Goodwill arising on acquisition on a provisional basis:

	RMB'000
Consideration transferred	108,000
Less: recognised amount of net assets acquired	(57,406)
	50,594

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition of assets from Hengji Concrete:

	RMB'000
Consideration paid in cash	65,000

* *The English name is for identification purpose*

26. ACQUISITION OF A SUBSIDIARY/BUSINESSES (Cont'd)

(2) Acquisition of businesses (Cont'd)

(b) Juxin Building

Consideration transferred

	RMB'000
Cash	5,000
Consideration payable due within one year included in other payables at 30 June 2022	63,000
	68,000

Fair value of assets acquired at the date of acquisition on a provisional basis:

	RMB'000
Property, plant and equipment	21,012
Inventory	815
	21,827

Goodwill arising on acquisition on a provisional basis:

	RMB'000
Consideration transferred	68,000
Less: recognised amount of net assets acquired	(21,827)
	46,173

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition of assets from Juxin Building:

	RMB'000
Consideration paid in cash	5,000

The management considered the impact on acquisition of results of Hengji Concrete and Juxin Building were insignificant during the current interim period and accordingly no such information is presented.

27. RELATED PARTY DISCLOSURES

The Group has paid or payable to the key management personnel for employee services. The key management includes directors (executive and non-executive) of the Company and senior management of the Group.

Key management compensation

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**5,254**	10,437
Post-employment benefits	**56**	70
	5,310	10,507

28. PLEDGE OF ASSETS

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

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Property, plant and equipment	**3,134,019**	3,424,848
Trade receivables	**84,795**	39,570
Right-of-use assets	**83,604**	85,084
Pledged bank deposits	**597,619**	478,861
	3,900,037	4,028,363

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities for the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except for equity investment at FVTPL, investment in entrusted product and structured deposits, the Group does not hold any other financial instruments measured at fair value.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.

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

Name	Fair value as at 30/06/2022 RMB'000 (Unaudited)	Fair value as at 31/12/2021 RMB'000 (Audited)	Fair value hierarchy	Valuation techniques and key input(s)
Equity investment at FVTPL	**100,447**	162,181	Level 1	Quoted bid price in an active market
Investment in entrusted product	**–**	81,855	Level 2	Based on the net asset values of the trust, determined with reference to the observable (quoted) prices of underlying investment portfolio and adjustments of related expenses

30. CONTINGENT LIABILITIES

On 29 June 2022, the Group had received an administrative penalty order made by Shaanxi Administration for Market Regulation ("SXAMR") for an accusation of price monopoly in the Central Shaanxi market in the PRC from July 2017 to March 2019 together with other 12 cement entities in the region. The Group is ordered to pay a penalty of approximately RMB172,300,000. The directors of the Group determined that the penalty order made by SXAMR was unjustified and the Group has filed an appeal to the State Administration for Market Regulation ("SAMR") against the original order. As at the date of this report, the Group has yet to receive the hearing notice from SAMR.

The Group has been vigorously defending this penalty order. Based on the legal opinion obtained from the Group's appointed legal representative, the directors of the Company believe that the final outcome will not have material impact on the financial position or operations of the Group and it is not portable that an outflow of resources embodying economic benefits will be required to settle the obligation.