西部水泥

WEST CHINA CEMENT LIMITED

中國西部水泥有限公司

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

(Stock Code: 2233)

2023 Interim Results Announcement

FINANCIAL HIGHLIGHTS

RMB' Million (unless otherwise specified)	**Six months ended 30 June 2023 (Unaudited)**	Six months ended 30 June 2022 (Unaudited)	% Change
Total Cement and Clinker Sales Volume (million tons)	**9.54**	9.15	4.3%
Cement Sales Volume (million tons)	**9.14**	8.70	5.1%
Aggregates Sales Volume (million tons)	**2.06**	2.30	(10.4%)
Commercial Concrete sales volume (million cubic meters)	**0.92**	0.64	43.8%
Revenue	**4,398.3**	4,152.3	5.9%
Gross Profit	**1,234.2**	1,352.9	(8.8%)
EBITDA[(1)]	**1,517.2**	1,690.1	(10.2%)
Profit Attributable to Owners of the Company	**532.2**	658.2	(19.1%)
Basic Earnings Per Share	**9.8 cents**	12.1 cents	(19.0%)
Gross Profit Margin	**28.1%**	32.6%	(4.5 p.pt)
EBITDA Margin	**34.5%**	40.7%	(6.2 p.pt)

	30 June 2023 (Unaudited)	31 December 2022 (Audited)	% Change
Total Assets	**31,266.0**	30,239.3	3.4%
Net Debt[(2)]	**8,174.6**	7,487.1	9.2%
Net Gearing[(3)]	**60.1%**	55.9%	4.2 p.pt
Net Assets Per Share	**250 cents**	246 cents	1.6%

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 a joint venture.

(2) Net debt equals to 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.

The board of directors (the "Board") of West China Cement Limited (the "Company" together with its subsidiaries, the "Group") is pleased to announce the Group's interim results for the six months ended 30 June 2023 together with the comparative figures for the corresponding period of 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*2*	**4,398,290**	4,152,252
Cost of sales		**(3,164,046)**	(2,799,305)
Gross profit		**1,234,244**	1,352,947
Other income		**55,619**	77,520
Selling and marketing expenses		**(57,379)**	(43,229)
Administrative expenses		**(329,337)**	(284,006)
Other expenses		**(25,534)**	(26,510)
Other gains and losses, net		**143,990**	7,599
Impairment loss under expected credit loss model, net of reversal	*4*	**(62,593)**	(70,463)
Share of result of a joint venture		**(3,403)**	(2,851)
Interest income		**46,388**	70,656
Finance costs		**(155,035)**	(189,783)
Profit before tax		**846,960**	891,880
Income tax expense	*3*	**(193,370)**	(193,831)
Profit for the period	*4*	**653,590**	698,049

	Notes	Six months ended 30 June **2023** ***RMB'000*** **(Unaudited)**	 2022 *RMB'000* (Unaudited)
Other comprehensive (expense) income for the period			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(12,192)**	24,362
Total comprehensive income for the period		**641,398**	722,411
Profit for the period attributable to:			
— Owners of the Company		**532,160**	658,151
— Non-controlling interests		**121,430**	39,898
		653,590	698,049
Total comprehensive income attributable to:			
— Owners of the Company		**505,994**	674,004
— Non-controlling interests		**135,404**	48,407
		641,398	722,411
Earnings per share			
— Basic (RMB)	*5*	**0.098**	0.121
— Diluted (RMB)	*5*	**0.098**	0.121

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**18,661,427**	18,195,355
Investment properties		**47,059**	47,059
Right-of-use assets		**819,783**	827,334
Mining rights		**1,509,569**	1,528,031
Other intangible assets		**543,102**	543,560
Interest in a joint venture		**–**	3,403
Interest in an associate		**5,559**	–
Equity investments at fair value through profit or loss ("FVTPL")		**60,180**	92,593
Loan receivables	*6*	**423,943**	401,847
Deferred tax assets		**137,919**	190,639
Prepayments for right-of-use assets		**26,939**	38,511
Prepayments for mining rights		**9,500**	9,500
Deposits paid for acquisition of property, plant and equipment		**1,159,123**	858,013
Other deposits		**231,514**	18,472
Amount due from a joint venture		**–**	634,827
		23,635,617	23,389,144
Current assets			
Inventories		**1,445,608**	1,488,858
Trade and other receivables and prepayments	*7*	**3,399,178**	2,990,695
Properties under development		**799,595**	–
Loan receivables	*6*	**250,448**	324,654
Pledged/restricted bank deposits		**480,228**	621,627
Cash and cash equivalents		**1,255,330**	1,424,275
		7,630,387	6,850,109

	Notes	**30 June 2023** *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Current liabilities			
Borrowings	*8*	**3,174,775**	3,156,533
Medium-term notes	*10*	**740,204**	714,431
Trade and other payables	*9*	**4,834,168**	4,877,402
Dividend payable		**445,886**	88,410
Contract liabilities		**469,855**	453,687
Deferred income		**4,348**	3,527
Income tax payable		**291,658**	181,006
		9,960,894	9,474,996
Net current liabilities		**(2,330,507)**	(2,624,887)
Total assets less current liabilities		**21,305,110**	20,764,257
Non-current liabilities			
Borrowings	*8*	**1,570,005**	1,457,917
Asset retirement obligations		**332,795**	335,693
Deferred tax liabilities		**429,073**	459,456
Deferred income		**24,123**	28,254
Senior notes	*11*	**4,425,258**	4,204,158
Other long-term payables		**928,137**	887,028
		7,709,391	7,372,506
Net assets		**13,595,719**	13,391,751
Capital and reserves			
Share capital		**141,837**	141,837
Share premium and reserves		**11,941,194**	11,889,516
Equity attributable to owners of the Company		**12,083,031**	12,031,353
Non-controlling interests		**1,512,688**	1,360,398
Total equity		**13,595,719**	13,391,751

NOTES:

1. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of new and 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 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

1.1 APPLICATION OF AMENDMENTS TO IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	*Insurance Contracts*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform-Pillar Two model Rules*

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

Impacts on application of amendments to IAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

1.2 BASIS FOR PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023, the Group has net current liabilities position of approximately RMB2,330,507,000. The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future after considering the followings:

- as at 30 June 2023, the Group has unused banking facility of approximately RMB1,692,770,000, which is available for drawdown and utilisation in the course of ordinary business from the date of the approval of these condensed consolidated financial statements;

- subsequent to 30 June 2023, the Group has obtained additional banking facilities of approximately RMB854,690,000, which is made available for the Group to utilise at the date of granting such facilities;

- subsequent to 30 June 2023, the Group had been in negotiation with certain banks which expressed their willingness to grant additional banking facilities to the Group. As at the date of this condensed consolidated financial statements, the Group is negotiating banking facilities amounted to RMB960,213,000 from these banks; and

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

In view of the above circumstances, the directors of the Company expect that the Group will have sufficient liquidity to finance its operations for the next twelve months from 30 June 2023. Therefore, the condensed consolidated financial statements have been prepared on going concern basis. The going concern basis assumes that the Group will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

1.3 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.

Properties under development

Properties under development, representing leasehold land and buildings located in the Peoples Republic of the China (PRC) under development which are intended to be sold upon completion of development and are classified as current assets. Properties under development is carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development for sale are transferred to completed properties for sale upon completion of development.

2. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of products and services		
Sales of cement and related products	**4,278,545**	4,082,586
Provision of construction and installation service	**12,098**	2,900
Others	**107,647**	66,766
	4,398,290	4,152,252

Performance obligation for contracts with customers

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

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

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.

In the current period, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. The segment changed from the location of the operations to the location of the markets. Prior period segment disclosures have been represented to conform with the current period's presentation.

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

1. The PRC markets

2. Overseas markets

(1) Segment revenue and results

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

For the six months ended 30 June 2023

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

For the six months ended 30 June 2022

	The PRC markets *RMB'000* (Unaudited)	Overseas markets *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)	Adjustments and eliminations *RMB'000* (Unaudited)	Consolidated *RMB'000* (Unaudited)
SEGMENT REVENUE					
External sales	3,682,740	469,512	4,152,252	–	4,152,252
Inter-segment sales	17,325	–	17,325	(17,325)	–
Total	3,700,065	469,512	4,169,577	(17,325)	4,152,252
SEGMENT PROFIT	768,973	226,341	995,314	–	995,314
Share of result of a joint venture					(2,851)
Fair value change on equity investments at FVTPL					(61,734)
Dividend income from equity investments 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

(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.

Geographical Information

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC	**3,189,595**	3,682,740
Africa	**1,205,490**	469,512
Others	**3,205**	–
	4,398,290	4,152,252

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

	30 June	31 December
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
The PRC (including HK)	**11,958,840**	12,442,580
Africa	**10,592,523**	9,494,177
Others	**230,698**	114,009
	22,782,061	22,050,766

No single customer contributed 10% or more to the Group's revenue for both periods ended 30 June 2023 and 2022.

3. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC enterprise income tax ("EIT")	**37,760**	86,335
Hong Kong Profits Tax	**13,528**	17,601
Ethiopia Profits Tax	**90,754**	–
Others	**6,915**	847
Withholding tax	**26,250**	15,000
	175,207	119,783
Over provision in prior years		
PRC EIT	**(4,174)**	(14,461)
Deferred tax		
Current period	**22,337**	88,509
Income tax expense	**193,370**	193,831

4. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**621,025**	545,737
Depreciation of right-of-use assets	**8,724**	9,997
Amortisation of mining rights	**20,870**	21,864
Amortisation of other intangible assets	**2,945**	2,537
Total depreciation and amortisation	**653,564**	580,135
Recognised in cost of sales	**(148,622)**	(120,626)
Capitalised in inventories	**(454,649)**	(402,694)
	50,293	56,815

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments)		
Salaries and allowances	**363,151**	354,624
Retirement benefits	**29,590**	27,219
Total staff costs	**392,741**	381,843
Recognised in cost of sales	**(40,631)**	(28,056)
Capitalised in inventories	**(156,090)**	(192,388)
	196,020	161,399
Net allowance for credit losses recognised (reversed) in respect of:		
Loan receivables	**12,391**	34,379
Trade receivables	**50,202**	36,652
Other receivables	**–**	(568)
	62,593	70,463
Donations (included in other expenses)	**5,599**	1,293

5. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**532,160**	658,151

	Six months ended 30 June	
	2023	2022
	'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	**920**	5,775
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,439,803**	5,444,658

The computation of diluted earnings per share for the six months ended 30 June 2023 and 2022 does not assume the exercise of certain share options because the adjusted exercise price of those options was higher than the average market price for shares for both periods.

6. LOAN RECEIVABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loans collateralised by property, plant and equipment *(Note a)*	**494,797**	526,776
Loans collateralised by receivables *(Note b)*	**427,800**	427,800
Small loans *(Note c)*	**16,999**	24,739
	939,596	979,315
Less: Allowance for credit loss	**(265,205)**	(252,814)
	674,391	726,501
Analysed as:		
Current	**250,448**	324,654
Non-current	**423,943**	401,847
	674,391	726,501

Notes:

(a) As at 30 June 2023 and 31 December 2022, the Group has entered into certain arrangements (the "Arrangements") with third parties for periods ranging from one to four years under which:

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

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

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

Despite the Arrangements involving a legal form of a lease, the Group accounted for the Arrangements as collateralised loans in accordance with the financial arrangement under IFRS 9 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 loans collateralised by receivables with fixed interest rates at the contract dates over the contract terms. The interests are receivable periodically based on the contractual terms. All principal are receivable upon maturity dates.

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

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**250,448**	324,654
In more than one year but not more than two years	**423,943**	401,847
	674,391	726,501

The ranges of effective rates on the Group's loan receivables was 8% to 15% per annum as at 30 June 2023 (31 December 2022: 8% to 15% per annum).

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

7. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,564,114**	1,254,034
Trade receivables backed by bills	**526,263**	463,468
	2,090,377	1,717,502
Less: Allowance for credit losses	**(229,861)**	(179,659)
	1,860,516	1,537,843
Other receivables	**1,126,274**	738,405
Less: Allowance for credit losses	**(846)**	(846)
	1,125,428	737,559
VAT recoverables	**331,504**	440,077
VAT refund receivables	**15,944**	22,205
Prepayments to suppliers	**297,300**	271,483
	3,630,692	3,009,167
Less: Non-current portion of other deposits (included in "Other receivables" above)	**(231,514)**	(18,472)
	3,399,178	2,990,695

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 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**543,515**	552,685
91 to 180 days	**221,752**	230,693
181 to 360 days	**456,593**	173,541
361 to 720 days	**196,077**	180,156
Over 720 days	**146,177**	116,959
	1,564,114	1,254,034

As at 30 June 2023, included in trade receivables backed by bills represents total bills received amounting to RMB189,385,000 (31 December 2022: RMB243,240,000) that were endorsed to suppliers on a full recourse basis. As the Group has not transferred substantially all the risks and rewards relating to these receivables, it continues to recognise the full carrying amounts of the receivables and the corresponding trade payables.

8. BORROWINGS

During the current interim period, the Group obtained new loans amounting to RMB862,901,000 (six months ended 30 June 2022: RMB1,586,624,000) and made repayments amounting to RMB732,571,000 (six months ended 30 June 2022: RMB1,767,258,000). The borrowings carry annual interest rates ranging from 0.7% to 22% per annum as at 30 June 2023 (31 December 2022: 0.75% to 8% per annum) and are repayable between 2023 and 2041 (31 December 2022: repayable between 2023 and 2041).

9. TRADE AND OTHER PAYABLES

As at 30 June 2023, included in trade payables are bills amounting to 165,300,000 (31 December 2022: RMB11,300,000) 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 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
0 to 90 days	**1,013,260**	1,238,344
91 to 180 days	**329,338**	341,497
181 to 360 days	**249,533**	228,292
361 to 720 days	**196,320**	145,730
Over 720 days	**138,881**	114,060
	1,927,332	2,067,923

10. MEDIUM-TERM NOTES

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

On 5 May 2019, the first tranche of the medium-term note with principal amount of RMB500,000,000 ("First Tranche of the Medium-term Note") was issued at an interest rate of 7.50% per annum. First Tranche of the Medium-term Note was unsecured with maturity of three years and carried effective interest rate of approximately 7.58% per annum after adjusting for transaction costs of RMB4,500,000. This amount was fully repaid in May 2022.

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 carries effective interest rate of approximately 7.11% per annum after adjusting for transaction costs of RMB6,300,000.

* *The English name is for identification purpose*

11. 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 SEHK and guaranteed by certain subsidiaries of the Company.

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

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

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

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

12. DIVIDENDS

During the six months ended 30 June 2023, the Group declared a final dividend of HK7.4 cents (equivalent to RMB6.7 cents) per ordinary share in respect of the year ended 31 December 2022 (six months ended 30 June 2022: HK10.7 cents (equivalent to RMB8.7 cents) per ordinary share in respect of the year ended 31 December 2021) in total of approximately RMB364,405,000 (six months ended 30 June 2022: RMB473,183,000).

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

13. ASSETS PLEDGED FOR SECURITY

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**3,868,873**	3,380,392
Properties under development	**516,000**	–
Trade receivables	**42,077**	75,773
Right-of-use assets	**101,026**	177,773
Pledged bank deposits	**330,004**	561,308
	4,857,980	4,195,246

During the period ended 30 June 2023, the Group pledged its equity interests in three subsidiaries, 貴州麟山水泥有限責任公司 Guizhou Linshan Cement Co., Ltd.*, 漢中勉縣堯柏水泥有限公司 Hanzhong Mianxian Yaobai Cement Co., Ltd.* and 商洛堯柏秀山水泥有限公司 Shangluo Yaobai Xiushan Cement Co., Ltd.*, to the bank to secure a banking facility totalling RMB150,000,000 for a period of one year which has already been drawn down as at 30 June 2023. The pledge will be released upon the repayment of the borrowing to the bank.

* *The English name is for identification purpose only*

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 2023. Sales volumes in Shaanxi, Xinjiang and Guizhou Provinces have decreased by 4.4%, 9.3% and increased by 35.9%, respectively, as compared with the corresponding period of 2022. On the other hand, sales volumes in Mozambique have increased by 1.3% as compared with the corresponding period of 2022 and the plants in Democratic Republic of the Congo ("D.R. Congo") and Ethiopia have contributed approximately 700,000 tons of cement sales during the period. The Group's sales volumes of cement and clinker for the six months ended 30 June 2023 were 9.54 million tons, representing a 4.3% increase from 9.15 million tons recorded in the first half of 2022.

As a result of the declining demand of cement in PRC during the period, average selling prices ("ASPs") in Shaanxi, Guizhou and Xinjiang were decreasing. The Group has continued to implement efficiency enhancements and cost-cutting measures and has been able to maintain the costs at a comparatively stable level in the first half of 2023. In addition to the greater margins from Mozambique, D.R. Congo and Ethiopia, the Group's overall margins remained stable in the first half of 2023. The Group has maintained healthy and stable cash flows, with EBITDA of RMB1,517.2 million for the first half of 2023, which is lower than the RMB1,690.1 million recorded in the first half of 2022.

As at 30 June 2023, the Group had a total production capacity of 33.3 million tons, comprising 20 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, 1.5 million tons in Sichuan Province, 2.0 million tons in Mozambique, 1.5 million tons in D.R. Congo and 1.3 million tons in Ethiopia. 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 2023, as a result of the weak global economy recovery, high inflation as well as a complex and severe external international environment, the PRC economy recovery has been relatively slow as compared with that of 2022. The performance of the infrastructure investment was slowing down, while the property investment was deteriorating, leading to a decline in the demand of cement in PRC. On the other hand, in order to control the air pollution and preserve the blue sky, the environmental management of atmospheric pollution and the local environmental control remained stringent. As a result, the effect of various policies such as peak-shifting production halts and mine comprehensive regulations are more favorable to balance the supply and demand of the cement industry.

Both Fixed Asset Investment ("FAI") and Real Estate Development Investment ("RDI") growth rates deteriorated in PRC in the first half of 2023. The FAI and the RDI increased by 1.4% (2022: 9.4%) and decreased by 5.9% (2022: increased by 4.6%) in Shaanxi Province during the first half of 2023, respectively. The deteriorated FAI and RDI growth rates have overall led to a decline in the demand for cement products in Shaanxi Province. Fortunately, intense competition from the supply side is still a strong factor affecting the ASPs in Shaanxi Province, which continued to be balanced through the occasional peak-shifting production halts during low season periods under the stringent environmental policy.

As a result of the greater margins contributed from the plants in Africa, the Group was able to maintain overall stable margins in the first half of 2023 even though under the abovementioned impact of low ASPs in PRC. Another important factor contributing to the Group's stable margins was the maintenance of the costs at a stable level, which resulted from the Group's successful implementation of efficiency enhancements and cost-cutting measures during the period.

Shaanxi

The Group's operations and markets in Southern Shaanxi have remained reasonable and stable during the first half of 2023. 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 Micang Avenue, the Xi'an to Ankang High-Speed Railway and the Ankang to Chongqing High-Speed Railway, have been, amongst others, particularly important demand drivers; and the constructions of the Hanzhong to Bazhong to Nanchong High-Speed Railway, the Lushi to Luanchuan 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.

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

During the period, the Group has continued to maintain its market share in Eastern Xi'an, Yaowangshan, Fuping County and the rest of Weinan District where urbanisation remains a key demand driver. The Group has also supplied cement to a number of infrastructure projects, including the constructions of the Huaneng Power — Coal Transportation Railway, the Hancheng to Huanglong Expressway, the Beijing to Kuming Expressway, the Xi'an Metro/Municipal Projects, the Eastern Xi'an Railway Station, the Dongzhuang Reservoir, the Hanjiang to Weihe River Water Transport Project (Phase II) and the Xianyang Airport. The largest projects, the Xi'an to Yan'an High-Speed Railway and the Xi'an to Shiyan High-Speed Railway, have consumed over 260,000 tons and 290,000 tons of cement in the first half 2023, respectively.

Sales volumes in Shaanxi have decreased slightly by 4.4% to approximately 6.53 million tons during the period (2022: 6.83 million tons), while ASPs in Shaanxi have decreased by approximately 16.1%. Over the period as a whole, the Group has recorded cement ASPs in Shaanxi of RMB303 per ton (2022: RMB361 per ton) (excluding VAT), with capacity utilization rate at approximately 60% (2022: 63%).

Xinjiang & Guizhou Provinces

Operation at the Group's plant in Xinjiang Province has been declining in the first half of 2023. Sales volume in Xinjiang have decreased by 9.3% to approximately 0.88 million tons (2022: 0.97 million tons). During the first half of 2023, both sales volume and ASPs in Xinjiang have decreased as a result of the decrease in the infrastructure projects and the downtrend of the real estate market. The Group has recorded a decreased cement ASPs at approximately RMB415 per ton (2022: RMB442 per ton) (excluding VAT), with capacity utilization rate at approximately 50% (2022: 55%).

In Guizhou Province, the Group's plant contributed approximately 0.53 million tons of cement to the total sales volume as compared to that of 0.39 million tons in the first half of 2022, which represented an increase of approximately 35.9%. During the first half of 2023, the Group has recorded cement ASPs in Guizhou of approximately RMB385 per ton (2022: RMB429 per ton) (excluding VAT), with capacity utilization rate at approximately 59% (2022: 43%). 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.

Mozambique

The Group built a cement plant in Mozambique, a "window" country in South Africa, in close compliance with the "Belt and Road" development policy of the PRC and to seize the opportunity brought by the "Go Global" policy to maximize the cement production capacity. The Mozambique plant was commissioned in December 2020. Sales volume of cement and clinker in Mozambique have increased by 1.3% to approximately 0.74 million tons for the six months ended 30 June 2023 (2022: 0.73 million tons). During the first half of 2023, both sales volume and ASPs in Mozambique have increased as a result of the new capacity entering the market successfully. The Group has recorded an increased cement ASPs at approximately RMB638 per ton (2022: RMB509 per ton) (excluding VAT), with capacity utilization rate at approximately 84.0% (2022: 83.0%).

Democratic Republic of the Congo

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

Ethiopia

Given the strategic layout in the African market, the Group is optimistic about the long-term development of the Ethiopian market. In 2022, the Group acquired National Cement plant with a capacity of 1.3 million tons of cement per year, the plant was then upgraded and commissioned in November 2022. During the period, the Group has recorded cement ASPs at approximately RMB875 per ton (2022: Nil) (excluding VAT) and sales volume of 0.66 million tons (2022: Nil), with capacity utilization rate at approximately 101% (2022: Nil).

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 2023, these systems are operated at 14 out of 20 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce carbon dioxide ("CO2") emissions by approximately 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 2023, 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 2023, the Group performed certain environmental protection related tasks. Firstly, the Group formulated the Benchmarking Checklist of Environmental Protection Regulations and Standards, carried out in-depth environmental protection inspections and provided environmental protection training to the leaders and cadres of the inspected units in accordance with the inspection conditions. Secondly, the Group's Safety and Environment Department insisted on conducting quarterly inspections of the Group's self-monitoring reports, pollution discharge permit implementation reports and environmental management accounts. Thirdly, each production unit took stock of the amount of hazardous waste disposed of and stored in the previous year, estimated the types and amount of hazardous waste likely to be generated in 2023, and completed the preparation and filing of the annual management plan for hazardous waste. Fourthly, the Group's Safety and Environment Department prepared a reference template for hazardous waste labelling in accordance with the new standards issued by the Ministry of Ecology and Environment, and organised self-checks and study sessions for each unit. Fifthly, we verified the oxygen content recorded by online monitoring from our cement production units in Shaanxi Province, to ensure that the online equipment is airtight and the monitoring data is true and valid. Sixthly, the Group's Safety and Environment Department took the lead in organising a group-wide inspection of sewage outfalls, blocking and rectifying sewage outfalls, and regulating the installation of rainwater outfalls.

Moreover, all plants in the PRC were already refurbished as garden like plants in the preliminary stage and the Group will further develop the garden like plants to meet the environmental policy requirements. Green limestone mines projects, including soil reclamation and mine re-greening, have 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 the first half of 2023, 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 2023, charitable donations made by the Group amounted to RMB5.6 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 2023.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 5.9% from RMB4,152.3 million for the first half of 2022 to RMB4,398.3 million for the first half of 2023. Cement sales volume increased by 5.1%, from approximately 8.70 million tons for the first half of 2022 to approximately 9.14 million tons during the six months ended 30 June 2023. Including clinker sales, total sales volume for the first half of 2023 amounted to approximately 9.54 million tons, compared to the 9.15 million tons sold in the first half of 2022.

Overall cement prices in the first half of 2023 were lower than those in the first half of 2022. Cement ASP for the first half of 2023 was RMB383 per ton as compared with RMB384 per ton in the first half of 2022. The reasons for these fluctuations in ASPs and sales volume are discussed in the "Operating Environment" section above.

Other than the above cement sales revenue, the revenues arising from the sales of aggregates and commercial concrete decreased and increased by 18.4% and 32.4% to RMB96.8 million (2022: RMB118.6 million) and RMB368.8 million (2022: RMB278.5 million) for the first half of 2023, respectively, which is primarily due to the net effect of decrease in prices by 7.8% and 8.5% as well as decrease and increase in the sales volumes by 10.4% and 43.8%, respectively.

Cost of Sales

Cost of sales increased by 13% from RMB2,799.3 million for the first half of 2022 to RMB3,164.0 million for the first half of 2023.

Coal costs were deceasing in the PRC during the period because the supply and production of coal were continuously keeping at a relatively high level as a result of the increase in import of coal under the zero import tax policy and the increase in local coal supply under the guaranteed supply policy implemented by the PRC government. In addition to the decrease in the demand of coal under the slowing down recovery of economic activities, the coal prices dropped from approximately RMB1,100 per ton in December 2022 to approximately RMB700 per ton in June 2023. The average cost per ton of coal decreased by approximately 0.5% to approximately RMB975 per ton from approximately RMB980 per ton in the first half of 2022. These have resulted in a cost decrease of approximately RMB3.6 per ton of total cement produced, while total coal costs increased by approximately 1.6% as compared with that of the first half of 2022 due to the increase in sales volume of cement.

The average cost per ton of limestone remained stable at approximately RMB16.7 per ton for the first half of 2023 (2022: RMB16.8 per ton). With the increase in sales volume of cement, the total raw materials costs increased by approximately 3.4% and the raw materials costs decreased by approximately RMB1.0 per ton of total cement produced, as compared with that of the first half of 2022.

The average cost of electricity was decreasing over the first half of 2023 as a result of the decrease in electricity price under the decreasing coal costs and the decrease in the demand of electricity under the slowing down recovery of economic activities. The electricity costs decreased by approximately RMB0.6 per ton of total cement produced, while total electricity costs increased by approximately 3.1% as compared with that of the first half of 2022 due to the increase in sales volume of cement.

The total depreciation cost increased by approximately 13.4% as compared with that of the first half of 2022, which was approximately an increase of RMB3.5 per ton of total cement produced, as a result of the increase in the production capacities and the technology upgrading of the existing production facilities.

The total staff cost increased by approximately 12.7% as compared with that of the first half of 2022, which was approximately an increase of RMB1.7 per ton of total cement produced, as a result of the increase in the production capacities.

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 18.5% as compared with that of the first half of 2022, which was approximately an increase of RMB2.7 per ton of total cement produced, as a result of the increase in the production capacities.

Moreover, as mentioned in the revenue analysis above, as a result of the decrease and increase in the sales volumes by 10.4% and 43.8%, respectively, the costs arising from the production of aggregates and commercial concrete also decreased and increased by 0.4% and 36.2% to RMB44.8 million (2022: RMB45.0 million) and RMB325.8 million (2022: RMB239.2 million), for the first half of 2023, respectively.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB118.7 million, or 8.8%, from RM1,352.9 million for the first half of 2022 to RMB1,234.2 million for the first half of 2023. The decrease in gross profit was mainly due to net effect of the decrease in ASPs and the increase in sales volume as described above. Gross profit margin decreased from 32.6% for the first half of 2022 to 28.1% for the first half of 2023.

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 28.3% from RMB77.5 million for the first half of 2022 to RMB55.6 million for the first half of 2023. The decrease in other income is mainly due to the decrease in the VAT rebates as a result of 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 16.0% from RMB284.0 million for the first half of 2022 to RMB329.3 million for the first half of 2023. Selling & marketing expenses increased by 32.9% from RMB43.2 million to RMB57.4 million for the first half of 2023 as compared with that of 2022. The increase in administrative expenses and selling & marketing expenses were mainly attributable to the increase in the staff costs arising from the new production capacities and increase in the respective expenses related to the development of the business in Africa.

Other Gains and Losses, net

Other gains increased by RMB136.4 million from RMB7.6 million for the first half of 2022 to RMB144.0 million for the first half of 2023. The increase was mainly due to the net effect of the following factors. Firstly, there were net foreign exchange gains mainly relating to the translation of the Group's USD receivables from the subsidiaries of RMB177.0 million for the first half of 2023 (2022: RMB27.5 million). Secondly, a compensation of RMB32.7 million was received from the government to compensate for the return of a leasehold land for the first half of 2022. No such compensation was received for the first half of 2023. Finally, there was a fair value loss of RMB32.4 million on an equity investment, which was acquired upon the disposal of an associate in 2021, during the first half of 2023 (2022: RMB61.7 million).

Interest Income

Interest income decreased by RMB24.3 million from RMB70.7 million for the first half of 2022 to RMB46.4 million for the first half of 2023. The decrease was mainly due to the decrease in the interest income arising from the loan receivables business of RMB34.1 million recorded for the first half of 2023 (2022: RMB61.8 million) as a result of the decrease in loan receivables business.

Finance Costs

Finance costs decreased by RMB34.8 million, or 18.3%, from RMB189.8 million for the first half of 2022 to RMB155.0 million for the first half of 2023. The decrease was mainly due to the increase in the capitalized interest for the construction in progress during the period.

Income Tax Expense

Income tax expenses decreased by RMB0.4 million from RMB193.8 million for the first half of 2022 to RMB193.4 million for the first half of 2023. Current income tax expense net of over provision increased by RMB65.7 million to RMB171.0 million for the first half of 2023 (2022: RMB105.3 million) , whereas deferred tax expenses decreased by RMB66.2 million to RMB22.3 million for the first half of 2023 (2022: RMB88.5 million).

The increase in the current income tax expense were mainly attributable to the increase in profit tax attributable to the Ethiopia subsidiary. The decrease in deferred tax expense was mainly due to the net effect of the increase in the tax losses utilised and the decrease in withholding tax on undistributed profits.

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

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased from RMB658.2 million for the first half of 2022 to RMB532.2 million for the first half of 2023. This decrease is primarily due to the decrease in gross profit and increase in income tax expense as mentioned above.

Basic earnings per share decreased from RMB12.1 cents for the first half of 2022 to RMB9.8 cents for the first half of 2023.

FINANCIAL AND LIQUIDITY POSITION

As at 30 June 2023, the Group's total assets increased by 3.4% to RMB31,266.0 million (31 December 2022: RMB30,239.3 million) while total equity increased by 1.5% to RMB13,595.7 million (31 December 2022: RMB13,391.8 million).

As at 30 June 2023, the Group had bank balances and cash as well as restricted/pledged bank deposits, amounting to RMB1,735.6 million (31 December 2022: RMB2,045.9 million). After deducting borrowings, medium-term notes ("MTN") and senior notes ("SN") of RMB9,910.2 million (31 December 2022: RMB9,533.0 million), the Group had net debt of RMB8,174.6 million (31 December 2022: RMB7,487.1 million). 71.8% (31 December 2022: 78.4%) of borrowings are at a fixed interest rate. Moreover, the Group also held loan receivables of RMB674.4 million (31 December 2022: RMB726.5 million) at fixed interest rates. Please refer to notes 6, 8, 11, 10 and 13 to the condensed consolidated financial statements for the details of the loan receivables, borrowings, SN, MTN and the respective pledge of assets.

As at 30 June 2023, the Group's net gearing ratio, measured as net debt to equity, was 60.1% (31 December 2022: 55.9%). Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern. As at 30 June 2023, the Group has net current liabilities position of approximately RMB2,330.5 million. As at 30 June 2023, the Group has unused banking facility of approximately RMB1,692.8 million, which is available for drawdown and utilisation in the course of ordinary business from the date of the approval of these condensed consolidated financial statements. Subsequent to 30 June 2023, the Group has obtained additional banking facilities of approximately RMB854.7 million, which is made available for the Group to utilise at the date of granting such facilities. Moreover, the Group had been in negotiation with certain banks which expressed their willingness to grant additional banking facilities to the Group subsequent to 30 June 2023. As at the date of this condensed consolidated financial statements, the Group is also negotiating banking facilities with totalling RMB960.2 million from these banks and the Group expects to generate sufficient operating cash flow which enable the Group to meet its obligation when it falls due in the foreseeable future. In view of the above circumstances, the directors of the Company expect that the Group will have sufficient liquidity to finance its operations for the next twelve months from the date of approval of these condensed consolidated financial statements.

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

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the additions of property, plant and equipment, right-of-use assets and mining rights, for the first half of 2023 amounted to RMB764.6 million (2022: RMB1,302.9 million). Capital commitments as at 30 June 2023 amounted to RMB2,829.4 million (31 December 2022: RMB3,283.4 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 2023, the Group employed a total of 8,780 (2022: 7,299) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2023, employees benefit expenses were RMB392.7 million (2022: RMB381.8 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 2023, the Group's sales, purchases, loans receivables, restricted/pledged deposit, bank balances and cash, medium-term notes and borrowings were mainly denominated in Renminbi. Moreover, the Group's other long term payables and senior notes were denominated in United States Dollars and several intercompany balances between the subsidiaries were denominated in different functional currencies, i.e. Meticais, Ethiopian Birr. Renminbi, Meticais and Ethiopian Birr are not a freely convertible currency. Future exchange rates of the Renminbi, Meticais and Ethiopian Birr could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government, Mozambique government and Ethiopia government. The exchange rates may also be affected by economic developments and political changes on a domestic and/or international level, and the demand and supply of Renminbi, Meticais and Ethiopian Birr. The appreciation or depreciation of Renminbi, Meticais and Ethiopian Birr against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

CREDIT RISK MANAGEMENT

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

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

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

PROSPECTS

2023 is a critical year for the implementation of the 14th Five-Year Plan. The central government will adhere to the general guiding principle of seeking progress amidst stability, fully and faithfully implement the new development philosophy, accelerate the establishment of the new development paradigm, focus on promoting high-quality development, maintain the continuity and pertinence of policies, strengthen the coordination of various policies to form a synergy for promoting high-quality development, enhance the effectiveness of proactive fiscal policies, and implement prudent and robust monetary policies, so as to promote the overall improvement of the economy, realising an effective enhancement in quality and a reasonable growth in quantity.

In 2023, the government will actively expand effective investment in infrastructure, focus on promoting the high-quality development of the manufacturing industry and building a manufacturing powerhouse, and guide various types of high-quality resources and elements to gather in the manufacturing industry. The government will accelerate the construction of key projects mapped out during the period of the 14th Five-Year Plan, improve the national comprehensive transportation network with railways as the mainstay and highways as the basis, and give full play to the comparative advantages of water transport and civil aviation, speed up the construction of water conservancy infrastructure, and increase efforts to address inadequacies and reinforce weak links in key areas. Infrastructure investment has certain support for cement demand. In terms of real estate, the state will adhere to the positioning of "housing without speculation", strengthen the guidance of expectations in the real estate market, accelerate the establishment of a housing system with multi-agent supply, multi-channel protection, and simultaneous renting and housing, steadily implement the long-term mechanism for the stable and healthy development of the real estate market, ensure the delivery of buildings, people's livelihood and stability, stabilise land prices, housing prices and expectations, meet the reasonable financing needs of the industry, and promote the smooth transition of the real estate industry to a new development model. The real estate market is expected to gradually stabilise and improve under the support of favourable policies, and the decline in cement demand at the property end is expected to narrow. In terms of the rural market, the state will fully implement the strategy of rural revitalisation and promote rural construction. At present, China's urbanisation is still at a relatively rapid development stage, which is expected to provide support for market demand. At the same time, the country will further promote the prevention and control of environmental pollution, and push forward the work of carbon peaking and carbon neutrality in an orderly manner, and continue the normalisation of peak-staggered production in the cement industry, which has a positive effect on supply contraction and elimination of excess capacity. Therefore, it is expected that the supply and demand relationship in the industry may maintain a tight balance. In terms of investment and development, the Group will comprehensively coordinate the development of its main business and the extension of its upstream and downstream industrial chains, steadily push forward its internationalisation development strategy, establish a sound medium- and long-term overseas development plan, improve the mechanism for the operation and management of its overseas projects, and proactively construct a diversified cooperation model.

In terms of operation and management, the Group will pay close attention to the domestic and overseas macroeconomic situation and strengthen risk control and operation management. The Group will strengthen its research and judgement of market supply and demand, explore innovative sales models, optimise the structure of its trading business and consolidate its market position. We will strengthen the research and judgement of the coal market trend, coordinate the domestic and international markets, give full play to our advantages in large-scale procurement, and establish a stable and efficient material supply system to enhance our comprehensive capability in ensuring sufficient supply. With green, low-carbon and sustainable development as the goal, the Group will continue to increase investment in research and development on pollution and carbon reduction, energy saving and consumption reduction, promote technological upgrading of the comprehensive energy efficiency of production lines, follow up on the development of carbon emission reduction technologies in the industry, and actively explore an economically-efficient and technologically-stable pathway to control carbon emissions. We will comprehensively sum up the experience of smart factory construction, and promote the popularisation and application of digital intelligence achievements. We will coordinate organisational optimisation and mechanism innovation to create a streamlined and efficient corporate governance system, further promote the strategy of strengthening the enterprise with talents, continuously optimise and improve the incentive mechanism, and innovate the talent cultivation model, so as to empower the Company to promote high-quality development.

Operations — Shaanxi

Under the current macro economic conditions in the PRC and Shaanxi Province, the Group expects to see a moderate increase in demand in the second half of 2023. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2023, a moderate growth is expected accordingly. Both urban property demand and rural demand is expected to remain stable with continued urbanisation trends supporting rural growth rates.

With regards to the supply side, the Group expects stable prices in the second half of 2023, 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 are expected to remain as an important feature and this can support ASPs. There are a number of infrastructure projects that have recently started or are expected to start construction in 2023, including the constructions of several Central Shaanxi Intercity Railways, several expressways, the Guxian Reservoir and the Fuping pumped storage hydro power plant.

In Southern Shaanxi, the Group expects to maintain its relatively stable performance due to reasonable infrastructure construction activities and an already disciplined supply side. There are a number of infrastructure projects in Southern Shaanxi which have recently started or are expected to start construction in 2023, including the constructions of the High-Speed Railway from Lanzhou to Hanzhong to Shiyan, several expressways, the Hengkou Reservoir, the Xingping Reservoir and two pumped storage hydro power plants in Shangluo and Shanyang. The Group expects to see substantial demand from a number of infrastructure projects in 2023 and 2024.

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in 2023. 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 2023 and beyond. These include the constructions of the second phase of water conservancy project and the expansion of the Yutian airport. Moreover, in Northern Xinjiang, the production volume and ASPs of the 1.5 million-ton Yili Plant remained low. The Group expects to see higher volume sold from the Yili Plant and a stable pricing in 2023 with the support of certain coming infrastructure projects, i.e. the Lanzhou to Xinjiang Railway (Jinghe to A La Shankou Section), the Jinghe to Yining. In Guizhou, sales volume is improving due to the imbalance between demand and supply which is even exacerbated by the continuously decreasing demand scenario and the Group expects that the scenario may continue 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 2023 and beyond.

Operations — Mozambique, D.R Congo & Ethiopia

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 2023 are not expected to change significantly, while the civil segment in the southern market has stabilized. 2023 focus will be on the sales of cement and clinker in the central part of the country and overseas (South Africa, Zimbabwe and Madagascar). The Group expects that the sales volume will increase with stable ASPs.

In D.R. Congo, the Great Lakes plant can export clinker, cement and other products to surrounding countries such as Burundi, Rwanda, and western Tanzania. In the Lake Tanganyika regions, there are currently only one old cement plant and four grinding stations. All regions are actually facing a shortage of clinker and the Group expects that the market demand is strong. The import of clinker in these regions mainly comes from Tanzania, Zambia and other countries and the clinker quantity is unstable. The Great Lake plant is able to occupy the market quickly through its stable quality and lower price strategy. The Group expects that the sales volume will improve significantly with stable ASPs after the heavy raining season in 2023.

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

Capacity Development

Ethiopia

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

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

Uzbekistan

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

Based on the aforementioned belief of the long-term growth of the Uzbekistan market, the Group has built a new production line with a daily production capacity of 6,000 tons of clinker in Andijon viloyati, which will produce 2.4 million tons of cement per annum, using the internationally advanced New Generation II dry process cement production line technology. Currently, the average selling price of cement in the region is approximately US$80 per ton. The Andijon plant is expected to commence production in the first quarter of 2024.

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

Costs Control

The Group will continue to implement a number of cost-cutting measures, which are expected to benefit cost of sales and selling, general and administrative expenses in 2023. 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 2023 and will continue to implement the "Sustainable Safety Development Project". Moreover, the Group will continue to implement the green mine projects to reduce the pollution to the soil and mines during mining in order to comply with the government policy of "managing while mining" in the future.

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

Capital Expenditure

Other than the capital expenditure spent for maintenance and upgrading of existing production facilities as well as the construction of new production facilities in Ethiopia and Uzbekistan, the Group has no particular plans for capacity expansion and related capital expenditure in 2023. The Group has funded and expects to continue to fund these commitments from operating cash flow and available banking facilities.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (2022: Nil).

CORPORATE GOVERNANCE PRACTICE

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

The Board is of the view that the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2023.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written term of reference in compliance with the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management systems of the Group and to provide advice and comments to the Board, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee consists of four independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Zhu Dong, Mr. Tam King Ching Kenny and Mr. Feng Tao. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2023.

AUDITORS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2023 have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the auditors of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, 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 2023.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.westchinacement.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). An interim report of the Company for the six months ended 30 June 2023 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 21 August 2023

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