2014
Annual Report

中國西部水泥有限公司
西部水泥
WEST CHINA CEMENT LIMITED

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


Contents

Corporate Information

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
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Aerospace Industrial Base
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COMPANY WEBSITE
www.westchinacement.com

BOARD OF DIRECTORS
Executive Directors
Zhang Jimin *(Chairman)*
Ma Weiping *(Chief Executive Officer)*
Wang Jianli

Non-Executive Directors
Ma Zhaoyang
Franck Wu

Independent Non-Executive Directors
Lee Kong Wai Conway
Wong Kun Kau
Tam King Ching Kenny

COMPANY SECRETARY
Chan King Sau HKICPA

AUTHORIZED REPRESENTATIVES
Ma Weiping
Chan King Sau HKICPA

MEMBERS OF THE AUDIT COMMITTEE
Lee Kong Wai Conway *(Chairman)*
Wong Kun Kau
Tam King Ching Kenny

MEMBERS OF THE REMUNERATION COMMITTEE
Tam King Ching Kenny *(Chairman)*
Zhang Jimin
Wong Kun Kau
Lee Kong Wai Conway

MEMBERS OF THE NOMINATION COMMITTEE
Zhang Jimin *(Chairman)*
Lee Kong Wai Conway
Tam King Ching Kenny

INDEPENDENT AUDITORS
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HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor
Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
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PRINCIPAL BANKERS
Agricultural Bank of China Limited
Bank of China
Bank of Xi'an

Financial Highlights

RMB' Million (unless otherwise specified)	**Year ended 31 December 2014**	Year ended 31 December 2013	% Change
Cement Sales Volume (million tons)	**17.0**	17.6	(3.4%)
Total Cement and Clinker Sales Volume (million tons)	**17.7**	18.2	(2.7%)
Revenue	**3,883.4**	4,167.8	(6.8%)
Gross Profit	**598.1**	729.3	(18.0%)
EBITDA (including deductions for Senior Notes Redemption Costs)	**996.9**	1,193.2	(16.5%)
Profit Adjusted for Foreign Exchange Difference and Senior Note Redemption Costs	**137.0**	309.5	(55.7%)
Profit Attributable to Owners of the Company	**35.9**	378.3	(90.5%)
Basic Earnings Per Share(1)	**0.8 cents**	8.3 cents	(90.4%)
Interim Dividend	**Nil**	Nil	Nil
Proposed Final Dividend	**0.2 cents**	2.0 cents	(90.0%)
Gross Profit Margin	**15.4%**	17.5%	(2.1 ppt)
EBITDA Margin	**25.6%**	28.6%	(3.0 ppt)

	31 December 2014	31 December 2013	
Total Assets	**10,768.0**	10,664.7	1.0%
Net Debt(2)	**3,409.6**	3,406.8	0.1%
Net Gearing(3)	**68.0%**	67.0%	1.0 ppt
Net Assets Per Share	**111 cents**	112 cents	(0.9%)

Notes:

(1) The decline was largely due to the payment of an early redemption premium of RMB92.2 million on the repayment of the 2016 Senior Notes during the year. In addition, there was an unrealized foreign exchange loss of RMB5.3 million relating to the Group's Senior Notes as compared with a foreign exchange gain of RMB72.8 million for the year ended 31 December 2013.

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

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

Business Overview

West China Cement Limited (the "Company") and its subsidiaries (collectively, the "Group") is one of the leading cement producers in Shaanxi Province, with a leading market position in eastern and southern Shaanxi and a growing presence in Xinjiang Province. The Group is also nearing completion of the construction of two new production lines in Xinjiang and Guizhou Provinces and these will be in full production in the first quarter of 2015. As at 31 December 2014, the Group had a total production capacity of 23.7 million tons. With the completion of the two new production lines in the first quarter of 2015, the Group will have a total of 19 NSP cement production lines with total cement capacity standing at 21.1 million tons in Shaanxi Province, 4.1 million tons in Xinjiang Province and 1.8 million tons in Guizhou Province, resulting in total Group capacity of 27 million tons of cement for the Group in 2015.

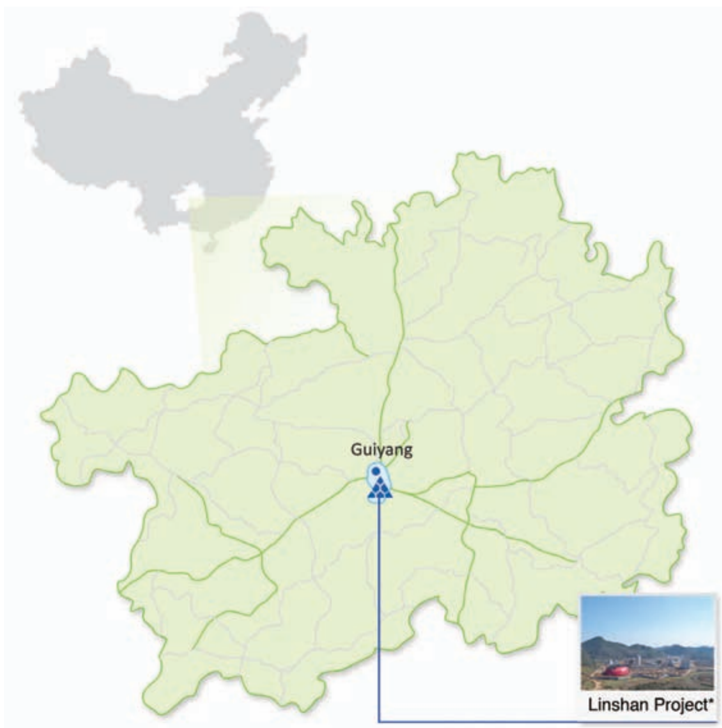
The Group's cement production is geared towards the economic development of Western China, driven by the Chinese Government's "Western Development Policy" which continues to be a crucial focus under the 12th Five-Year Plan. The Group aims to serve the development needs of Shaanxi, Xinjiang, Guizhou and Western China, supplying cement products to the infrastructure, urban and rural construction markets. The Group's cement products are used in a variety of infrastructure projects such as highways, railways, bridges, hydroelectric power stations, water conservancy and water transfer projects. The Group's also focuses on serving both the urban and rural development needs of western China, an area which is experiencing rapid urbanisation and population resettlement, accompanied by housing and social infrastructure development.

Shaanxi Province

Business Overview

Xinjiang Province

Guizhou Province



The Group focuses on strengthening its position in its core markets of Eastern and Southern Shaanxi Province, where it has constructed or acquired well-positioned plants. This has resulted in the Group enjoying a leading market position in Shaanxi Province and benefiting from barriers to entry caused by high transportation costs. The Group's superior positioning has allowed it to benefit from the current industry consolidation phase, and its acquisitions in Weinan District in 2012 have allowed the Group to strengthen its position in the Xi'an metropolitan market. The move into Xinjiang Province in 2011 and 2012 represents a further significant growth opportunity underpinned by the "Western Development Policy", as does this year's move into Guizhou Province in Southwest China.

Energy conservation and emission controls are an increasingly important factor in the cement industry and the Group continues its ongoing efforts in environmental protection solutions. All of the Group's production facilities are NSP lines. The plants are situated in close proximity to limestone quarries, and the Group uses conveyor belts at many of its plants in order to minimise pollution and save on transportation costs. The Group has constructed heat-recycling plants at over 80% of its production capacity, reducing approximately 30% of electricity consumption and decreasing CO2 emissions by approximately 20,000 tons per year per million tons of production. The Group has installed denitration (De-NOx) equipment at all of its production lines in Shaanxi Province, reducing nitrous oxide emissions by approximately 60% per ton of clinker produced, bringing NOx emissions to within the new environmental protection emission standards that are effective from 2014 and 2015. A number of the Group's plants have also been modified to meet new Particulate Matter emission standards, with the remainder already meeting these new standards. At the beginning of 2014, the Group completed the installation of the first operating Waste Sludge Treatment Facility in Shaanxi Province and the Northwest of China, to be used to incinerate industrial and municipal waste sludge from the Xi'an and Xianyang metropolitan area.

Milestones

Year	Event	Year End Capacity (million tons)
2004	The Group's first NSP production facility commenced construction in 2003 at Pucheng. The plant was commissioned in February.	1.4
2006	The Group was listed on the London Stock Exchange AIM market in December, raising GBP22 million.	1.4
2007	The Group's second production facility was constructed at Lantian in Xi'an. The two production lines were commissioned in May and August, respectively.	3.6
2008	The Group successfully completed a USD60 million syndicated loan.	3.6
2009	The Group's Ankang Xunyang production facility commenced operation in January, establishing a core market in southern Shaanxi.	8.5
	The Group's first acquisitions, the Zhen'an and Danfeng Plants in Shangluo region, were completed in August and December.	
2010	The Group's two production lines in Hanzhong, the Yangxian and Mianxian Plants, were commissioned in January and July respectively.	12.5
	The USD60 million syndicated loan was repaid in March.	
	In August, the Group was delisted from the London AIM market and was successfully listed on The Stock Exchange of Hong Kong Limited (the "HKSE"), raising HK$1.6 billion.	
	The Weinan Pucheng Line 2 was commissioned in September. The Group acquired the Ankang Jianghua Plant in December, completing the establishment of a leadership position in southern Shaanxi.	
2011	The Group successfully issued a USD400 million 5-Year Senior Note at 7.5% p.a. interest rate.	16.2
	The Group established its first production base in Xinjiang through the acquisition of the Hetian Plant in Hotan region in May. The Group also announced the construction of the Yutian Plant in Hotan, Xinjiang.	
	The Group's third plant in Hanzhong region, the Hanzhong Xixiang Plant, was commissioned in May.	
	The Group acquired the Weinan Hancheng Plant in May.	
2012	The Group's Shangluo Danfeng Line 2 Plant was commissioned in April.	23.7
	The Group acquired the Weinan Shifeng Plant and the Weinan Fuping Plant in April and June 2012, an important move in the supply consolidation process in Shaanxi Province and strengthening its presence in the Xi'an Metropolitan market.	
	The Yutian Plant, Hotan, Xinjiang was commissioned in August.	
2013	The Group successfully issued a RMB800 million 3-Year Mid-Term Note at 6.1% p.a. interest rate in March. Most of the proceeds were used to refinance short-term bank borrowings.	23.7
2014	The Group completed phase I of the Lantian Cement Kiln Waste Sludge Treatment Facility in January, the first of such facilities in Shaanxi Province and North West China. This marks an important step in the Group's on going efforts in environmental protection solutions, and a new revenue stream for the Group.	23.7
	The Group successfully issued a USD400m 5-year senior note at 6.5% p.a interest rate to redeem in full the previous senior notes issued in 2011.	
2015	Completion of the construction of the 1.5 million tons Xinjiang Yili Plant and the 1.8 million tons Guizhou Huaxi Plant with full commissioning commencing in the first quarter of 2015.	27

Chairman's Statement

"A year of strong performance in Southern Shaanxi has highlighted the excellent quality and location of the Group's cement assets"

Zhang Jimin
Chairman

Chairman's Statement

On behalf of the board of directors (the "Board") of West China Cement Limited and its subsidiaries, I am pleased to present to our shareholders the annual report (including the audited consolidated financial statements) of the Group for the year ended 31 December 2014.

FINANCIAL RESULTS

In 2014, the Group has benefited from the success of its core market strategy in Southern Shaanxi, enjoying strong average selling prices ("ASPs") in this area during a period of very competitive pricing and weak ASPs in Central Shaanxi Province. Group cement and clinker sales volumes have contracted marginally from 18.2 million tons in 2013 to 17.7 million tons in 2014. Group ASP's have been dragged down by the pricing volatility in the Central Shaanxi market and this has resulted in an 18% fall in gross profit as compared to 2013. In spite of this, the Group has maintained strong cash flows, with EBITDA of close to RMB1 billion in 2014. Profit attributable to shareholders was however much lower, largely due to redemption costs of the Group's 2016 Senior Notes (described below) and a swing from a large foreign exchange gain on the Senior Notes in 2013 to a small loss in 2014, at RMB35.9 million and basic earnings per share was RMB0.8 cents.

DIVIDEND

The Board recommends the payment of a final dividend of RMB0.002 cents per share for the year ended 31 December 2014. Although the Group's net profit has been substantially lower than 2013, the Board feels that it is important to show its continued intention to maintain a payout ratio consistent with previous years. Subject to approval by shareholders of the Company at the forthcoming annual general meeting, the final dividend will be distributed to shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2015.

2014 HIGHLIGHTS

Although the Group has continued to face a tough operating environment in Shaanxi Province in 2014, a key feature of the year has been a clear distinction between its performance in Southern Shaanxi, where operations have remained strong, and Central Shaanxi, where competition has been severe. In the South, where the Group has high levels of market share and supply is disciplined, operations have benefited from the success of the Group's core market strategy resulting in superior ASPs and margins throughout the year. Demand has remained good in this area, mainly led by a gradual improvement in the infrastructure construction market. The Central Shaanxi market has been much tougher. Whilst demand has remained reasonable, supported by gradual infrastructure market improvements balancing out weakness in the residential market, the region continues to suffer from oversupply. This has resulted in competitive pricing that was most apparent in the third quarter of 2014 when ASPs fell to very low levels. Faced with these tough operations in Central Shaanxi, the Group has still been able to generate strong cash flows of approximately RMB1 billion, supported by the strong operations in the south of the province.

On the financial side, the refinancing of the Group's Senior Notes in September 2014 was a key move during the year. The Group issued US$400 million of Senior Notes maturing in September 2019 at an interest rate of 6.5%, with the net proceeds used to redeem the Group's existing US$400 million 7.5% Senior Notes that were due to mature in January 2016. Although the redemption of the 2016 Senior Notes involved a redemption charge of close to RMB100 million which impacted our net profit, the Group believes that the timing of this has been advantageous and ensures a stable debt profile extending into 2019 at lower interest rates.

The Group also neared completion of its two new plants in Xinjiang and Guizhou Provinces in 2014. The Xinjiang Yili Plant raises the Group's cement capacity in Xinjiang to over 4 million tons in total and the Guizhou Huaxi Plant has a total capacity of 1.8 millions tons, resulting in a total Group capacity of 27 million tons of cement when both plants are fully completed in the first half of 2015. The Group has no further cement plant construction plans going forward, and this is leading to significant falls in capital expenditure as compared with previous financial years.

MANAGEMENT CHANGES

At the beginning of 2015, the Group made a number of management changes that the Board believes will contribute significantly to the continued professionalisation of the management of the Group as well as bringing international expertise to the Board. Firstly, I am extremely pleased to welcome Dr. Ma Weiping as the Group's new Chief Executive Office ("CEO") and executive Director. Dr. Ma has many years of industry expertise in both the United States and China, having previously worked at Holcim, Lafarge, and running Italcementi Group's operations in China. The Board and I have worked closely with Dr. Ma since June 2012 when he joined the Board as a non-executive Director following the Group's purchase of the Fuping Cement Plant from Italcementi Group, and we are delighted that Dr. Ma will now be able to bring his rich industry experience to the role of CEO at the Group. Secondly, on behalf of the Board, I would like to express my appreciation and thanks to Mr. Tian Zhenjun and Ms. Low Po Ling for their contribution to the Group over many years. We wish Ms. Low all the very best for the future and I look forward to Mr. Tian's on going guidance and support in his continued role as a director of Yaobai Special Cement Group Co., Ltd., the Group's indirect wholly-owned PRC subsidiary.

ENVIRONMENTAL PROTECTION SOLUTIONS & SAFETY

I am also very pleased to report further progress in the Group's work towards energy conservation and emission controls. During 2014, the Group has completed the installation of De-nitration ("De-NOx") and particulate matter ("PM") equipment at all of its plants in Shaanxi Province, finishing the upgrade work to meet new PRC emission standards in Shaanxi. Additionally, the Group's two new plants in Xinjiang and Guizhou Provinces have been constructed with the relevant equipment pre-installed and the Group is due to complete the final installation of this equipment at its Southern Xinjiang plants in the first half of 2015.

The Group has also started operations at Phase I of the Lantian Cement Kiln Waste Sludge Treatment Facility ("Facility") in 2014. The Facility has processed a small amount of hazardous and municipal waste in 2014 and has won a number of waste processing contracts with industrial enterprises, including Samsung (China) Semiconductor Corporation. Phase II of the Facility is to be completed in the second half of 2015 when the Facility will have a total capacity to treat over 200,000 tons of waste per year. This Facility represents a new business line that will become increasingly profitable and important in 2015 and beyond, and the Group is currently in the planning stage for the construction of a municipal waste facility at its Fuping Cement Plant, with a view to rolling out further facilities at its other plants in subsequent years.

There has also been an increased focus on operational health and safety procedures during 2014. The Group has reviewed and updated its internal EHS (Environmental, Health & Safety Guideline) during the year and has commenced the second phase of the Sustainable Safety Development Project with the support of the Group's strategic partner and shareholder, Italcementi Group. This work will continue with the commencement of the third phase of this Project in the first half of 2015.

Chairman's Statement

2015 OUTLOOK

The Group enters into 2015 confident of improvements in its sales volumes and profitability. The two new plants in Xinjiang and Guizhou Provinces will be fully operational by the end of the first quarter of 2015 and we expect them to contribute incremental sales volume for the Group in 2015. The strong market position in Southern Shaanxi remains unchanged, and the Group expects to maintain its superior ASPs and margins in this area. The outlook for infrastructure demand in the south remains positive and we expect further project starts in the second half of 2015. In Central Shaanxi, where oversupply has been most severe, it is important to point out that there is no new capacity under construction or planned for the foreseeable future. Further consolidation amongst producers as well as shut downs of marginal producers for environmental reasons, both of which are highly encouraged by the industry and Government in 2015, remains a strong possibility and this process is likely to lead to increased pricing discipline in 2015 and beyond. In spite of obvious slowdowns in residential construction, the infrastructure construction market in Shaanxi Province and Western China in general has improved considerably since 2012, and we expect this trend to continue, especially with progress and details on the key Government "Silk Road Economic Belt Development" Policy (the "Silk Road Policy") likely over the following months.

The Silk Road Policy also has important implications for the Group's capacity in Xinjiang Province. Operations in this area have been lackluster to date but the Silk Road policy envisages significant development in Xinjiang province, specifically on the main communication routes with Central and Southern Asia. The Group's plants in Southern Xinjiang and on the Kazakhstan border in Northern Xinjiang are extremely well placed to benefit from the development of these communication routes.

With no further capacity expansion planned beyond the completion of the Group's new Xinjiang Yili and Guizhou Huaxi Plants, and the refinancing of the Senior Note extending the maturity of a significant part of the Group's debt into 2019, the Group's focus in 2015 will shift to the following directions. Firstly, the Group will look to maintain its market leadership position in Southern Shaanxi as well as promoting further pricing discipline in Central Shaanxi. Secondly, waste treatment will become a key focus with the construction of further facilities planned. This business line involves limited capital expenditure as compared with building cement plants but is highly profitable with strong growth prospects. Finally, with the planned reduction in capital expenditure into 2015 and beyond, the Group will focus on using free cash flow to reduce its gearing. The Group believes that this focus will enable it to raise returns at its excellently located cement plant assets and position itself both operationally and financially to benefit from further consolidation in the PRC cement industry.

On behalf of the Board, I would like to take this opportunity to thank our management, employees, bankers and advisors for their efforts in 2014. I would also like to thank our shareholders for their continuing support of our Group in the past and into the future.

Zhang Jimin
Chairman

16 March 2015

Management Discussion and Analysis

BUSINESS REVIEW

Overview

The Group has continued to face a tough operating environment in 2014 in its home market of Shaanxi Province and in the Xinjiang Province market. Although the first half of the year had seen a moderate recovery in operations with a rebound in average selling prices ("ASPs"), the third quarter low season saw a resumption of competitive pricing in the Central Shaanxi region. In spite of a modest rebound in ASPs in the fourth quarter, this competitive pricing has depressed the Group's revenues and gross profit margins for the year as a whole. Due to a lack of new capacity expansion completed by the Group over the past 18 months, volumes of cement sold have remained essentially flat over the previous year. Despite these tough operations and poor profitability, the Group has been able to maintain healthy cash flows. The Group's EBITDA in 2014 was RMB996.9 million (2013: RMB1,193.2 million), including the redemption costs for the 2016 Senior Notes (described below). If these redemption costs are excluded, EBITDA equaled RMB1,089.1 million.

However, continuing a trend that has been established since 2013, the Group has seen a clear differentiation in the performance of its operations in the Southern Shaanxi region and the Central Shaanxi region in 2014. The Group's production plants in Southern Shaanxi, which account for just under half of its production capacity in Shaanxi Province, have been able to maintain very good ASP's leading to strong and stable profit margins. This has been as a result of the Group's high levels of market share in this region, tight supply and good infrastructure demand. Conversely, the Group's plants in the Weinan and Xi'an Districts of Central Shaanxi have faced competitive pricing and much weaker ASPs, especially in the third quarter, leading to lower margins for the Group in the second half of the year.

On the financial side, the Group has completed a reorganization of its debt structure in 2014 that has important implications for the long-term stability of its balance sheet and maturity of its debt profile. In September 2014, the Group issued US$400 million of 5 year Senior Notes bearing an interest rate of 6.5% per annum ("2019 Senior Notes"). The net proceeds of the 2019 Senior Notes were used to redeem in full the Group's outstanding 5 year Senior Notes bearing an interest rate of 7.5% that were issued in January 2011 ("2016 Senior Notes"). Although the 2016 Senior Notes were redeemed at a price of US$103.75, resulting in a refinancing charge in 2014 of approximately RMB92.2 million, the Group believes that the timing of this refinancing has been advantageous and ensures a stable debt profile for the Group extending into 2019. In addition to this, the Group has continued to reduce its capital expenditure in 2014 and this slowdown is likely to continue in 2015 with no new cement plant construction or acquisitions planned, and a focus instead on Waste Sludge Treatment Facilities which require much smaller investments.

The Group's capacity as at 31 December 2014 has remained at 23.7 million tons of cement. However, with the completion of construction and full commissioning of two new cement plants in Xinjiang and Guizhou Provinces, the Group's capacity will have reached 27 million tons by the first quarter of 2015. The construction of the Xinjiang Yili Plant, in Northwest Xinjiang Province with a cement capacity of 1.5 million tons; and the Guiyang Huaxi Plant in Guizhou Province with a cement capacity of 1.8 million tons, were both near to completion at year end 2014 and will be fully operational in the first quarter of 2015. The Group has no further plants under construction or immediate plans for expansion, and is now focused on the construction of Cement Kiln Waste Sludge Treatment Facilities at its Lantian Plant and municipal waste incineration at its Fuping plant as well as other plants into 2015 and beyond.

Operating Environment

A distinct differentiation between the Group's cement ASPs in Southern Shaanxi (Group cement capacity of 9.7 million tons) and Central Shaanxi (Group cement capacity of 11.4 million tons) has been the key feature of the Group's operations in 2014. Although demand has had some bearing, particularly in Central Shaanxi, this situation has mainly been a consequence of different supply side factors in the two areas.

Cement demand in Shaanxi Province as a whole has been affected by slower residential property demand growth, but this to a certain extent has been balanced out by good infrastructure project demand. Fixed Asset Investment ("FAI") growth for Shaanxi Province as a whole was 17.8% in 2014, although real estate investment only grew 8.3% whilst infrastructure investment grew by over 30%. On a regional basis, this infrastructure bias was also reflected by FAI growth rates in excess of 20% in the Southern Shaanxi regions of Shangluo, Ankang and Hanzhong, higher than the FAI growth rate for the Province as a whole.

Management Discussion and Analysis

Southern Shaanxi

The Group's operations and markets in Southern Shaanxi have remained stable throughout the period under review. This is mainly due to the region's stable supply side, with little new cement capacity built up over the past few years, long transportation distances from other regions and the effective closure of small-scale inefficient and polluting capacity in the region over previous years. The Group has focused on the Southern Shaanxi districts of Shangluo, Ankang and Hanzhong as strategic core markets, maintaining a position of market leadership and promoting a disciplined and efficient supply side. This strategic focus has allowed the Group to reap the rewards of higher margins in the area.

Demand in Southern Shaanxi has remained good during the period under review, led by strong infrastructure development, including railway, hydro projects and road construction in particular. Supply to the Xi'an to Chengdu High Speed Railway has continued with the Group supplying close to 1.1 million tons of cement in 2014. Other railway projects that have consumed significant product in 2014 include the Xi'an to Hefei Railway and the Ankang to Yangpingguan Double Track Railway that has just commenced construction in 2014. The Hanjiang to Weihe River Water Transfer Project has recommenced construction in 2014 and the Group has supplied product for the construction of hydro tunnels and junctions, pump stations and dams. The Group has also been supplying product to a number of road projects including two sections of the Baoji to Hanzhong Expressway, and the Ankang to Pingli Expressway.

The above supply demand scenario has led to strong pricing for the Group's products in Southern Shaanxi. During 2014, the Group has recorded cement ASPs in Southern Shaanxi of approximately RMB246 per ton (excluding VAT), higher than the Group's total ASP of RMB220 per ton, with capacity utilization running close to 80%.

Central Shaanxi

The market in Central Shaanxi, however, has been quite different during the period under review with much higher levels of competition and lower pricing. This is an area that has seen a significant build out of new capacity since 2010. Although all of this capacity build out has now been completed, with no further additions planned for the foreseeable future, the effect of this is still being reflected through lower cement ASP's in Xi'an and Central Shaanxi.

In terms of demand, the slowdown in construction in the residential property market has been felt most keenly in the Xi'an Metropolitan Area market, although some of this slack has been taken up by infrastructure construction. During the period under review, the Group has continued to maintain its strong market share in Eastern Xi'an, Fuping County and the rest of Weinan District where urbanisation remains a strong demand driver, and has supplied cement to a number of infrastructure projects in these areas. These include the construction of Line 4 of the Xi'an Metro, the Xi'an — Xianyang Ring Road Project and the Weinan to Yushan and Tongchuan to Xunyi Expressways.

As a result of the above factors, the Group has had lower than average pricing for its cement products in Central Shaanxi. In the period under review, the Group has recorded cement ASPs in Central Shaanxi of RMB194 per ton (excluding VAT), lower than the Group's total ASP of RMB220 per ton, with capacity utilization at approximately 70%, leading to more depressed margins in this area.

The competitive pricing in the Central Shaanxi region became particularly acute during the third quarter of 2014, when volumes were seasonally low, leading to most producers operating at losses in this area. The Group, however, has been able to benefit from its core market strategy in the Southern Shaanxi area, where pricing and margins remained stable and at a higher level during this period. The Group's strong presence in these markets has to some extent mitigated the poor performance in Central Shaanxi, ensuring reasonable cash flows and positive margins during the worst periods of competition in the third quarter. The Group has also been able to benefit from its higher relative exposure to infrastructure and rural markets, allowing it to partially avoid some of the worst effects of the slowdown in residential demand growth in Central Shaanxi. The good growth in the infrastructure market has also been reflected in the Group's cement sales mix, with approximately 53% of Group cement sales in the high-grade category, compared with 46% in 2013.

Xinjiang & Guizhou Provinces

Operations at the Group's plants in Southern Xinjiang have remained slow throughout the year. The Group has sold approximately 826,000 tons of mostly low-grade cement from its Luxin and Yutian plants, representing a small increase over the 800,000 tons of volume sold in 2013. ASPs have remained at reasonable levels, higher than the Group's ASP, but due to the low capacity utilization, the Xinjiang plants have only been marginally profitable through 2014.

The Group's new Xinjiang Yili Plant, in Northwest Xinjiang, was in test production in the third quarter of 2014 and as part of this test production produced some cement, selling approximately 224,000 tons. However, as construction of the plant was not fully completed during this period and relevant operating licenses are not to be issued until the first quarter of 2015, these sales have been capitalized.

Similarly in Guizhou Province, the Group's new Guiyang Huaxi Plant was also in test production during the second half of 2014, and sold approximately 369,000 tons of cement plus an additional 162,000 tons of clinker. These sales have also been capitalized as construction of the plant was also not fully completed during this period and relevant operating licenses are not to be issued until the first quarter of 2015. Both of these plants will be fully operational in 2015, with all sales recognized in the Group's Profit and Loss account.

Management Discussion and Analysis

Energy Conservation, Emissions & Environmental Protection Solutions

Energy conservation and emission controls have become increasingly important in the cement industry in China. The Group continues to work towards the best of industry standards 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 has also been the first cement producer in Shaanxi Province to use desulfurized gypsum and construction waste as raw material inputs into some of its cement products, and regularly recycles fly ash from power plants as well as slag from iron & steel plants as inputs into some of its cement products.

The Group has residual heat recovery systems installed at most of its production facilities. As at 31 December 2014, these systems are operational at 14 out of 19 production lines, with an installation rate of over 80% of total Group capacity. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce Carbon dioxide ("CO_2") emissions by approximately 20,000 tons per million tons of cement production.

During the period under review, the Group completed the installation of De-nitration ("De-NOx") equipment at its Shangluo Zhen'an and Weinan Hancheng plants in Shaanxi Province. All De-NOx equipment installation has now been completed at the Group's Shaanxi Province plants. De-NOx equipment installation has also been completed at the Group's newly constructed Xinjiang Yili and Guizhou Huaxi plants and installation at the Xinjiang Luxin and Yutian plants has commenced during the period under review and will be completed in the first half of 2015. This equipment reduces nitrous oxide emissions by approximately 60% per ton of clinker produced, bringing NOx emissions to within the new standards stipulated by the Ministry of Environmental Protection. In addition, modifications of production lines to meet new particulate matter ("PM") emission standards have been completed at the Weinan Pucheng and Shangluo Zhen'an plants in 2014, and all of the Group's plants have now been upgraded to meet new PM emission standards.

At the beginning of 2014, the Group completed the construction of Phase I of the Lantian Cement Kiln Waste Sludge Treatment Facility, an important milestone in the Group's environmental protection solutions efforts and the beginnings of a new income stream for the Group. The facility makes use of the high temperature of the Lantian Plant cement kiln to incinerate waste sludge, with gasses and ashes generated from this incineration process absorbed and solidified, thus producing no secondary pollution. During 2014, the Group has won a number of contracts with industrial enterprises, including Samsung (China) Semiconductor Corporation, to process waste. The facility underwent test runs starting from March 2014 and production in the second half of 2014, and has processed approximately 7,600 tons of sludge waste, including both sewage sludge waste and industrial sludge waste, generating a modest profit.

Expansion and Acquisitions

The Group has neared completion of the construction of two cement plants in 2014 and both of these plants are to be fully commissioned in the first quarter of 2015. The Xinjiang Yili Plant, located in Yining County in the Ili Kazakh Autonomous Prefecture in North west Xinjiang Province and adjacent to the Khorgas Special Economic Zone ("SEZ"), has a capacity of 1.5 million tons and is well placed to benefit from development associated with the Silk Road Economic Belt Development Policy. The Guiyang Huaxi Plant, with a capacity of 1.8 million tons, is excellently located in close proximity to Guiyang City centre, the capital of Guizhou Province, and within the Guiyang — Anshun ("Gui-An") New Area. Both of these plants started test production in the second half of 2014 and have both contributed some clinker and cement sales, which have been capitalized. The Group expects normal production from these plants in 2015, when the Group will reach a total capacity of 27 million tons.

The Group has no other on-going cement plant construction projects. The absence of any further expansion coupled with relatively modest capital expenditure needed to complete the two projects in Xinjiang and Guizhou Provinces respectively, has resulted in a sharp reduction in total capital expenditure for the Group as compared with previous financial years. The Group has incurred RMB628.4 million of investing cash flow for these projects, as well as the Waste Sludge Treatment Facility and other minor projects, in 2014.

Safety and Social Responsibility

The Group's safety and environmental protection department continuously monitors and reviews safety procedures and continually reviews these procedures in accordance with evolving environmental and safety regulations in the PRC. In the year under review, the Group has reviewed and updated its internal EHS (Environmental, Health & Safety) Rules, focusing on accident emergency rescue procedures, safety training for each member of staff and an overhaul of the Group's Safety Manuals, in order to enhance the Group's safety culture. In addition, the Group has commenced the second phase of the Sustainable Safety Development Project along with its strategic partner and shareholder Italcementi Group, benefiting from Italcementi's global safety expertise and experience. This second phase of the project involves 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 year, charitable donations made by the Group amounted to RMB1 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 6.8% from RMB4,167.8 million for the year ended 31 December 2013 to RMB3,883.4 million for the year ended 31 December 2014. Cement sales volume fell marginally by 3.4%, from approximately 17.6 million tons to approximately 17.0 million during the year. Including clinker sales, total volume for the year ended 31 December 2014 amounted to approximately 17.7 million tons, compared to the 18.2 million tons sold in 2013.

In addition, the Group commenced test production, and sold some cement products, at its two newly constructed plants in Xinjiang and Guizhou Provinces during the second half of 2014. The Xinjiang Yili Plant sold approximately 224,000 tons of cement and the Guiyang Huaxi Plant sold approximately 369,000 tons of cement and 162,000 tons of clinker during the second half of 2014. However, as these plants were not fully completed during the period under review, and relevant operating licenses are not to be issued until the first quarter of 2015 for both plants, these sales have been capitalized and not included in the Group's Profit and Loss accounts. The revenue and profit from these plants will be included in the Group's Profit and Loss accounts in 2015 once full operating licenses have been issued and the plants have been fully commissioned.

Overall cement prices have been lower than those seen in 2013, and this has resulted in the lower revenues recorded at year end 2014. Cement ASPs for the year ended 31 December 2014 were RMB220 per ton as compared with RMB228 per ton in 2013. Although ASP's were higher than those in 2013 in the first half of 2014, they fell quite significantly in the second half of 2014, especially in the third quarter, dragging down the average for the year. The reasons for these fluctuations in ASPs are discussed in the "Operating Environment" section above.

Cost of Sales

Cost of sales fell by 4.5% from RMB3,438.5 million for the year ended 31 December 2013 to RMB3,285.3 million for the year ended 31 December 2014.

There were savings in coal costs as a result of general falls in coal prices in the PRC over the previous 12 months. The average cost per ton of coal decreased by approximately 14.2% from approximately RMB459 per ton for the year ended 31 December 2013 to approximately RMB394 per ton for the year ended 31 December 2014, with coal consumption volumes remaining fairly consistent to last year. This has resulted in a cost saving of approximately RMB6 per ton of cement produced. Total coal costs for the year ended 31 December 2014 decreased by approximately 15.8% as compared with 2013. However, the cost savings from lower coal prices have been partially offset by higher staff costs, depreciation costs and environmental protection costs.

Management Discussion and Analysis

There have been no significant changes in material costs and consumption during the year.

Electricity costs decreased by approximately 7.2% as compared with 2013. Average electricity prices, after taking savings from the waste heat recycling systems into account, decreased to approximately RMB0.43 per kwh in the year ended 31 December 2014 from approximately RMB0.45 per kwh in 2013. Electricity consumption per ton of cement produced has remained fairly consistent and, along with the lower average electricity prices, has resulted in an electricity cost saving of approximately RMB1 per ton of cement produced.

Total depreciation costs for the year ended 31 December 2014 were 4.8% higher as compared with 2013. This was mainly due to capital investment, such as plant modifications and upgrades relating to more stringent emission standards and new heat recycling systems that do not have a direct bearing on sales volume or capacity increases.

Staff costs, which accounted for 4.1% of total cost of sales for the year ended 31 December 2014 (2013: 3.1%), increased by approximately 22.7%, or approximately RMB29.5 million, as compared with 2013. In addition to normal wage inflation factors, this sharp increase has also been due to two main factors. Firstly, performance-related wages have risen at the Group's plants in Southern Shaanxi as a result of their strong operational performance in the period under review. Secondly, the Group's Xinjiang Yutian plant has seen a significant rise in wage expenses during the year due to a full period of recognition in the Group's accounts as compared with 2013, when wage expenses were capitalized until the plant commenced operations in April 2013. The higher staff costs have resulted in a cost increase of approximately RMB2 per ton of cement produced.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB131.2 million, or 18.0%, from RMB729.3 million for the year ended 31 December 2013 to RMB598.1 million for the year ended 31 December 2014. The fall in gross profit was mainly due to the decrease in ASPs in the second half of 2014. Gross profit margins therefore decreased from 17.5% for the year ended 31 December 2013 to 15.4% for the year ended 31 December 2014.

Administrative and Selling & Marketing Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. These expenses increased by 5.9% from RMB243.9 million for the year ended 31 December 2013 to RMB258.2 million for the year ended 31 December 2014. Selling & Marketing expenses rose by 3.2% from RMB34.7 million to RMB35.8 million during the year as compared with 2013.

Other Income

Other income comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as a production input, and other government subsidies. Other income decreased by approximately 12.8% from RMB169.9 million for the year ended 31 December 2013 to RMB148.2 million for the year ended 31 December 2014. The ratio of VAT rebates over revenue was 3.3% for the year ended 31 December 2014 (2013: 3.6%). The fall in the VAT rebates over revenue ratio was largely due to the decreases in ASPs. Lower ASPs result in lower output VAT, which in turn results in lower net VAT and rebates.

Senior Notes Issuance

In September 2014, the Company successfully issued USD400 million 6.5% Senior Notes due September 2019. The proceeds of the Notes were used to redeem in full the outstanding USD400 million 7.5% Senior Notes due January 2016, and this redemption was completed on 11 October 2014.

Other Gains and Losses, net

Other losses increased by RMB161.6 million from a RMB66.7 million gain for the year ended 31 December 2013 to a RMB94.9 million loss for the year ended 31 December 2014. The change was primarily due to the payment of an early redemption premium of RMB92.2 million (year ended 31 December 2013: Nil) on the redemption of the 2016 Senior Notes during the year. There has also been an unrealized foreign exchange loss of RMB5.3 million relating to the Group's Senior Notes as compared with a foreign exchange gain of RMB72.8 million for the year ended 31 December 2013, as a result of the weakness of the RMB against the USD during 2014. In addition, the Group has taken an impairment loss of RMB3.9 million on its Yutian Plant in 2014 (2013: Nil) due to the continued relatively low capacity utilization rates at this plant in 2014.

Interest Income

Interest income increased by RMB0.1 million from RMB4.8 million for the year ended 31 December 2013 to RMB4.9 million for the year ended 31 December 2014.

Finance Costs

Finance costs increased by RMB10.0 million, or 4.6%, from RMB217.1 million for the year ended 31 December 2013 to RMB227.1 million for the year ended 31 December 2014. Gross finance costs, before adjusting for interest capitalization, increased from RMB286.6 million for the year ended 31 December 2013 to RMB322.2 million for the year ended 31 December 2014. The rise in gross finance costs, before adjusting for interest capitalization, was due to two main reasons. Firstly, there was an increase of RMB13.2 million of interest payments on the Medium Term Notes ("MTN") as a result of the Group incurring a full year of interest payments in 2014 compared with part year payments in 2013 due to the MTNs being issued in March 2013. Secondly, there was an increase of approximately RMB31 million in Senior Notes interest incurred as compared to 2013, mainly due to the overlap between the issuance of the 2019 Senior Notes in September 2014 and the redemption of the 2016 Senior Notes in October 2014, resulting in interest incurred on both notes over a period of 6 weeks.

Interest capitalized as part of the costs of assets for the year ended 31 December 2014 was RMB95.9 million, an increase of RMB25.6 million as compared with RMB70.3 million for the year ended 31 December 2013.

Income Tax Expense

Income tax expenses increased by RMB2.7 million, or 2.9%, from RMB92.8 million for the year ended 31 December 2013 to RMB95.5 million for the year ended 31 December 2014. Current income tax expense increased by RMB22.1 million to RMB91.8 million, whereas deferred tax expenses decreased by RMB19.4 million to RMB3.7 million.

The Group's tax expenses in 2014 have been similar to the level of 2013 even though the Group's gross profit has been lower and the Group' profit before tax is significantly lower than the previous year. This is due to the following reasons. There have been significant other losses this year at the Company level, including the redemption costs of the 2016 Senior Notes and extra interest incurred as a result of the notes refinancing, and the move from a large foreign exchange gain in 2013 to a loss in 2014. These losses cannot be offset against gains at the subsidiary level and therefore the Group has not been able to reduce these taxes incurred at the operating level. In addition, certain of the Group's operating subsidiaries have incurred a loss in 2014, and these losses cannot be offset against gains from other operating subsidiaries. In spite of this, the effective tax rate for the Group's operating subsidiaries has remained broadly in line with 2013 at below 20% as many of the Group's operating entities enjoy various preferential tax rates, such as the preferential rate of 15% for qualifying entities under the Western Development Policy.

The decrease in deferred tax expense was due to a reduction in tax loss reversals. During the year ended 31 December 2013, RMB19.2 million of deferred tax assets relating to unused tax losses were reversed and charged to the profit or loss, while only RMB7.4 million of unused tax losses were reversed to the profit or loss during the year.

The detailed income tax expenses for the Group are outlined in note 13 to the consolidated financial statements below.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased by 90.5% from RMB378.3 million for the year ended 31 December 2013 to RMB35.9 million for the year ended 31 December 2014. This sharp fall is primarily due to the RMB92.2 million redemption costs of the 2016 Senior Notes, recognition of unrealized exchange losses of RMB5.3 million during the period under review as compared with unrealized exchange gains of RMB72.8 million for the year ended 31 December 2013, and the poor operational performance in the second half of 2014.

Basic earnings per share for the year ended 31 December 2014 decreased by RMB7.5 cents to RMB0.8 cents.

Management Discussion and Analysis

FINANCIAL AND LIQUIDITY POSITION

As at 31 December 2014, the Group's total assets increased by 1.0% to RMB10,768.0 million (2013: RMB10,664.7 million) while total equity decreased by 1.4% to RMB5,016.5 million (2013: RMB5,085.3 million). During 2014, the Company repurchased 29,860,000 ordinary shares of the Company at an average price of RMB0.74 (or HK$0.93) per share. These shares were subsequently cancelled on 16 May 2014.

As at 31 December 2014, the Group had cash and cash equivalents, as well as restricted bank deposits, amounting to RMB707.7 million (2013: RMB623.1 million). After deducting total borrowings, Senior Notes and MTN of RMB4,117.3 million (2013: RMB4,029.9 million), the Group had net debt of RMB3,409.6 million (2013: RMB3,406.8 million). 80.0% (2013: 62.9%) of borrowings are at a fixed interest rate. Please refer to notes 29, 30, 31 and 41 of the consolidated financial statements below for the details of the borrowings, Senior Notes, MTN and the respective pledge of assets.

As at 31 December 2014, the Group's net gearing ratio, measured as net debt to equity, was 68.0% (2013: 67.0%).

Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern. As at 31 December 2014, the Group had net current liabilities of RMB504.8 million (31 December 2013: RMB426.5 million). This net amount includes bank borrowings of RMB745.2 million (31 December 2013: RMB709.4 million) classified as current liabilities. The Group intends to rollover part of these bank borrowings, as permitted under the existing facility terms, when they fall due.

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

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the addition of property, plant and equipment, prepaid lease payments and mining rights, for the year ended 31 December 2014 amounted to RMB719.5 million (2013: RMB737.5 million). Capital commitments as at 31 December 2014 amounted to RMB180.5 million (2013: RMB585.8 million), of which RMB100 million to RMB150 million is planned for 2015 and any remainder thereafter. Both capital expenditure and capital commitments were mainly related to the construction of new production facilities, installation of residual heat recovery systems, upgrading of existing production facilities and investment in subsidiaries. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2014, the Group employed a total of 4,947 (2013: 5,013) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2014, employees benefit expenses were RMB281.0 million (2013: RMB238.1 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

MATERIAL ACQUISITION AND DISPOSALS

The Group had no material acquisitions or disposals during the year ended 31 December 2014.

FOREIGN EXCHANGE RISK MANAGEMENT

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

PROSPECTS

Shaanxi Province

The clear distinction between the Group's performance in the Central Shaanxi and Southern Shaanxi areas have remained a key feature of the Group's operations in 2014. In the South, the Group enjoys a market leading position with concentrated supply and little competition from outside areas due to transportation distances. This has resulted in tight and disciplined markets and superior margins. In Central Shaanxi however, oversupply and competitive pricing policies have remained a significant feature, leading to pricing volatility and much lower margins. Therefore, although the Group experienced good operations and financial performance in its Southern plants, the Group's 2014 financial performance has been dragged down by the volatility and poor margins at its plants in the centre of the province.

Supply

Looking forward, the Group remains very confidant that it can maintain its strong performance in Southern Shaanxi in 2015 and beyond due to the disciplined supply side in this area. There has been limited new cement capacity built in the south over the past few years and infrastructure demand remains strong. A large amount of small scale grinding capacity has been eliminated over the past three years and the continued strong pricing in the south has again highlighted the success of the Group's core market strategy in this area.

This however contrasts with the situation in Central Shaanxi, which remains in oversupply due to significant capacity additions since 2010. Although it is very positive that the last of these capacity additions were completed in early 2014, with no new projects under construction or planned in the foreseeable future, the Group sees a market structure where continued volatility remains a possibility. The Group has long recognized that it is the supply side that is of primary importance in the structure of the industry in Shaanxi Province, and therefore expects further developments in consolidation or the fostering of a more disciplined market into 2015 and beyond. This process is also likely to be supported by some possible reductions in supply as a result of stricter environmental controls and an eventual elimination of PC32.5 low-grade cement over the medium term.

Demand

The outlook for demand in Shaanxi Province, especially infrastructure as a result of the Western Development and Silk Road Economic Belt Development Policies and the accompanying acceleration of the development of the "Xi-Xian (Xian and Xianyang) New Area", remains reasonable. Although residential property construction has recorded slower growth in 2014, with an uncertain outlook for 2015, this is likely to be balanced out by the infrastructure development described above. Demand in the Group's rural markets is likely to remain stable with continued urbanization trends supporting current demand growth rates.

As described above, demand in the Group's Southern Shaanxi markets is likely to remain strong. The Xi'an to Chengdu High Speed Railway and the Hanjiang to Weihe River Water Transfer Project will be in a high cement demand stage in 2015 and there remains close to 400,000 tons of cement to be supplied to the Xi'an to Hefei Railway in 2015. Supply to the Baoji to Hanzhong Expressway continues and the Group will start supplying to the

Management Discussion and Analysis

Hanzhong to Pingkan Section in 2015. Construction of the Ankang to Yangpingguan Double track railway commenced in 2014 and the Group expects to supply a total of 1.3 million tons to this project going forward. There are also a number of new projects expected to commence construction in Southern Shaanxi in 2015, including the Pingli to Zhenping Expressway, and Zhen'an Yuehe Hydropower Station and the Hanjiang Xunyang Hydro Electric Station which are expected to each consume up to 500,000 tons of cement over the construction period.

In Central Shaanxi, in spite of the slower residential market, urban transport and infrastructure remains a key feature of construction activity. Metro Line 4 will continue construction into 2015 with Lines 5 and 6 already being planned. A number of major roads including the Weinan to Yushan and Xi'an to Lintong Expressways, and the Xi'an to Xianyang Ring Road, are under construction with more expected to commence in 2015, including the Pucheng to Huanglong and the Heyang to Fengxian Expressways. Water conservancy is also a theme in Central Shaanxi with the construction of the Nanguomen Reservoir and Yanchuan Yellow River Pilotage Project having commenced in 2014. More significantly, the Inner Mongolia to Jiangxi Coal Transport Railway, a major five year project with over 330km situated in Shaanxi Province, is expected to commence construction in the second quarter of 2015. In addition to this, the Group expects progress in 2015 on the commencement of construction of the Xi'an to Tongchuan and Xi'an North Railway Station to Airport lines of the Central Shaanxi Intercity Railway system. In addition to the above urban transportation infrastructure, urbanization and slum clearance in Xi'an and central Shaanxi remain key government targets in the medium term.

Other Areas — Xinjiang and Guizhou

Although operations in Hotan in Southern Xinjiang Province have remained slow in 2014, only registering single digit volume growth and marginal profitability, the Group does expect some upturn in operations in Xinjiang Province in 2015. Firstly, the Group's new 1.5 million ton Yili Plant in Northern Xinjiang Province is expected to commence full production in the first quarter of 2015 and this will lead to increased volumes in Xinjiang Province as a whole. Secondly, a number of small infrastructure projects have commenced construction in Hotan District in 2014, including the Yutian Ji Yin Hydro Project, the Hotan Airport Extension, the Moyu — Hetian Section Expansion of the 3012 National Road and the Pishan Akeqiao Hydro Project, and these are expected to contribute to some increases in cement demand at the Group's Luxin and Hetian Plants in 2015.

The Group also expects its Xinjiang operations to benefit significantly from future infrastructure development resulting from the PRC's Silk Road Economic Belt Development Policy. The Yili Plant is extremely well placed adjacent to a trade zone bordering the Republic of Kazakhstan, where trade and construction is expected to grow under this government policy. The Luxin and Yutian Plants in southern Xinjiang are also very well placed along the main transportation routes of Southern Xinjiang and able to benefit from any future development and upgrades of these transportation routes.

In Guizhou, the Group's new 1.8 million ton Guiyang Huaxi Plant is also expected to commence full operation in the first quarter of 2015. The Plant is very well located close to Guiyang City within the Gui-An ("Guiyang-Anshun") New Area, and is expected to benefit from cement demand generated from the construction of the Guiyang to Anshun Expressway, the Guiyang Ring Road Expressway, the Guiyang Loop High Speed Railway, the Guiyang to Xingyi Railway and the Guiyang to Anshun High Speed Railway amongst other projects that have commenced construction in 2014 or are due to commence in 2015. Cement and clinker sales during test production in the second half of 2014 point to a buoyant market in Guiyang, and the Group expects to run this plant at relatively high capacity utilization levels generating good margins.

Environmental Protection Solutions & Safety

Environmental protection solutions will become increasingly important for the Group in 2015 and beyond, with a focus on the Group's new venture into cement kiln waste treatment. Phase I of the Lantian Cement Plant Kiln Waste Sludge Treatment Facility has been operational in 2014, processing a small amount of industrial waste in the second half of 2014. The Group expects to complete the construction of Phase II by the end of 2015, which once completed will have an annual capacity to treat over 200,000 tons of both industrial and municipal waste. The Group therefore hopes to treat approximately 60,000 tons of waste in 2015, moving towards full capacity in 2016. In addition, the Group is currently planning the construction of a waste sludge treatment facility at its Fuping Plant for the treatment of municipal waste.

Plant upgrades to meet new nitrogen oxide ("NOx") and particulate matter ("PM") emission standards have now been completed at all of the Group's plants in Shaanxi Province. In 2015, the Group expects to complete similar upgrades at its Luxin and Hetian Plants in Xinjiang Province thus completing this cycle of upgrades. The Group's two new plants in Xinjiang and Guizhou Provinces, which are to be fully completed in the first quarter of 2015, have been constructed with the required De-NOx and PM equipment, as well as Waste Heat Recycling systems, from the outset and will be fully compliant with emission standards when they commence full operation.

The Group will also continue to develop its internal EHS (Environment, Health and Safety) procedures in 2015. Implementation of the third phase of the Safety Sustainability Development Project, with the support of the Italcementi Group, will commence in the first half of 2015. This phase will focus on production line safety, high altitude and conveyor belt safety management and the strict implementation of a LOTO (Lockout/Tagout) policy at all of the Group's plants. In addition, the Group will continue to work on the implementation of monitoring of hazardous materials and emissions in its production processes.

Group Targets

With the full commissioning of the Xinjiang Yili and Guiyang Huaxi Plants in the second quarter of 2015, the Group will have reached a capacity of 27 million tons in Shaanxi, Xinjiang and Guizhou Provinces. With no further plants under construction or plans for expansion, the Group's focus will be on maintaining its leadership position in Southern Shaanxi as well as promoting a more disciplined market in Central Shaanxi. The Group will also have over 4 million tons of capacity in the Xinjiang market, where it expects increased volumes from the new Yili Plant and progress in development policies as a result of the Silk Road Economic Belt Development Policy. The Group's Guiyang Huaxi Plant will also enter its first year of full production in 2015 and prospects in Guizhou Province remain buoyant. Waste treatment will become an increasingly important part of the Group's focus, and although profit contribution from this is likely to be relatively small in 2015, the Group will continue to develop its technological expertise in this field and plan for future treatment facilities at some of its existing cement plants.

The lack of capacity expansion is likely to result in a continued reduction in Group capital expenditure in 2015, which is expected to result in further improvements to the Group's financial outlook. The successful refinancing of the Group's 2016 Senior Notes in 2014 is important in this respect, as a large part of the Group's long term debt now has a maturity extending into 2019. With this stable financial outlook, the Group is well placed to focus on raising returns from its excellently located cement plant assets and position itself both operationally and financially to benefit from any further consolidation in the PRC cement industry.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2014, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors. Specific enquiries have been made with all the Directors and each of them has confirmed and declared that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2014.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is primarily responsible for formulating business strategy, reviewing and monitoring business performance of the Group, and approving financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear direction. Each of the Directors has full and direct access to the advice and services of the Company Secretary of the Company. The Company provides the Directors with sufficient resources to perform their duties and the Directors may seek independent professional advice at the Company's cost, where it is considered relevant and necessary for the purpose of discharging their duties.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

Board Composition

The Board has a balanced composition of executive and non- executive Directors to ensure independent viewpoints in all discussions. The Board, as at 31 December 2014, comprised nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Board members are listed below:

Executive Directors:
Mr. Zhang Jimin *(Chairman)*
Mr. Tian Zhenjun *(Chief Executive Officer)*
Mr. Wang Jianli
Ms. Low Po Ling

Non-executive Directors:
Mr. Ma Zhaoyang
Dr. Ma Weiping

Independent non-executive Directors:
Mr. Lee Kong Wai Conway
Mr. Wong Kun Kau
Mr. Tam King Ching Kenny

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The Board's composition satisfies the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, which stipulate that there should be at least three independent non-executive Directors representing at least one-third of the Board, and of whom at least one of the independent non-executive Directors must possess appropriate professional qualifications or accounting or related financial managing expertise.

There was no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Biographical information of the Directors is set forth on page 33 to 36 of this annual report.

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for terms of one year and three years which may only be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has entered into a letter of appointment with each of the independent non-executive Directors for a term of one year, and this appointment can only be terminated by either party giving to the other not less than three months prior notice in writing.

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that the three independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2014, the roles and duties of the Chairman and the Chief Executive Officer of the Company were carried out by different individuals and had been clearly defined in writing.

During the year ended 31 December 2014, the Chairman of the Board was Mr. Zhang Jimin and the Chief Executive Officer was Mr. Tian Zhenjun. The positions of Chairman and Chief Executive Officer were held by separate persons in order to preserve independence and a balance of views and judgements. With the support of the senior management, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to Article 23 of the Company's articles of association (the "Articles"), the Directors shall have power at any time and from time to time to appoint any person (other than one disqualified or ineligible by law to act as a director of a company) to be a Director either to fill a casual vacancy or as an addition to the existing Directors provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with these Articles as the maximum number of Directors. Any Director so appointed shall hold office until the next following annual general meeting of the Company (the "AGM") and shall then be eligible for re-election at such meeting.

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According to Article 24 of the Company's Articles, at every AGM, one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. If any Director has at the start of the AGM been in office for three years or more since his/her last appointment or re-appointment, he/she shall retire at that AGM. If the Company does not fill the vacancy at the meeting at which a Director retires by rotation or otherwise, the retiring Director shall, if willing to act, be deemed to have been re-appointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the re-appointment of the Director is put to the meeting and not passed.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and his/her full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary.

During the year ended 31 December 2014, there were two in-house seminars conducted covering the topics of directors' duties, corporate governance practices and disclosure requirements under the Listing Rules and the Securities and Futures Ordinance ("SFO").

Details regarding the trainings attended by the Directors during the year ended 31 December 2014 are as follows:

Directors	External training	In-house seminars
Executive Directors		
Mr. Zhang Jimin	–	2/2
Mr. Tian Zhenjun	–	2/2
Mr. Wang Jianli	–	2/2
Ms. Low Po Ling	–	2/2
Non-Executive Directors		
Mr. Ma Zhaoyang	–	2/2
Dr. Ma Weiping	–	2/2
Mr. Xu Delong	–	1/2
Independent Non-Executive Directors		
Mr. Lee Kong Wai Conway	10	2/2
Mr. Wong Kun Kau	–	2/2
Mr. Tam King Ching Kenny	11	2/2

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major Company matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Board also has the full support of the Chief Executive Officer and the senior management for the discharge of its responsibilities.

BOARD MEETINGS AND ATTENDANCES

The Board meets regularly in person or by means of electronic communication. During the year ended 31 December 2014, five Board meetings were held. Directors received at least 14 days' prior notice of regular Board meetings and an agenda. For Board meetings scheduled at short notice, Directors are given as much notice as possible in the circumstances.

The Company Secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. The final version of these minutes are available for inspection by Directors at any time.

The table below sets out the attendance records of each Director at the Board Meetings and the annual general meeting for the year 2014 ("2014 AGM") during the year ended 31 December 2014:

Directors	Number of Board meetings attended	2014 AGM attended
Mr. Zhang Jimin	5/5	1/1
Mr. Tian Zhenjun	5/5	0/1
Mr. Wang Jianli	5/5	0/1
Ms. Low Po Ling	5/5	0/1
Mr. Ma Zhaoyang	5/5	1/1
Dr. Ma Weiping	4/5	1/1
Mr. Xu Delong	3/5	1/1
Mr. Lee Kong Wai Conway	5/5	1/1
Mr. Wong Kun Kau	4/5	1/1
Mr. Tam King Ching Kenny	5/5	0/1

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 terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Wong Kun Kau and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2014.

The major duties performed by the Audit Committee for the purpose of discharging its responsibilities are as follows:

— making recommendations to the Board on the appointment, reappointment and removal of the external auditors, as well as approving the remuneration and terms of engagement of the external auditors, and any questions regarding resignations and dismissals;

— reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the auditors the nature and scope of the audit and reporting obligations before the audit commences;

— developing and implementing policy on engagement of an external auditor to supply non-audit services;

— identifying and making recommendations on any matters where action or improvement is needed and reporting to the Board on the same;

— monitoring integrity of the Group's financial statements, annual reports and accounts, interim reports and reviewing significant financial reporting judgements contained in them;

Corporate Governance Report

- considering any significant or unusual items that are, or may need to be, reflected in the reports or accounts, and give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- reviewing the Group's financial controls, internal control and risk management systems;
- discussing with the management the internal control system and ensuring that management has performed its duty to have an effective internal control system including the adequacy of resources, staff qualifications and experiences, training programs and budget of the Group's accounting and financial reporting function;
- considering any major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- ensuring coordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group;
- reviewing and monitoring the effectiveness of the internal audit function;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditors' management letter, any material queries raised by the auditors to the management about accounting records, financial accounts, or systems of control and management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- acting as key representative body for overseeing the Company's relations with the external auditors;
- reviewing arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;
- reporting to the Board on the matters in the Code;
- establishing a whistle blowing policy and system for employees and those who deal with the Company to raise concerns, in confidence;
- performing the Company's corporate governance functions, including (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (v) reviewing the Company's compliance with the code and disclosures in the Corporate Governance Report;
- considering any other topics as defined by the Board.

The table below sets out the details of Audit Committee meeting attendance of each Director during the year ended 31 December 2014.

Directors	Number of Audit Committee meetings attended
Mr. Lee Kong Wai Conway	4/4
Mr. Wong Kun Kau	4/4
Mr. Tam King Ching Kenny	4/4

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") has been established in compliance with paragraph B1 of the Code and currently consists of three independent non-executive Directors, namely Mr. Tam King Ching Kenny, Mr. Lee Kong Wai Conway and Mr. Wong Kun Kau and one executive Director, namely Mr. Zhang Jimin, with Mr. Tam King Ching Kenny serving as 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.

The Company's remuneration policy is to provide remuneration packages, in terms of basic salaries, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The Company's executive Directors, who are also its employees, receive compensation in the form of salaries, bonuses and other allowances. The remuneration of the Directors and senior management are determined by taking into account their individual performance and also the market standards.

The major duties performed by the Remuneration Committee for the purpose of discharging its responsibilities are as follow:

— reviewing and making recommendations to the Board about the Group's policy and structure for all remuneration of Directors and senior management;

— reviewing and approving the management's remuneration proposals with reference to the Board's corporate goal and objectives;

— either determining, with delegated responsibility, or making recommendations to the Board on the remuneration packages of individual executive directors and senior management, and making recommendation to the Board on the remuneration of non-executive directors;

— reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office or appointment or relating to dismissal or removal of directors for misconduct; and

— ensuring that no director or any of his associates is involved in deciding his own remuneration.

The table below sets out the details of Remuneration Committee meeting attendance of each Director during the year ended 31 December 2014.

Director	Number of Remuneration Committee meetings attended
Mr. Zhang Jimin	1/1
Mr. Wong Kun Kau	1/1
Mr. Tam King Ching Kenny	1/1
Mr. Lee Kong Wai Conway	1/1

REMUNERATION OF DIRECTORS

The Company has adopted full disclosure of remunerations of Directors with disclosure by name, amount and type in note 16 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") has been established in compliance with paragraph A.5 of the Code and currently consists of two independent non-executive Directors, namely Mr. Lee Kong Wai Conway and Mr. Tam King Ching Kenny, and one executive Director, namely Mr. Zhang Jimin, with Mr. Zhang Jimin serving as Chairman of the committee.

The primary functions of the Nomination Committee are to make recommendations to the Board regarding the appointment or re-appointment of members of the Board and succession planning for Directors. The Nomination Committee is also responsible for (i) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (ii) assessing the independence of independent non-executive Directors.

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The Company recognises and embraces the benefits of diversity of Board members and have adopted a board diversity policy (the "Board Diversity Policy") in August 2013. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

The nomination committee will give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and will review the Board Diversity Policy, so as to develop and review measurable objectives for the implementing the Board Diversity Policy and to monitor the progress on achieving these objectives.

No meeting of the Nomination Committee was held during the year ended 31 December 2014.

INTERNAL CONTROL

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and Company's assets and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor and senior management review and evaluate the control process, monitor any risk factors on a regular basis, and report to the Audit Committee on any findings and measures to address the variances and identified risks.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2014, the Directors have selected appropriate accounting policies and applied them consistently, made judgement and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner.

The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditors' Report on page 49 of this annual report.

EXTERNAL AUDITORS

Deloitte Touche Tohmatsu was appointed as auditors of the Company. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditors' Report on page 49 of this annual report.

The remuneration paid and payable to Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2014 is as follows:

	2014 RMB'000
Audit services	1,950
Non-audit services	350
Total	2,300

INVESTOR RELATIONS

The Company's investor relations department (the "IR Department") is focused on providing information and updates to investors and market participants in order to enhance our transparency and corporate governance.

The IR Department comprises two representatives responsible for communication with investors and market participants and is supported by a team of three representatives responsible for database management and maintenance. Databases containing full information on both publicly available information regarding our operating environment and detailed records of contacts with investors and market participants are maintained. The Company also maintains regular investor relations reports to Senior Management.

During the year, the executive Directors and investor relations representatives have participated in two full scale Non Deal Roadshows, covering investors in Asia, Europe and the United States, following the release of our 2013 Annual Results and our 2014 Interim Results. In addition, the Company has participated in at least 10 major investor conferences as well as other communications with investors and market participants.

The Company's website (www.westchinacement.com) is maintained with comprehensive information regarding our operations, financial information, announcements, annual and interim reports and shareholder circulars. The Company also has a dedicated Investor Relations email address (ir@westchinacement.com) allowing investors direct communication with our IR representatives.

SHAREHOLDER RIGHTS

Convening an extraordinary general meeting by shareholders

Procedures for shareholders to convene an extraordinary general meeting (including making proposals/moving a resolution at the extraordinary general meeting)

- Eligible Shareholders (as defined below) may submit a written requisition (the "Requisition") to the Directors or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in the Requisition. For this purpose, "Eligible Shareholder(s)" means any one or more Shareholders holding at the date of deposit of the Requisition not less than five (5) percent of the paid up capital of the Company carrying the right of voting at general meetings of the Company.

- Eligible Shareholders who wish to convene an extraordinary general meeting must deposit the Requisition signed by the Eligible Shareholder(s) concerned at the registered office of the Company at 47 Esplanade, St Helier, Jersey JE1 0BD, for the attention of the Company Secretary of the Company.

- The Requisition must state clearly the name(s), the contact information of the Eligible Shareholder(s) concerned, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the extraordinary general meeting, signed by the Eligible Shareholder(s) concerned. The Eligible Shareholder(s) concerned must prove his/her/their shareholding in the Company to the satisfaction of the Company.

- The Company will check the Requisition and the identity and the shareholding of the Shareholder will be verified with the Share Registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to consider convening an extraordinary general meeting within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an extraordinary general meeting.

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- If within 21 days from the date of deposit of the Requisition the Directors fails to proceed to convene such extraordinary general meeting within 2 months of such date, the Eligible Shareholders(s) concerned, or any of them representing more than one half of the voting rights of all of them, may themselves call for an extraordinary general meeting in accordance with the relevant provisions of the Companies (Jersey) Law 1991 and the memorandum and articles of association of the Company, but such extraordinary general meeting so called shall not be held after 3 months from that date, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the board shall be reimbursed by the Company to the Eligible Shareholder(s) concerned.

- At any extraordinary general meeting called pursuant to the Requisition, unless such meeting is called by the Directors, no business other than that stated in the Requisition as the objects of the meeting shall be transacted.

Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to ir@westchinacement.com.

Directors and Senior Management

DIRECTORS

At the date of this report, the Company has three executive Directors, one non-executive Director and three independent non-executive Directors. Their biographical details are set out below:

Executive Directors

Mr. Zhang Jimin — Chairman

Mr. Zhang, aged 60, the founder of the Group, is currently the Chairman and executive Director of the Company. He is responsible mainly for the Group's overall strategic planning and investment decisions. Mr. Zhang is also a director of a number of the Group's subsidiaries including West China BVI, Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai, Xiushan Yaobai, Xian Yaobai and Longqiao Yaobai.

Mr. Zhang has more than 25 years of experience in the cement industry. He was the factory manager of the Shaanxi Province Pucheng County Hanjing Town Second Cement Factory (one of the predecessors of our production facility in Pucheng) from 1985 to December 1990 and the manager of the Pucheng County Hanjing Town Cement Factory (another predecessor of our production facility in Pucheng) thereafter. These two small cement facilities represent the origins of West China Cement, demonstrating the growth of the Group under the management of Mr. Zhang.

Mr. Zhang has actively participated in various cement technology development projects and from 1992 to 1994 , he led the development of low heat slag cement and moderate-heat Portland cement, winning the Second Grade Science and Technology Progress Prize issued by the Government of Shaanxi Province.

Mr. Zhang also holds several industry associations and political positions. He is the Chairman of the Shaanxi Province Cement Association, an industry association jointly established by The Raw Materials Division of The Industry and Information Technology Department of Shaanxi Province and various cement production enterprises in Shaanxi, holding this position since December 2009. As the Chairman of the Shaanxi Province Cement Association, Mr. Zhang promotes information exchange between cement enterprises in Shaanxi, leading the association to formulate a self-regulatory regime, maintaining fair market competition, providing technology and human resources and assisting the Shaanxi Government in regulating the cement industry in Shaanxi Province. Mr. Zhang is also a Xi'an City representative of the 11th Standing Committee of the Shaanxi Provincial People's Congress and participates in the plenary sessions of the 11th Standing Committee of the Shaanxi Provincial People's Congress for discussion and approval of various matters in relation to the political and economical development of Shaanxi Province. Mr. Zhang was also the Vice President of the China Cement Association.

Through these social positions, Mr. Zhang is able to maintain close contact with industry partners and local government so as to keep abreast of the latest development of the cement industry and government policies. Mr. Zhang received professional training in economic management from Peking University in July 2001.

Dr. Ma Weiping — Chief Executive Officer

Dr. Ma, aged 53, was appointed as a non-executive Director of the Company in June 2012 and redesignated as an executive Director and chief executive officer of the Company in February 2015. He has over 20 years of management and technical experience in the building materials industry in both the United States of America and China. From 1996 to 2002, Dr. Ma served as a senior process engineer and project manager for Holcim in Michigan, United States. From 2002 to 2005, Dr. Ma served as a vice president of marketing and sales for Lafarge (China) in Beijing and served in a similar position for Lafarge Shuion Cement from 2005 to 2008. From 2008 to 2009, he served as a general manager and vice president for Lafarge A&C in Chongqing. Preceding his appointment as a non-executive Director, from 2009 to June 2012, Dr. Ma was also a chief representative and managing director of Fuping Cement, a company wholly owned by Italcementi Group. Dr. Ma currently cooperates with Italcementi Group in South-East Asia.

Directors and Senior Management

Dr. Ma received a bachelor's degree in Inorganic and Non-Metallic Materials from Tongji University, Shanghai in 1982, a master's degree in Solid State Science and a Ph.D in Material Science and Engineering from Pennsylvania State University in 1991 and 1994, respectively. Dr. Ma also obtained a Master of Business Administration in Integration Management from Michigan State University in 2002.

Mr. Wang Jianli — Deputy Chief Executive Officer

Mr. Wang, aged 51, is an executive Director of the Company. He is a deputy chief executive officer of the Group and is also a director of a number of the Group's subsidiaries including Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai, Hanzhong Yaobai, Mianxian Yaobai,Xixiang Yaobai and Hetian Yaobai. He is mainly responsible for the Group's overall production management, technology quality assurance, safety and environmental protection, efficiency management and project management.

Mr. Wang graduated from Xi'an University of Technology (formerly known as Shaanxi College of Machinery) with a bachelor's degree in engineering in December 1990. Mr. Wang has more than 28 years of experience in the cement industry. He worked at the Shaanxi Design & Research Institute of Building Materials, an integrated research institute supervised by the Science and Technology Department of Shaanxi Province and specializes in the scientific research and designing of construction materials. From December 1982 to February 2002, he held a range of positions including technician, assistant engineer, engineer, senior engineer, deputy director of design institute, director of design institute and assistant to the dean; and he had been engaged in the design and technical management of cement plants during such period.

Mr. Wang has been the Chief Engineer of the Group since March 2002 and was in charge of the design and construction of our various cement production lines at amongst others Pucheng, Lantian, Xunyang, Yangxian, Mianxian, Xixiang and Xinjiang Yutian. Through such engagement, he has accumulated valuable management experience and technical knowledge. Mr. Wang has also published technical theses in cement industry journals.

Non-executive Directors

Mr. Ma Zhaoyang — Non-executive Director

Mr. Ma, aged 46, was appointed as a non-executive Director of the Company on 29 July, 2010. Mr. Ma received a master's degree in management from Northwestern Polytechnic University in May 1998. Mr. Ma has been a professor of management at Northwestern Polytechnic University in Shaanxi, China since 1996. In view of his academic knowledge and extensive experience in strategic planning, Mr. Ma was appointed a non-executive Director of the Company and assumes an advisory role with the Company in respect of the overall strategic planning and operation of its business. Mr. Ma has been the chairman and director of Sino Vanadium Inc., a vanadium mining company listed on the TSX Venture Exchange in Canada since June 2009. He has also been a non-executive director of Taihua PLC, a pharmaceutical company listed on the LSE, where he has assumed an advisory role since December 2006.

Mr. Franck Wu — Non-executive Director

Mr. Wu, aged 41, was appointed as a non-executive Director of the Company on 15 April 2015. Mr. Wu is currently the Head of Internal Audit Office of Italcementi Group in Asia. He has over 8 years of management and technical experience in the building materials industry in France and China. From April 2007 to June 2010, Mr. Wu served as an internal auditor of Ciments Français SA, a subsidiary of Italcementi Group. From July 2010 to December 2012, Mr. Wu served as the Head of Internal Audit Office of Italcementi Group in China. Mr. Wu was promoted to Head of Internal Audit Office of Italcementi Group in Asia in January 2013.

Mr. Wu received a bachelor's degree in French language and literature from Shanghai International Studies University of China in June 1995, a master's degree in enterprise management from Enterprise Management Institute of University of Nantes of France in June 1999 and a master's degree in Finance from ESCP European School of Management in June 2001. Mr. Wu has been a Certified Internal Auditor of The Institute of Internal Auditors of United States ("CIA") since September 2009.

Independent non-executive Directors

Mr. Lee Kong Wai Conway —
Independent non-executive Director

Mr. Lee, aged 60, was appointed an independent non-executive Director of the Company on 29 July, 2010. Mr. Lee serves as Chairman of the audit committee of the Company, member of the remuneration committee of the Company, and also member of the nomination committee of the Company. He is mainly responsible for reviewing and advising the financial reporting process, audit process, internal control and risk management systems of the Group and providing independent advice to the Board on various financial and corporate governance matters.

Mr. Lee received a bachelor's degree in arts from Kingston University (formerly known as Kingston Polytechnic) in London in July 1980 and further obtained his postgraduate diploma in business from Curtin University of Technology in Australia in February 1988. Mr. Lee served as a partner of Ernst & Young over the past 29 years and held key leadership positions in the development of such firm in China. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants. Mr. Lee currently also serves as an independent non-executive director of Chaowei Power Holdings Limited, China Modern Dairy Holdings Limited, Gome Electrical Appliances Holding Limited, Citic Securities Company Limited, NVC Lighting Holding Limited, Yashili International Holdings Limited, Merry Garden Holdings Limited, WH Group Limited and China Rundong Auto Group Limited, companies listed on the main board of the HKSE, since July 2010, November 2010, March 2011, November 2011, November 2012, November 2013, July 2014, August 2014 and August 2014, respectively. He was also an independent non-executive director of China Taiping Insurance Holdings Company Limited, a company also listed on the main board of the HKSE, between October 2009 and August 2013 and Sino Vanadium Inc., which was listed on TSX Venture Exchange in Canada, between October 2009 and December 2011. Mr. Lee has been appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China since 2007.

Mr. Wong Kun Kau —
Independent non-executive Director

Mr. Wong, aged 54, was appointed an independent non-executive Director of the Company on 29 July, 2010. Mr. Wong serves as the members of audit committee and remuneration committee of the Company. He is mainly responsible for bringing an independent judgement to bear on issues of strategy, policy, performance, accountability and resources of the Company. Making use of his extensive experience in investment and capital market, he is also responsible for advising the Company on its investment strategies and business development.

Mr. Wong received a bachelor's degree in social sciences from the University of Hong Kong in November 1982. He has 28 years of experience in fund management, securities broking and corporate financing involving securities origination, underwriting and placing of equities and equity-linked products, mergers and acquisitions, corporate restructuring and reorganizations and other general corporate advisory activities. Mr. Wong has extensive experience in the Greater China region markets. He is the founder and currently the managing partner of Bull Capital Partners Ltd, a direct investment fund management company. Before founding Bull Capital Partners Ltd., Mr. Wong was the Head of Asia Investment Banking of BNP Paribas Capital (Asia Pacific) Limited from 2002 to 2007. Mr. Wong is also a non-executive Director of Sun. King Power Electronics Group Limited, a company listed on the main board of the HKSE since October 2010 and an independent non-executive director of Anhui Conch Cement Company Limited, Lifestyle Properties Development Limited and China Shengmu Organic Milk Limited, companies listed on the main board of the HKSE, since May 2012, September 2013 and July 2014, respectively.

Mr. Tam King Ching Kenny —
Independent non-executive Director

Mr. Tam, aged 65, was appointed as an independent non-executive Director of the Company on July 29, 2010. Mr. Tam serves as chairman of remuneration committee of the Company and also the members of the audit committee and nomination committee of the Company. He is mainly responsible for overseeing the policy and structure of the remuneration for Directors and senior management of the Company. He is also responsible for monitoring the Company's performance in achieving agreed corporate goals and objectives, and taking the lead where potential conflicts of interest arise.

Directors and Senior Management

Mr. Tam received a bachelor's degree in commerce from the Concordia University in November 1975. He is a practising Certified Public Accountant in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Chartered Professional Accountants of Ontario, Canada. Mr. Tam is a member of the Restructuring and Insolvency Faculty Executive Committee, the Small and Medium Practitioners Committee and the Insolvency SD Vetting Committee in the Hong Kong Institute of Certified Public Accountants. He is also a past president of The Society of Chinese Accountants and Auditors. Mr. Tam has also served as an independent non-executive director of six other listed companies on the main board of the HKSE, namely, Kingmaker Footwear Holdings Limited, CCT Fortis Holdings Limited, Shougang Concord Grand (Group) Limited, Starlite Holdings Limited, Van Shung Chong Holdings Limited and BeijingWest Industries International Limited, since May 1994, December 1999, February 1996, July 2004, September 2004 and January 2014, respectively, and served as an independent non-executive director of a listed company on the GEM board of the HKSE, namely, North Asia Strategic Holdings Limited, till February 2013.

SENIOR MANAGEMENT

Yaobai Group

Mr. Wang Jiujun — Deputy Chief Executive Officer and Chief Administration Officer

Mr. Wang, aged 41, is mainly responsible for marketing planning, finance, administrative management of Yaobai Group. He is also a director of Hancheng Yaobai, Shifeng Yaobai and Shaanxi Fuping. Mr. Wang received a diploma in international accounting from Shaanxi Finance & Economy College in July 1995. He joined us in March 1998 and has held several positions in our Group including accountant, general accountant, finance manager, deputy manager and general manager of subsidiaries of our Group.

Mr. Liu Jianjun — Deputy Chief Executive Officer and Chief Technology Officer

Mr. Liu, aged 46, is mainly responsible for production, quality, technology and equipment operation. He received a diploma in business management from The Open University of China in 2012. Mr. Liu joined us since 1998 and has held several positions in our Group including Manager of Pucheng Plant, General Manager of Lantian Plant and General Manager of Hanzhong District. Mr. Liu has rich experience in production technology. He has won several prizes from Shaanxi Building Materials Industry Association of Technology Innovation.

Mr. Chu Yufeng — Chief Financial Officer

Mr. Chu, aged 36, is mainly responsible for financial management of Yaobai Group. Mr. Chu joined Shaanxi Yaobai as deputy chief financial officer in July 2012 and he was the deputy administration, finance and control director of Shaanxi Fuping from November 2010 to June 2012. Mr. Chu received a master degree in business administration from an international business joint program organised by Maastricht School of Management (MSM) of Netherlands and Independent University of Bangladesh in June 2005. He also graduated with a bachelor's degree in commerce in international accounting from Xi'an JiaoTong University in June 1999.

West China Cement Limited

Mr. Chan King Sau — Chief Financial Officer and Company Secretary

Mr. Chan, aged 37, joined the Company on 1 June, 2010. Mr. Chan was an assistant financial controller of the Company before being appointed as chief financial officer of the Company. He was also appointed as the company secretary of the Company since June 2012. From September 2000 to August 2008, Mr. Chan worked for Ernst & Young, in a range of positions including staff accountant, senior accountant and manager. From September 2008 to October 2009, Mr. Chan worked for Nineyou International Limited, an online game operator as chief financial officer and company secretary. He graduated from University of Hong Kong with a bachelor's degree in finance in November 2000. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants.

Directors' Report

The Directors are pleased to present the annual report of the Company, including the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are the manufacture and sales of cement and cement products. The activities of the principal subsidiaries are set out on pages 106 to 109 of this Annual Report. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2014.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of comprehensive income on page 50.

The Board has recommended the payment of a final dividend of RMB0.002 per share for the year ended 31 December 2014.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 29 May 2015 (Friday). A notice convening the annual general meeting will be despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to be eligible for attending and voting at the forthcoming annual general meeting of the Company to be held at 29 May 2015 (Friday), all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shop 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 26 May 2015 (Tuesday). The register of members of the Company will be closed from 27 May 2015 (Wednesday) to 29 May 2015 (Friday), both days inclusive, during which period no transfer of shares will be registered.

In order to determine who are entitled to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shop 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 4 June 2015 (Thursday). The register of members of the Company will be closed from 5 June 2015 (Friday) to 8 June 2015 (Monday), both days inclusive, during which period no transfer of shares will be registered. Subject to shareholder's approval of the proposed final dividend at the annual general meeting to be held on 29 May 2015 (Friday), the final dividend will be paid on or around 31 July 2015 (Friday) to shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2015 (Monday).

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

Directors' Report

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set forth in the movement in reserves on page 111 and the consolidated statement of changes in equity on page 53, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies (Jersey) Law 1991 as amended (the "Law"), amounted to approximately RMB2,486.0 million.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2014 amounted to RMB1.0 million (2013: RMB8.3 million).

PROPERTY, PLANT AND EQUIPMENT

Details of movement of property, plant and equipment of the Group, during the year ended 31 December 2014 are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year under review are set forth in note 27 and note 38 to the consolidated financial statements, respectively.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

During the year, between 8 April 2014 and 5 May 2014, the Company, repurchased a total of 29,860,000 shares on the Stock Exchange for an aggregate consideration of HK$27,782,400, all of which were subsequently cancelled on 16 May 2014. As at 31 December 2014, the Company had 4,517,339,850 outstanding shares.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Articles and the laws of Jersey, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, total sales attributable to the top five customers of the Group were less than 8.8% of total sales of the Group.

For the financial year ended 31 December 2014, total purchase attributable to the largest supplier accounted for approximately 5.7% of the total purchase of the Group and total purchases attributable to the top five suppliers of the Group were approximately 19.1% of total purchases of the Group.

At no time during the year did any Director or any shareholder of the Company have an interest in any of the Group's five largest suppliers or customers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors
Mr. Zhang Jimin *(Chairman)*
Mr. Tian Zhenjun *(Chief executive officer)* (resigned on 5 February 2015)
Mr. Wang Jianli
Ms. Low Po Ling (resigned on 5 February 2015)

Non-executive Directors
Mr. Ma Zhaoyang
Dr. Ma Weiping (redesignated to executive director and chief executive officer on 5 February 2015)
Mr. Franck Wu (appointed on 15 April 2015)

Independent non-executive Directors
Mr. Lee Kong Wai Conway
Mr. Wong Kun Kau
Mr. Tam King Ching Kenny
Mr. Xu Delong (resigned on 10 June 2014)

According to Article 23 of the Articles, any Director so appointed shall hold office until the next following Annual General Meeting of the Company and shall then be eligible for re-election at such meeting. A circular containing the explanatory statement on repurchase by the Company of its shares, the biographical details of the director candidates and the notice of Annual General Meeting will be sent to shareholders of the Company.

None of the Directors has any financial, business, family or other material/relevant relationships with one another.

DIRECTORS' AND SENIOR MANAGEMENTS BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set forth on pages 33 to 36 of the Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS OF THE COMPANY

Details of the emoluments of the Directors and the five highest paid individuals of the Company during the year ended 31 December 2014 are set in note 16 and note 17 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contribution to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident fund legislation, subject to a cap of HKD1,500 per month.

Particular of the Group's retirement benefit schemes for its employees in Mainland China are set out in note 39 to the consolidated financial statements.

Directors' Report

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

No contract of significance in relation to the Group's business, to which the Company, its holding company, its controlling shareholder, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, and subsisted at the end of the financial year under review or at any time during the year under review.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Directors of the Company entered into a service contract with the Company for terms of one year and three years which may only be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has entered into an appointment letter with each of the independent non-executive Directors of the Company for a term of one year, and appointment of which will only be terminated by either party giving to the other not less than three months prior notice in writing.

No Director proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guideline set forth in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Directors' and Chief Executive's Interests and Short Positions" and the "Share Option Schemes" below, at no time during the year ended 31 December 2014 was the Company, or any of its holding company or subsidiaries, a party to any arrangements to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTION

The related party transactions as disclosed in note 40 to the consolidated financial statements did not fall within the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 31 December 2014, 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 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 HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(1) Interests in shares of the Company

As at 31 December 2014:

Name of Director	Number of ordinary shares held as at 31 December 2014 Capacity	Total *(Note 1)*	Approximate % of issued share capital of the Company as at 31 December 2014
Zhang Jimin	Interest of a controlled corporate	1,756,469,900 (L) *(Note 2)*	38.88%
Ma Zhaoyang	Interest of a controlled corporate	221,587,950 (L) *(Note 3)*	4.91%
Low Po Ling	Beneficial Owner	11,180,000 (L)	0.25%

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 ("Techno Faith") and Red Day Limited which are beneficially and wholly-owned by Ma Zhaoyang.

Directors' Report

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

As at 31 December 2014:

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 31 December 2014
Zhang Jimin	Beneficial Owner	7,700,000	0.170%
Tian Zhenjun	Beneficial Owner	8,400,000	0.186%
Wang Jianli	Beneficial Owner	6,000,000	0.133%
Low Po Ling	Beneficial Owner	5,600,000	0.124%
Ma Zhaoyang	Beneficial Owner	1,800,000	0.040%
Ma Weiping	Beneficial Owner	1,650,000	0.037%
Lee Kong Wai, Conway	Beneficial Owner	1,800,000	0.040%
Wong Kun Kau	Beneficial Owner	1,800,000	0.040%
Tam King Ching, Kenny	Beneficial Owner	1,800,000	0.040%

Save as disclosed above, as at 31 December 2014, 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 or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the HKSE 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 HKSE pursuant to the Model Code.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2014, the Directors were not aware of any business or interest of the Directors or any substantial shareholder of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interest which any such person had or might have with the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2014, 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 SFO were as follows:

		As at 31 December 2014	
Name of shareholder	Capacity	Number of ordinary shares of £0.002 each held *(Note 1)*	Approximate % of issued share capital of the Company
Asia Gain *(Note 2)*	Beneficial owner	1,756,469,900 (L)	38.88%
Cimfra (China) Limited ("Cimfra") *(Note 3)*	Beneficial owner	284,200,000 (L)	6.29%
Ciments Français SA ("Ciments") *(Note 3)*	Interest of a controlled corporation	284,200,000 (L)	6.29%
Italcementi S.p.A. ("Italcementi") *(Note 3)*	Interest of a controlled corporation	284,200,000 (L)	6.29%
Genesis Asset Managers, LLP	Beneficial owner	321,091,184 (L)	7.11%
Genesis Fund Managers, LLP	Beneficial owner	263,898,000 (L)	5.84%
Alliance Bernstein, L.P.	Beneficial owner	275,950,000 (L)	6.11%
FIL Limited	Beneficial owner	226,050,000 (L)	5.00%
Central Glory Holdings	Beneficial owner	229,072,000 (L)	5.07%

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

(3) Cimfra is beneficially and wholly-owned by Ciments and Italcementi.

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 31 December 2014 which were required to be notified to the Company pursuant to part XV of the Securities and Futures Ordinance or which are recorded in the register required to be kept by the Company under the section 336 of the Securities and Futures Ordinance.

ENFORCEMENT OF THE DEED OF NON-COMPETITION

Each of Mr. Zhang Jimin, Asia Gain, Ms. Zhang Lili and Central Glory Holdings Limited has undertaken to the Company, subject to the exceptions mentioned in the Company's prospectus dated 10 August 2010 (the "Prospectus") that each of them will not engage in any cement production business and details of such deed of non-competition dated 29 July 2010 are set out in the Prospectus .

The Company has received from each of Mr. Zhang Jimin, Asia Gain, Ms. Zhang Lili and Central Glory Holdings Limited an annual confirmation that it/he/she has complied with its/his/her obligations under the deed of non-competition during the year ended 31 December 2014.

Directors' Report

SHARE OPTION SCHEMES

The Company has adopted a post-IPO share option scheme (the "Post-IPO Share Option Scheme") on 31 March 2010.

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 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 as at 23 August 2010:**
   The maximum number of shares which maybe 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 411,553,185 shares (representing 10% of the issued share capital of the Company as at 23 August 2010).

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 HKD1 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.

9. **The remaining life of the Post-IPO Share Option scheme:**
It will remain in force for a period of 10 years.

Directors' Report

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

During the year ended 31 December 2014:

				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)*	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2014	Granted during the year ended 31 December 2014	Exercised during the year ended 31 December 2014	Lapsed during the year ended 31 December 2014	Outstanding as at 31 December 2014
Directors								
Zhang Jimin	22 March 2013	1.25	22 March 2014 to 21 March 2023	4,000,000	–	–	–	4,000,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	–	3,700,000	–	–	3,700,000
Tian Zhenjun	23 March 2011	3.41	23 March 2012 to 22 March 2021	2,250,000	–	–	750,000	1,500,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	3,800,000	–	–	–	3,800,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	–	3,100,000	–	–	3,100,000
Wang Jianli	23 March 2011	3.41	23 March 2012 to 22 March 2021	1,500,000	–	–	500,000	1,000,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	2,500,000	–	–	–	2,500,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	–	2,500,000	–	–	2,500,000
Low Po Ling	22 March 2013	1.25	22 March 2014 to 21 March 2023	2,200,000	–	–	–	2,200,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	–	3,400,000	–	–	3,400,000
Ma Zhaoyang	23 March 2011	3.41	23 March 2012 to 22 March 2021	225,000	–	–	75,000	150,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	–	–	–	650,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	–	1,000,000	–	–	1,000,000
Ma Weiping	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	–	–	–	650,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	–	1,000,000	–	–	1,000,000
Lee Kong Wai, Conway	23 March 2011	3.41	23 March 2012 to 22 March 2021	225,000	–	–	75,000	150,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	–	–	–	650,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	–	1,000,000	–	–	1,000,000

Category and name of participant	Date of grant of share options *(Note)*	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2014	Granted during the year ended 31 December 2014	Exercised during the year ended 31 December 2014	Lapsed during the year ended 31 December 2014	Outstanding as at 31 December 2014
				Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme				
Wong Kun Kau	23 March 2011	3.41	23 March 2012 to 22 March 2021	225,000	–	–	75,000	150,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	–	–	–	650,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	–	1,000,000	–	–	1,000,000
Tam King Ching, Kenny	23 March 2011	3.41	23 March 2012 to 22 March 2021	225,000	–	–	75,000	150,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	–	–	–	650,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	–	1,000,000	–	–	1,000,000
Xu Delong	24 March 2014	0.91	24 March 2015 to 23 March 2024	–	1,000,000	–	1,000,000	–
Other employees (Group A)	23 March 2011	3.41	23 March 2012 to 22 March 2021	6,450,000	–	–	2,150,000	4,300,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	18,250,000	–	–	–	18,250,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	–	33,400,000	–	–	33,400,000
Other employees (Group B)	23 March 2011	3.41	23 March 2012 to 22 March 2021	2,200,000	–	–	–	2,200,000
Total				47,300,000	52,100,000	–	4,700,000	94,700,000

Note:

1. The closing prices of the shares of the Company on 23 March 2011, 22 March 2013 and 24 March 2014, being the dates on which the share options were granted, were HK$3.41, HK$1.24 and HK$0.91 per share, respectively.

2. 19,700,000 share options were forfeited after the approval in the board meeting dated 16 March 2015.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2014 and as at the date of this annual report.

AUDITORS

Deloitte Touche Tohmatsu will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors
Zhang Jimin
Chairman

16 March 2015

Independent Auditors' Report

Deloitte.
德勤

TO THE MEMBERS OF WEST CHINA CEMENT LIMITED
(incorporated in Jersey with limited liability)

We have audited the consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 111, which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong

16 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Revenue	7	**3,883,385**	4,167,843
Cost of sales		**(3,285,332)**	(3,438,503)
Gross profit		**598,053**	729,340
Other income	8	**148,156**	169,928
Selling and marketing expenses		**(35,826)**	(34,718)
Administrative expenses		**(258,243)**	(243,862)
Other gains and losses, net	9	**(94,911)**	66,651
Interest income	10	**4,925**	4,817
Finance costs	11	**(227,118)**	(217,074)
Profit before tax	12	**135,036**	475,082
Income tax expense	13	**(95,546)**	(92,812)
Profit and total comprehensive income for the year		**39,490**	382,270
Attributable to:			
— Owners of the Company		**35,902**	378,321
— Non-controlling interests		**3,588**	3,949
		39,490	382,270
Earnings per share			
— Basic (RMB)	15	**0.008**	0.083
— Diluted (RMB)	15	**0.008**	0.083

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**8,071,487**	8,003,796
Prepaid lease payments	19	**452,929**	448,244
Mining rights	20	**162,956**	133,116
Other intangible assets	21	**168,102**	169,693
Deferred tax assets	23	**16,118**	18,587
Amount due from non-controlling shareholder of a subsidiary	25	**39,457**	29,305
		8,911,049	8,802,741
Current assets			
Inventories	24	**548,318**	530,864
Trade and other receivables and prepayments	25	**600,921**	707,999
Restricted bank deposits	26	**212,119**	116,519
Bank balances and cash	26	**495,605**	506,586
		1,856,963	1,861,968
Total assets		**10,768,012**	10,664,709
EQUITY			
Share capital	27	**124,098**	124,715
Share premium and reserves	28	**4,846,769**	4,919,449
Equity attributable to owners of the Company		**4,970,867**	5,044,164
Non-controlling interests		**45,632**	41,094
Total equity		**5,016,499**	5,085,258

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	29	**83,000**	6,000
Senior notes	30	**2,408,288**	2,407,455
Medium-term notes	31	**796,548**	794,189
Asset retirement obligation	32	**14,761**	13,763
Deferred tax liabilities	23	**20,500**	14,575
Deferred income	33	**66,633**	55,014
		3,389,730	3,290,996
Current liabilities			
Borrowings	29	**745,173**	709,423
Trade and other payables	34	**1,597,581**	1,557,162
Income tax payable		**19,029**	21,870
		2,361,783	2,288,455
Total liabilities		**5,751,513**	5,579,451
Total equity and liabilities		**10,768,012**	10,664,709
Net current liabilities		**(504,820)**	(426,487)
Total assets less current liabilities		**8,406,229**	8,376,254

The consolidated financial statements on pages 50 to 111 were approved and authorised for issue by the Board of Directors on 16 March 2015 and are signed on its behalf by:

Zhang Jimin
DIRECTOR

Ma Weiping
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company								
	Share capital RMB'000	**Share premium** RMB'000	**Equity reserve** RMB'000 *(Note 28)*	**Share option reserve** RMB'000	**Statutory reserve** RMB'000 *(Note 28)*	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2013	124,715	2,136,463	(302,264)	9,172	405,787	2,382,058	4,755,931	90,871	4,846,802
Profit and total comprehensive income for the year	–	–	–	–	–	378,321	378,321	3,949	382,270
Transfer to statutory reserve	–	–	–	–	31,356	(31,356)	–	–	–
Acquisition of additional interests in a subsidiary	–	–	(3,604)	–	–	–	(3,604)	(55,076)	(58,680)
Capital contribution from non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	1,350	1,350
Recognition of equity-settled share-based payments *(Note 38)*	–	–	–	4,448	–	–	4,448	–	4,448
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	(90,932)	(90,932)	–	(90,932)
At 31 December 2013	124,715	2,136,463	(305,868)	13,620	437,143	2,638,091	5,044,164	41,094	5,085,258
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**35,902**	**35,902**	**3,588**	**39,490**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**33,538**	**(33,538)**	**–**	**–**	**–**
Capital contribution from non-controlling shareholder of a subsidiary incorporated during the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**950**	**950**
Recognition of equity-settled share-based payments *(Note 38)*	**–**	**–**	**–**	**3,957**	**–**	**–**	**3,957**	**–**	**3,957**
Shares repurchased and cancelled *(Note 27)*	**(617)**	**(21,595)**	**–**	**–**	**–**	**–**	**(22,212)**	**–**	**(22,212)**
Dividend recognised as distribution *(Note 14)*	**–**	**–**	**–**	**–**	**–**	**(90,944)**	**(90,944)**	**–**	**(90,944)**
At 31 December 2014	**124,098**	**2,114,868**	**(305,868)**	**17,577**	**470,681**	**2,549,511**	**4,970,867**	**45,632**	**5,016,499**

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**135,036**	475,082
Adjustments for:		
Finance costs	**227,118**	217,074
Interest income	**(4,925)**	(4,817)
Exchange losses (gains)	**8,207**	(73,383)
Depreciation of property, plant and equipment	**602,032**	551,404
Impairment loss on property, plant and equipment	**3,923**	–
Gain on disposal of property, plant and equipment	**(495)**	(372)
Amortisation of prepaid lease payments	**12,579**	12,712
Amortisation of mining rights	**9,446**	7,827
Amortisation of other intangible assets	**2,344**	2,213
(Reversal of allowance) allowance for doubtful debts, net	**(2,146)**	2,909
Government grants released to profit or loss	**(6,981)**	(4,835)
Share option expenses	**3,957**	4,448
Loss on redemption of senior notes	**92,192**	–
Operating cash flows before movements in working capital	**1,082,287**	1,190,262
Increase in inventories	**(17,453)**	(62,262)
Decrease (increase) in trade and other receivables and prepayments	**78,446**	(42,658)
Increase (decrease) in trade and other payables	**118,052**	(81,476)
Cash generated from operations	**1,261,332**	1,003,866
Income tax paid	**(94,673)**	(71,060)
Net cash from operating activities	**1,166,659**	932,806

	NOTE	2014 RMB'000	2013 RMB'000
INVESTING ACTIVITIES			
Interest received		**4,925**	4,817
Purchase of property, plant and equipment		**(583,134)**	(578,521)
Addition of prepaid lease payments		**(18,176)**	(713)
Acquisition of mining rights		**(15,630)**	(1,694)
Payment to non-controlling shareholder of a subsidiary		**(10,152)**	(14,627)
Purchase of other intangible assets		**(753)**	(80)
Proceeds from disposal of property, plant and equipment		**14,825**	9,907
Government grants received for acquisition of property, plant and equipment		**18,600**	7,878
Repayment from previous shareholder of a subsidiary		**20,000**	–
Payment for acquisition of subsidiaries in prior period		**(14,600)**	(37,406)
Acquisition of a subsidiary, net of cash acquired	35	**(14,805)**	–
Withdrawal of restricted bank deposits		**323,202**	355,684
Placement of restricted bank deposits		**(418,802)**	(322,322)
Net cash used in investing activities		**(694,500)**	(577,077)
FINANCING ACTIVITIES			
New borrowings raised		**1,020,138**	748,601
Repayment of borrowings		**(907,388)**	(1,355,370)
Net proceeds from issuance of medium-term notes		**–**	792,800
Proceeds from issuances of senior notes		**2,458,720**	–
Senior notes issue costs paid		**(40,884)**	–
Repayment of senior notes including early redemption premium		**(2,550,992)**	–
Dividends paid		**(90,944)**	(90,932)
Share repurchased		**(22,212)**	–
Acquisition of additional interests in a subsidiary		**–**	(58,680)
Capital contributions from non-controlling shareholders of subsidiaries		**950**	1,350
Interest paid		**(350,645)**	(255,239)
Net cash used in financing activities		**(483,257)**	(217,470)
Net (decrease) increase in cash and cash equivalents		**(11,098)**	138,259
Cash and cash equivalents at 1 January		**506,586**	368,936
Effect of foreign exchange rate changes		**117**	(609)
Cash and cash equivalents at 31 December, represented by bank balances and cash		**495,605**	506,586

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL INFORMATION

West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the production and sale of cement in the western part of the People's Republic of China (the "PRC").

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 and the principal place of business is No. 336 4th Shenzhou Road, Aerospace Industrial Base, Chang'an District, Xi'an, Shaanxi Province, the PRC.

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE").

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2014, the Group has net current liabilities of RMB504,820,000, and has unutilised loan facilities totalling RMB145,200,000 readily available for drawdown within the next twelve months from the date of the approval of these consolidated financial statements. In addition, the Company's indirect wholly-owned subsidiary incorporated in the PRC, Yaobai Special Cement Group Co., Ltd. ("Shaanxi Yaobai") is able to issue on its demand further three-year medium-term notes of RMB800,000,000 by May 2015 for the purpose of, among others, expansion of production facilities, repayment of part of the bank loans and to supplement general working capital across the Group. Based on the Company's forecasts and projections of business performance, taking into account of operating as well as capital expenditure and availability of borrowing facilities, the directors of the Company are of the view that the Company is able to operate within the level of its current capacity.

In view of these circumstances, the directors of the Company expect it will have sufficient liquidity to finance its operations for the next twelve months. Therefore, the consolidated financial statements have been prepared on a going concern basis. The going concern basis assumes that the Company 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.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

3.1 Amendments to IFRSs and new interpretation that are mandatory effective for the current year

Except for early application of Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* in prior year, the Group has applied for the first time in the current year the following amendments to IFRSs and a new Interpretation.

Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*

The application of amendments and the new interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Cont'd)*

3.2 New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new standards and amendments to standards ("new and revised IFRSs") that have been issued but are not yet effective.

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[4]
Amendments to IAS 1	*Disclosure Initiative*[4]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[4]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[4]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[3]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRSs	*Annual Improvements to IFRSs 2010–2012 Cycle*[5]
Amendments to IFRSs	*Annual Improvements to IFRSs 2011–2013 Cycle*[3]
Amendments to IFRSs	*Annual Improvements to IFRSs 2012–2014 Cycle*[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

Except as disclosed below, the directors of the Company anticipate that the application of these new or revised IFRSs will have no material impact on amounts reported in the Group's consolidated financial statements.

IFRS 9 *Financial Instruments*

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

One of the key requirements of IFRS 9 that are applicable to the Group includes the impairment of financial assets, of which IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company are of the view that the expected credit loss model may result in early provision of credit losses which are not yet incurred. However, it is not practicable to provide a reasonable estimate of the effect from using an expected credit loss model in respect of its financial assets until a detailed review has been completed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Cont'd)*

3.2 New and revised IFRSs in issue but not yet effective *(Cont'd)*

IFRS 15 *Revenue from Contracts with Customers*

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company are in the process of reviewing the effect of the application of IFRS 15 on the amounts reported and disclosures made in the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets (other than goodwill, mining assets and mining rights) respectively. The Group uses unit of production method for depreciation and amortisation for its mining assets and mining rights respectively. Goodwill is not amortised but reviewed for impairment on annual basis. The directors of the Company are in the process of reviewing the effect of the application of the amendments to IAS 16 on the amounts reported and disclosures made in the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, and applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and subsidiaries controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities are recognised and measured in accordance with IAS 12.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the acquisition date less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Acquisition of a subsidiary classified as an asset acquisition

In respect of the acquisition of a subsidiary that does not constitute a business, the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets, see accounting policy on intangible assets) and liabilities assumed is identified and recognised by the Group. The cost of the Group, after allocating to financial assets and financial liabilities at fair values, is allocated to the individual identifiable non-financial assets and non-financial liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods sold in the normal course of business, net of discount and sales related tax.

Revenue from the sale of goods is recognised when goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leasing *(Cont'd)*

Prepaid lease payments

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Group's defined contribution retirement plans, including state-managed retirement schemes in PRC and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation *(Cont'd)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Except for mining assets (see notes (a) and (b) below), depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment *(Cont'd)*

The annual rates of depreciation for above items of property, plant and equipment, other than construction in progress and mining assets, are as follows:

Category of property, plant and equipment	Rate
Buildings	5%
Motor vehicles	12%
Electronic and other equipment	19%
Machinery	8%

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining assets include primarily the following:

(a) Stripping costs

Stripping costs incurred before production begins and during the production phase which provide improved access to ore are capitalised into property, plant and equipment as "mining assets" (before production begins) when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with IAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as mining assets of which it forms part. Capitalised stripping costs are depleted on a unit of production basis, using estimated reserves of mine as the depletion base.

(b) Asset retirement obligation

The Group recognises provision for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and mineral assets under property, plant and equipment when those obligations result from the acquisition, construction, or normal operation of the assets. Initially, a provision for an asset retirement obligation is recognised as its present value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is depreciated as an expense over the economic life of the asset using the unit of production method. Following initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Changes in the liability is added to or deducted from the cost of the related asset in the current period. The adjusted cost of the asset is depreciated prospectively over the economic life of the assets to which they relate. The unwinding of the discount is shown as a finance cost in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Mining rights

The cost of acquiring rights for the Group to extract a mine over a certain period is capitalised and subsequently stated at cost less accumulated amortisation and impairment loss. Amortisation of mining rights is calculated to write off the cost less accumulated impairment losses over the useful lives of the mines in accordance with the production plans and reserves of the mines estimated on the unit of production method.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are measured at costs less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees, points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income or interest expense is recognised on an effective interest basis.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, as well as restricted bank deposits) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets set out below).

Impairment of loans and receivables

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as a default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 60 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Impairment of loans and receivables (Cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced by the impairment through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or repurchase of the Company's own equity instruments.

Financial liabilities

Financial liabilities including borrowings, trade and other payables, senior notes and medium-term notes are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Equity-settled share-based payment transactions

The share options granted to employees are measured at the fair value of the share options at the grant date, without taking into account any service and non-market performance vesting conditions. The fair value determined is expensed on a straight-line basis over the vesting period, based on the Group's estimate of share options that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Impairment losses on tangible and intangible assets (excluding goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

5. FINANCIAL INSTRUMENTS

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts (borrowings, senior notes and medium-term notes as detailed in Notes 29, 30 and 31, offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves as detailed in Notes 27 and 28, and retained earnings).

The directors of the Company review the capital structure on a semi-annual basis. In order to maintain or adjust the capital structure, the Group will balance its overall capital structure through adjust the payment of dividends paid to shareholders, issue new shares or issue of new debt or the redemption of existing debt.

b. Categories of financial instruments

	2014 **RMB'000**	2013 RMB'000
Financial assets		
— Loans and receivables (including cash and cash equivalents)	**1,068,324**	1,099,597
Financial liabilities		
— Amortised cost	**5,534,088**	5,288,748

c. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables, borrowings, senior notes and medium-term notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risk. There has been no change to the Group's exposure to these risks or the manner in which it manages and measures the risk.

(i) Foreign currency risk

The Group undertakes transactions, mainly the issuance of senior notes and new shares as well as borrowings, denominated in foreign currencies other than the functional currency of RMB. Hence, exposures to exchange rate fluctuations arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Market risks *(Cont'd)*

(i) Foreign currency risk *(Cont'd)*

The Group does not use derivative financial instruments to hedge its foreign currency risk. However, management monitors foreign currency exposure and will consider hedging significant exposure should the need arise. The carrying amounts of Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	31/12/2014	31/12/2013	**31/12/2014**	31/12/2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
United States Dollar ("US$")				
— Bank balances and cash	**–**	–	**50,601**	4,715
— Senior notes	**2,456,016**	2,483,666	**–**	–
— Medium-term notes	**–**	–	**–**	–
— Borrowings	**178,373**	99,423	**–**	–
Other foreign currency (including Hong Kong Dollar ("HK$"), Great Britain Pound ("GBP") and Singapore Dollar)				
— Bank balances and cash	**–**	–	**3,109**	1,982

The Group is mainly exposed to the fluctuation in US$ against RMB.

The directors' assessment of the reasonably possible change in foreign exchange rate is 5% which is also the sensitivity rate used when reporting foreign currency risk internally to key management personnel. For a 5% weakening of RMB against US$, there will be a decrease in the post-tax profit for the year of RMB127,812,000 (2013: RMB128,173,000) and there would be an equal but opposite impact on the post-tax profit for the year for a 5% strengthen of RMB against US$.

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to fixed-rate borrowings, senior notes and medium-term notes (as detailed in Note 29, Note 30 and Note 31). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank borrowings (as detailed in Note 29). The Group's variable-rate borrowings are mainly affected by movements in Interbank Borrowing Rates and the interest rates quoted by People's Bank of China. It also affected by the fluctuation of LIBOR arising from the Group's US$ denominated borrowings. The Group does not have formal policies on managing interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The directors of the Company are of the opinion that the Group's exposure to cash flow interest rate risk in relation to variable-rate bank deposits is considered insignificant, and no sensitivity analysis is presented.

5. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Market risks *(Cont'd)*

(ii) Interest rate risk *(Cont'd)*

The Group's sensitivity to interest rate risk has been determined based on the exposure for non-derivative instruments at the end of each of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis points higher/lower based on and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would be decreased/increased by approximately RMB320,000 (2013: decreased/increased by RMB1,103,000).

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, bank balances and cash, restricted bank deposits. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has formulated a defined fixed 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. The Group also reviews the recoverable amount of each individual debt regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on trade receivables is significantly reduced. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers and independent third parties from whom the balances are receivable.

The credit risk on liquid funds is limited because the counterparties are authorised banks in the PRC and Hong Kong.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirement. As in Note 2, the Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities, by continuing monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

In order to mitigate the liquidity risk, the management regularly monitors the operating cash flow of the Group to meet its liquidity requirements in short and long term. The management also monitors the utilisation of bank borrowings, senior notes and medium-term notes and ensures compliance with relevant agreements covenants.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(Cont'd)*

c. Financial risk management objectives and policies *(Cont'd)*

Liquidity risk *(Cont'd)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest payments are floating rate the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2014						
Trade and other payables	–	1,501,079	–	–	1,501,079	1,501,079
Borrowings (principal and interest)						
– variable rates	7.38	85,710	88,670	–	174,380	160,000
– fixed rates	4.88	678,595	–	–	678,595	662,173
– non-interest bearing	–	3,000	–	3,000	6,000	6,000
Senior notes	6.50	159,094	159,094	2,924,882	3,243,070	2,408,288
Medium-term notes	6.10	48,800	848,800	–	897,600	796,548
		2,476,278	1,096,564	2,927,882	6,500,724	5,534,088

	Weighted average interest rate %	Less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2013						
Trade and other payables	–	1,358,877	12,804	–	1,371,681	1,371,681
Borrowings (principal and interest)						
– variable rates	8.00	104,362	–	–	104,362	100,000
– fixed rates	5.34	626,015	–	–	626,015	609,423
– non-interest bearing	–	–	3,000	3,000	6,000	6,000
Senior notes	7.50	182,907	182,907	2,530,214	2,896,028	2,407,455
Medium-term notes	6.10	48,800	48,800	848,800	946,400	794,189
		2,320,961	247,511	3,385,014	5,950,486	5,288,748

The amounts included above for variable interest rate non-derivative financial liabilities are subject to change if changes in interest rates differ to those estimates of interest rates determined at the end of the reporting period.

5. FINANCIAL INSTRUMENTS *(Cont'd)*

d. Fair values of financial instruments

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

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values other than senior notes and medium-term notes, which set out in Note 30 and Note 31. The fair value of senior notes is included in the Level 1 category, which has been derived from the quoted prices (unadjusted) in active markets, while the fair value of medium-term notes is included in the Level 2 category, which are derived from the observable over-the-counter trading market without any significant adjustments made to the observable data.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment on trade and other receivables

The Group makes allowance for and write-off of bad and doubtful debts based on an assessment of the recoverability of the receivables. Receivables may be impaired where events or changes in circumstances indicate that the balances may not be collectable. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of the receivables and doubtful debts expenses in the year in which such estimate has been changed. As at 31 December 2014, the aggregate carrying amount of trade and other receivables is approximately RMB316,137,000 (2013: RMB250,815,000). Details of movements of allowance for doubtful debts are disclosed in Note 25.

Net realisable value of inventories

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. The assessment of write-downs requires the directors' judgment and estimates. Where expectation is different from an original estimate, the difference will impact the carrying values of inventories and may result in write-downs of inventories in the period in which such estimates have been changed. As at 31 December 2014, the carrying amount of inventories is approximately RMB548,318,000 (2013: RMB530,864,000). There was no write-down of inventories in 2014 and 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Impairments

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years approved by the management and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The value in use calculation requires the Group to estimate the future cash flows expected to come from the assets and a suitable discount rate in order to calculate the present value.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The carrying amounts of goodwill is as disclosed in Note 22.

Impairment of non-financial assets

During the year ended 31 December 2014, the overall decline in construction and development activities in certain locations in which the Group's subsidiaries operate as well as the on-going economic uncertainty have led to a decreased demand in those business locations. As the result of unexpected lower performance of the business locations, the Group carried out a review of the recoverable amount of the plants and the related equipment in those business locations.

The review led to the recognition of an impairment loss of RMB3,923,000 (2013: Nil) for Hetian Yaobai Cement Co., Ltd. ("Hetian Yaobai") in 2014. The key assumptions, together with the sensitivity, used to determine the recoverable amount are disclosed and further explained in Note 18. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected cash-inflows and growth rate used for extrapolation purposes. Where the actual cash flows are significantly less than expected, or changes in circumstances which result in downward revision of recoverable amount of the assets, further impairment loss may arise.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. These estimates may change in the future as a result of technical innovations and competitor actions. The directors of the Company will increase depreciation charges where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the year in which such determination is made.

As at 31 December 2014, deferred tax asset of RMB16,118,000 (2013: RMB18,587,000) has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Operating licences

The Group's licences to operate at each of mines expire at various dates from December 2015 to December 2022. The directors of the Company believe that the Group will be able to renew these licences at their option and at minimal cost, provided the Group complies with the terms of the licence. The useful lives of the Group's mining assets included in property, plant and equipment of approximately RMB641,614,000 (2013: RMB623,347,000), and mining rights of approximately RMB162,956,000 (2013: RMB133,116,000) and the Group's operating results would be adversely affected if any licences could not be renewed.

Asset retirement obligation

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, the Group is presently not involved in any environmental remediation and has not incurred any amounts for environmental remediation relating to its operations. The environmental provision is based on the directors' best estimate of future expenditure (Note 32). Under existing legislation, the directors of the Company believe that there are no further probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards, which could require increased expenditure in the future.

7. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the production and sale of cement products. The Group's Chief Executive Officer, the chief operating decision maker (the "CODM") reviews the sales volume and average selling prices of its cement products by three areas, namely Southern Shaanxi, Central Shaanxi and Xinjiang. However, no further operating results by these areas are being provided, and the CODM reviews the consolidated results of the Group as a whole. Accordingly, no further segment information of operating segment has been disclosed in these consolidated financial statements for both years.

All of the Group's revenue for the years ended 31 December 2014 and 2013 are derived from the sale of cements products to customers in the western part of PRC. No single customer contributed 10% or more to the Group's revenue for both 2014 and 2013. All of the Group's non-current assets are located in the PRC by locations of assets.

8. OTHER INCOME

	2014 **RMB'000**	2013 RMB'000
Tax refund *(note)*	**129,525**	151,481
Government grant — others	**16,899**	18,251
Others	**1,732**	196
	148,156	169,928

Note: The tax refund mainly represents incentives 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. OTHER GAINS AND LOSSES, NET

	2014 RMB'000	2013 RMB'000
Net foreign exchange (losses) gains *(note (a))*	**(5,347)**	72,774
Loss on redemption of senior notes *(note (b))*	**(92,192)**	–
Gain on disposal of property, plant and equipment	**495**	372
Donations	**(964)**	(8,296)
Allowance for doubtful debts	**(3,363)**	(5,594)
Reversal of allowance for doubtful debts	**5,509**	2,685
Impairment loss on property, plant and equipment	**(3,923)**	–
Others	**4,874**	4,710
	(94,911)	66,651

Notes:

(a) The amounts mainly relate to the translation of the senior notes and bank borrowings from US$ to RMB for each of the years ended 31 December 2014 and 2013.

(b) During the year ended 31 December 2014, the Company exercised its early redemption option to early redeem the entire outstanding senior notes originally due in 2016 in full at redemption price equal 100% of the principal amount outstanding of US$400 million (equivalent to RMB2,459 million), plus the applicable redemption premium of US$15 million (equivalent to RMB92,192,000), resulting in a loss on redemption of RMB92,192,000 being recognised in profit or loss.

10. INTEREST INCOME

Interest income represents interest received and receivable from bank deposits.

11. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on bank loans wholly repayable within five years	**43,038**	47,547
Interest on other borrowings	**–**	4,360
Interest on senior notes	**227,965**	196,708
Interest on medium-term notes	**51,159**	37,989
	322,162	286,604
Less: amount capitalised	**(95,859)**	(70,302)
	226,303	216,302
Unwinding of discount *(Note 32)*	**815**	772
	227,118	217,074

The weighted average capitalisation rate on funds borrowed generally is 7.55% (2013: 8.25%) per annum.

12. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2014 RMB'000	2013 RMB'000
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**602,032**	551,404
Amortisation of prepaid lease payments	**12,579**	12,712
Amortisation of mining rights	**9,446**	7,827
Amortisation of other intangible assets (included in administrative expenses)	**2,344**	2,213
Total depreciation and amortisation	**626,401**	574,156
Auditors' remuneration	**2,790**	2,726
Staff costs:		
Wages and salaries (include directors' emoluments)	**258,262**	216,498
Share option expenses	**3,957**	4,448
Defined contribution retirement plan expenses	**18,761**	17,129
Total staff cost	**280,980**	238,075
Cost of inventories recognised as expenses	**3,257,202**	3,409,656
Gain on disposal of property, plant and equipment	**(495)**	(372)

13. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Current tax	**91,832**	69,705
Deferred tax *(Note 23)*		
Current year	**4,486**	20,486
Attributable to change in tax rate	**(772)**	2,621
	3,714	23,107
Income tax expense	**95,546**	92,812

Pursuant to the rules and regulations of Jersey and the British Virgin Islands ("BVI"), the Company and the subsidiary of the Company, West China Cement Co. Ltd. ("West China BVI") are not subject to any income tax in those jurisdictions.

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for each of the years ended 31 December 2014 and 2013 based on existing legislations, interpretations and practices.

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13. INCOME TAX EXPENSE *(Cont'd)*

Under the PRC Enterprise Income Tax ("EIT") Law, the enterprise income tax rate applicable to the Group's subsidiaries located in Mainland China is 25% except for the subsidiaries entitled to preferential tax treatment as detailed in note (a) below.

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

	2014 **RMB'000**	2013 RMB'000
Profit before tax	**135,036**	475,082
Tax at domestic income tax rate of 25% (2013: 25%)	**33,759**	118,770
Tax effects of:		
Expenses not deductible for tax purpose	**68,648**	19,839
Income not taxable	**–**	(18,273)
Tax exemption and reduced tax rate *(note (a))*	**(27,897)**	(38,268)
Tax credit *(note (b))*	**(3,224)**	(210)
Change in tax rate for deferred tax assets recognised	**(772)**	2,621
Withholding tax on distributed profits of PRC subsidiaries and interest income on intra-group loans *(note (c))*	**12,519**	6,590
Tax losses not recognised as deferred tax assets	**12,513**	–
Utilisation of tax losses previously not recognised as deferred tax assets	**–**	(587)
Expiration of tax losses previously recognised as deferred tax assets	**–**	2,330
Tax expense for the year	**95,546**	92,812

Notes:

(a) Pursuant to the notice related to Western Development Policy from 1 January 2011 to 31 December 2020 (the "Notice"), an enterprise is entitled to the preferential EIT rate of 15%, if its principal business engages in projects listed in the Catalogue for Industries, Products and Technologies Currently and Particularly Encouraged by the State for Development as their principal business and the revenue from the principal operations accounts for over 70% of their total revenue of the enterprise. The operations of certain subsidiaries of the Group, namely Shaanxi Yaobai, Xi'an Lantian Yaobai Cement Co., Ltd. ("Lantian Yaobai"), Ankang Yaobai Cement Co., Ltd. ("Ankang Yaobai"), Hanzhong Yaobai Cement Co., Ltd. ("Hanzhong Yaobai"), Shifeng Cement Co., Ltd. ("Shifeng Cement"), Fuping Cement Co., Ltd. ("Fuping Cement"), Hancheng Yaobai Yangshanzhuang Cement Co., Ltd. ("Hancheng Yaobai Yangshanzhuang"), and Longqiao Yaobai Cement Co., Ltd. ("Longqiao Yaobai") have met the requirements of the Notice both in 2013 and 2014.

The Group's subsidiary, Hetian Yaobai was established in Xinjiang Uygur Autonomous Region ("Xinjiang"). Pursuant to the relevant laws and regulations of Xinjiang, Hetian Yaobai is entitled to a two-year tax holiday from its first profit-making year, that is 2013 and a further three-year 50% tax reduction pursuant to PRC enterprise income tax law.

13. INCOME TAX EXPENSE *(Cont'd)*

Notes: (Cont'd)

(a) *(Cont'd)*

The applicable EIT rates of above subsidiaries for the year are as follows:

	2014	2013
Shaanxi Yaobai	**15%**	15%
Lantian Yaobai	**15%**	15%
Ankang Yaobai	**15%**	15%
Hanzhong Yaobai	**15%**	15%
Shifeng Cement	**15%**	15%
Fuping Cement	**15%**	15%
Hancheng Yaobai Yangshanzhuang	**15%**	15%
Longqiao Yaobai	**15%**	15%
Hetian Yaobai (commenced operation on 2013)	**0%**	0%

No tax reductions and exemptions were granted to other subsidiaries of the Group in the PRC for both years.

(b) Tax credit represents credit on enterprise income tax for purchase of domestically produced equipment or environment protection related equipment pursuant to the applicable PRC tax laws and regulations.

(c) Withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward at 10% tax rate under the EIT Law, and interest income in respect of intra-group loans within the Group is subject to a tax rate of 7% based on the double taxation arrangement between Hong Kong and Mainland China.

14. DIVIDEND

	2014 **RMB'000**	2013 RMB'000
Dividends recognised as distribution during the year:		
2013 final of RMB2.00 cents (2013: 2012 final dividend of RMB2.00 cents) per share	**90,944**	90,932

Subsequent to the end of the reporting period, a final dividend of RMB0.2 cents per share in respect of the year ended 31 December 2014 (2013: final dividend of RMB2.00 cents per share in respect of the year ended 31 December 2013) in total of approximately RMB9,035,000 (2013: RMB90,944,000) has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

No interim dividend has been proposed in 2014 and 2013.

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15. 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:

	2014 RMB'000	2013 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	35,902	378,321

Number of shares	2014 '000	2013 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share and diluted earnings per share	4,528,466	4,547,200

The calculation of diluted earnings per share did not take into account the share options of the Company for the years ended 31 December 2014 and 2013 (Note 38) because the exercise price or the exercise price after adjustment for the unvested share-based payments of these share options was higher than the average market price of the Company's share during those years.

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

2014	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Share options scheme accrued RMB'000 *(note)*	Total RMB'000
Executive directors					
Zhang Jimin	–	1,200	–	1,057	2,257
Low Po Ling	–	1,105	10	–	1,115
Wang Jianli	–	816	29	841	1,686
Tian Zhenjun	–	1,006	–	1,189	2,195
Non-executive directors					
Ma Zhaoyang	319	–	–	244	563
Ma Weiping	319	–	–	221	540
Independent non-executive directors					
Lee Kong Wai Conway	319	–	–	244	563
Wong Kun Kau	319	–	–	244	563
Tam King Ching Kenny	319	–	–	244	563
	1,595	4,127	39	4,284	10,045

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Cont'd)*

2013	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Share options scheme accrued RMB'000 *(note)*	Total RMB'000
Executive directors					
Zhang Jimin	–	1,200	–	701	1,901
Low Po Ling	–	1,073	2	385	1,460
Wang Jianli	–	815	27	746	1,588
Tian Zhenjun	–	1,006	12	1,127	2,145
Non-executive directors					
Ma Zhaoyang	319	–	–	160	479
Ma Weiping	319	–	–	114	433
Independent non-executive directors					
Lee Kong Wai Conway	319	–	–	160	479
Wong Kun Kau	319	–	–	160	479
Tam King Ching Kenny	319	–	–	160	479
	1,595	4,094	41	3,713	9,443

Note: During the years ended 31 December 2014 and 2013, as the result of the non-fulfilment of performance condition attached to the share option scheme (Note 38), the share-based payments expenses charged to profit or loss in the prior periods was reversed against current year profit or loss. For the purpose of this presentation, such reversal of RMB3,628,000 (2013: RMB924,000) was not reflected under the total emoluments paid or payable to directors above.

Mr. Tian Zhenjun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

On 5 February 2015, Mr. Tian Zhenjun resigned as a director and Chief Executive of the Company. On the same day, Dr. Ma Weiping was redesignated as an executive director and Chief Executive of the Company. Ms. Low Po Ling resigned as a director on 5 February 2015.

Neither the chief executive nor any of the directors waived any emoluments in both years.

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17. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2013: four) were directors whose emoluments are included in the disclosures in Note 16 above. The emoluments of the remaining two individuals (2013: one individual) were as follows:

	2014 RMB'000	2013 RMB'000
Basic salaries and allowances	1,867	1,072
Retirement benefit scheme contributions	12	12
Share options scheme accrued	1,433	377
	3,312	1,461

The above employees' emoluments were within the following bands:

	Number of employees	
	2014	2013
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	1	1
HK$2,000,001 to HK$2,500,000	1	–

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Electronic and other equipment RMB'000	Machinery RMB'000	Mining assets RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2013	2,788,371	61,572	180,018	3,982,433	745,669	1,324,327	9,082,390
Additions	5,861	12,662	4,137	5,968	5,230	701,211	735,069
Transfers	387,895	–	12,919	329,325	9,880	(740,019)	–
Disposals	–	(14,813)	(764)	(805)	(478)	–	(16,860)
At 31 December 2013	3,182,127	59,421	196,310	4,316,921	760,301	1,285,519	9,800,599
Additions	9,499	6,941	11,683	41,883	6,373	609,273	685,652
Acquisition of a subsidiary *(Note 35)*	258	–	29	1,686	351	–	2,324
Transfers	231,705	–	50,238	194,691	55,871	(532,505)	–
Disposals	–	(18,208)	(482)	(8,532)	–	–	(27,222)
At 31 December 2014	**3,423,589**	**48,154**	**257,778**	**4,546,649**	**822,896**	**1,362,287**	**10,461,353**
Accumulated depreciation and impairment							
At 1 January 2013	343,980	18,191	48,339	741,664	100,550	–	1,252,724
Depreciation charge	144,903	9,953	27,516	332,628	36,404	–	551,404
Disposals	–	(5,966)	(600)	(759)	–	–	(7,325)
At 31 December 2013	488,883	22,178	75,255	1,073,533	136,954	–	1,796,803
Depreciation charge	147,646	8,394	44,350	357,314	44,328	–	602,032
Impairment	2,179	–	–	1,744	–	–	3,923
Disposals	–	(11,742)	(308)	(842)	–	–	(12,892)
At 31 December 2014	**638,708**	**18,830**	**119,297**	**1,431,749**	**181,282**	**–**	**2,389,866**
Carrying amounts							
At 31 December 2014	**2,784,881**	**29,324**	**138,481**	**3,114,900**	**641,614**	**1,362,287**	**8,071,487**
At 31 December 2013	2,693,244	37,243	121,055	3,243,388	623,347	1,285,519	8,003,796

Details of property, plant and equipment pledged are set out in Note 41.

Notes to the Consolidated Financial Statements

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18. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

In view that the actual production of cement by Hetian Yaobai has been below its designed production capacity since its operation beginning April 2013, which is considered as an impairment indicator, the directors of the Company performed impairment assessment on Hetian Yaobai as a CGU, which is engaged in the production and sale of cement products in Xinjiang. The recoverable amount is determined based on discounted cash flow model covering thirteen-year period. The compound annual growth rate ("CAGR") of the sales volume is 22% from 2015 to 2019 and the pre-tax discount rate applied to cash flow projection is 12%. Cash flows beyond the five-year approved management's financial budgets are prepared based on zero growth rate. As the result of the impairment assessment, the directors of the Company recognised an impairment loss of RMB3,923,000 in 2014 (2013: Nil) against the non-current assets of RMB618,405,000 as at 31 December 2014 (2013: RMB659,956,000). The impairment charge is recorded within "other gains and losses, net" in profit or loss.

The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected cash-inflows and growth rate used for extrapolation purposes.

Discount rates represent the current market assessment of the risks specific to the industry, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The Group takes into account its weighted average cost of capital ("WACC") as a starting point in estimating the discount rate. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. The beta factors used are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in pre-tax discount rate would result in a further impairment.

Growth rate estimates for Hetian Yaobai, after its second operating year since 2013, are based on management's best estimate of local industry demand for the first five years and followed by the long-term average growth rate, with the expectation that the Group's local market share to be stable over the forecast period. Management recognises that the timing and volume of such local industry demand can have a significant impact on growth rate assumptions and any adverse changes would result in a further impairment.

19. PREPAID LEASE PAYMENTS

	2014 **RMB'000**	2013 RMB'000
Current asset *(Note 25)*	**12,549**	11,637
Non-current asset	**452,929**	448,244
	465,478	459,881

Prepaid lease payments of the Group are medium-term leases in the PRC. The Group is in the process of applying for the title certificates for certain of its land use rights with an aggregate carrying value of RMB40,762,000 (2013: RMB43,794,000) at 31 December 2014. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

Details of prepaid lease payments pledged are set out in Note 41.

20. MINING RIGHTS

	RMB'000
Cost	
Balance at 1 January 2013	162,354
Addition	1,694
Balance at 31 December 2013	164,048
Addition	15,630
Acquisition of a subsidiary *(Note 35)*	23,656
Balance at 31 December 2014	203,334
Accumulated amortisation	
Balance at 1 January 2013	23,105
Charge for the year	7,827
Balance at 31 December 2013	30,932
Charge for the year	9,446
Balance at 31 December 2014	40,378
Carrying amounts	
As at 31 December 2014	162,956
As at 31 December 2013	133,116

Mining rights are granted by the respective Land and Resource Bureaus in the PRC.

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21. OTHER INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationships RMB'000	Computer software RMB'000	Total RMB'000
Cost				
At 1 January 2013	157,537	20,610	907	179,054
Addition	–	–	80	80
At 31 December 2013	157,537	20,610	987	179,134
Addition	–	–	753	753
At 31 December 2014	157,537	20,610	1,740	179,887
Accumulated amortisation				
At 1 January 2013	–	6,904	324	7,228
Charge for the year	–	2,015	198	2,213
At 31 December 2013	–	8,919	522	9,441
Charge for the year	–	2,015	329	2,344
At 31 December 2014	–	10,934	851	11,785
Carrying amounts				
At 31 December 2014	157,537	9,676	889	168,102
At 31 December 2013	157,537	11,691	465	169,693

The following useful lives are used in the calculation of amortisation:

Customer relationships	10 years
Computer software	5 years

The customer relationships amounting to RMB20,610,000 arose from the acquisition of a subsidiary, Shangluo Yaobai Xiushan Cement Co., Ltd ("Xiushan Yaobai ") in December 2009. They are amortised over a period of 10 years.

22. IMPAIRMENT TESTING ON GOODWILL

Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired. For the purposes of impairment testing, goodwill set out in Note 21 have been allocated to four individual cash-generating units (CGUs). The carrying amounts of goodwill allocated to these units are as follows:

	2014	2013
	RMB'000	RMB'000
Cement plant — Xiushan Yaobai	**45,274**	45,274
Cement plant — Luxin Building Materials Co., Ltd.	**49,133**	49,133
Cement plant — Shifeng Cement	**55,872**	55,872
Cement plant — Fuping Cement	**7,258**	7,258
	157,537	157,537

During the year, the directors of the Company determine that there is no impairment in any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of the above CGUs have been determined based on the value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period. For the year ended 31 December 2014, the CAGR in sales volume of 0% to 6% and discount rate of 11% were applied. This growth rate is based on the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using zero growth rates. Other key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. As the result of the analysis, management did not identify an impairment for the above CGUs to which the goodwill are allocated.

23. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014	2013
	RMB'000	RMB'000
Deferred tax assets	**16,118**	18,587
Deferred tax liabilities	**(20,500)**	(14,575)
	(4,382)	4,012

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23. DEFERRED TAX *(Cont'd)*

The movement in deferred tax assets and liabilities during the year is as follows:

	Allowance for doubtful debts and accruals	Deferred income	Tax losses	Assets booked at fair value on acquisition	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	10,574	8,037	34,741	(26,233)	27,119
Credited (charged) to profit or loss	(3,325)	525	(19,204)	1,518	(20,486)
Effect of change in tax rate	–	–	–	(2,621)	(2,621)
At 31 December 2013	7,249	8,562	15,537	(27,336)	4,012
Credited (charged) to profit or loss	1,172	676	(7,427)	1,093	(4,486)
Acquisition of a subsidiary *(Note 35)*	–	–	–	(4,680)	(4,680)
Effect of change in tax rate	84	688	–	–	772
At 31 December 2014	**8,505**	**9,926**	**8,110**	**(30,923)**	**(4,382)**

At the end of the reporting period, the Group has unused tax losses of RMB104,116,000 (2013: RMB103,433,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB54,065,000 (2013: RMB103,433,000) of such losses.

The unused tax losses not recognised will be expired in the following year ending 31 December:

	2014	2013
	RMB'000	RMB'000
2019	**50,051**	–

Deferred taxation was not provided for in the consolidated financial statements of the Group for the years ended 31 December 2014 and 2013 in respect of the undistributed profits of relevant PRC subsidiaries, as the directors of the Company confirmed that the balance of retained earnings as at 31 December 2014 in the relevant PRC subsidiaries generated after 2008 will not be distributed to its foreign investor in the foreseeable future.

The aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately RMB2,617,782,000 (2013: RMB2,398,830,000).

24. INVENTORIES

	2014	2013
	RMB'000	RMB'000
Raw materials and consumables	**336,311**	315,925
Work in progress	**126,200**	131,721
Finished goods	**85,807**	83,218
	548,318	530,864

25. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2014 RMB'000	2013 RMB'000
Trade receivables	271,421	189,752
Less: Allowance for doubtful debts	(5,922)	(7,351)
	265,499	182,401
Other receivables	29,480	27,973
Less: Allowance for doubtful debts	(1,826)	(2,543)
	27,654	25,430
Bills receivable	83,920	149,988
VAT recoverable	131,860	136,917
VAT refund receivable	9,467	22,489
Amount due from previous shareholders of subsidiaries	22,984	42,984
Amount due from non-controlling shareholder of a subsidiary *(note)*	39,457	29,305
Prepayments to suppliers	46,988	136,153
Prepaid lease payments *(Note 19)*	12,549	11,637
	640,378	737,304
Less: Non-current portion *(note)*	(39,457)	(29,305)
	600,921	707,999

Note:

The amount due from non-controlling shareholder of a subsidiary represents advances for procuring the acquisition of various mining rights which are being arranged through the non-controlling shareholder according to the arrangement procedures of the local authority. As the balance is related to the acquisition of mining rights, it is classified as non-current as at the end of the reporting period.

The Group allows a credit period of 60–90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	2014 RMB'000	2013 RMB'000
0 to 90 days	192,032	143,552
91 to 180 days	61,827	17,565
181 to 360 days	3,663	6,911
361 to 720 days	7,256	3,129
Over 720 days	721	11,244
	265,499	182,401

Bills receivable are mainly aged within six months.

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25. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Cont'd)*

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. RMB155,966,000 (2013: RMB106,648,000) of the trade receivables that are neither past due nor impaired have high credit ranking attributable under the credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB109,533,000 (2013: RMB75,753,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2014 **RMB'000**	2013 RMB'000
0 to 90 days	**36,066**	36,904
91 to 180 days	**61,827**	17,565
Over 180 days	**11,640**	21,284
	109,533	75,753

Allowance for doubtful debts has been made for estimated irrecoverable amounts of trade and other receivables. The movement in the allowance for doubtful debts is as follows:

	2014 **RMB'000**	2013 RMB'000
At 1 January	**9,894**	6,985
Recognised in profit or loss	**3,363**	5,594
Amount reversed during the year	**(5,509)**	(2,685)
At 31 December	**7,748**	9,894

The allowance for doubtful debts represent individually impaired trade receivables with an aggregate balance of approximately RMB7,748,000 (2013: RMB9,894,000) which have financial difficulties.

26. BANK BALANCE AND CASH/RESTRICTED BANK DEPOSITS

	2014 RMB'000	2013 RMB'000
Restricted bank deposits		
— dominated in RMB	**212,119**	116,519
Bank balances and cash		
— dominated in RMB	**441,896**	497,109
— dominated in US$	**50,601**	4,715
— dominated in other currency	**3,108**	4,762
	495,605	506,586

Bank balances and restricted bank deposits carry interest at market rates of 0.35% to 3.25% (2013: 0.35%) per annum.

Restricted bank deposits represent bank deposits of RMB23,119,000, RMB9,000,000 and RMB180,000,000 (2013: RMB16,519,000, Nil and RMB100,000,000) set aside as securities deposits for projects bidding, bills payable and bank loans, respectively (Note 41).

27. SHARE CAPITAL

	Number of shares	Share capital	
			Shown in the consolidated financial statements
	'000	GBP'000	RMB'000
Authorised:			
Ordinary shares of GBP0.002 each as at 1 January 2013, 31 December 2013 and 2014	10,000,000	20,000	
Issued and fully paid:			
Ordinary shares of GBP0.002 each as at 1 January 2013 and 2014	4,547,200	9,094	124,715
Shares repurchased and cancelled on 16 May 2014	(29,860)	(60)	(617)
Ordinary shares of GBP0.002 each as at 31 December 2014	**4,517,340**	**9,034**	**124,098**
Ordinary shares of GBP0.002 each as at 31 December 2013	4,547,200	9,094	124,715

The shares repurchased was made out of the share premium of the Company as allowed by the relevant provisions of the Companies (Jersey) Law 1991 and the articles of association of the Company.

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28. RESERVES

Equity reserve

Equity reserve comprise of:

(a) On 27 October 2006, the Company became the legal parent of West China BVI by way of a share exchange agreement. According to the share exchange agreement, the shareholders of West China BVI transferred the entire issued share capital of West China BVI to the Company. This business combination is regarded as a reverse acquisition whereby West China BVI, the legal subsidiary, is the acquirer and has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities. The difference between the fair value and carrying amount of net assets of West China BVI at the acquisition date amounted to RMB341,304,000 resulting from this reverse acquisition was recognised in equity reserve.

(b) On 10 January 2011, the Group signed an agreement with the non-controlling shareholder of Longqiao Yaobai to acquire the remaining 20% equity interests in Longqiao Yaobai from the non-controlling shareholder. The difference amounted to RMB8,124,000 between the consideration paid of RMB25,000,000 and the non-controlling interest decreased of RMB33,124,000 was recognised directly in equity reserve.

(c) On 19 March 2012, the Group signed an agreement with the non-controlling shareholder of Ankang Yaobai Jianghua Cement Co., Ltd. ("Ankang Jianghua") to acquire the remaining 20% equity interests in Ankang Jianghua from the non-controlling shareholder. The difference amounted to RMB30,916,000 between the consideration paid of RMB50,000,000 and the non-controlling interest decreased of RMB80,916,000 was recognised directly in equity reserve.

(d) On 14 November 2013, the Group signed an agreement with the non-controlling shareholder of Guizhou Linshan to acquire the remaining 20% equity interests in Guizhou Linshan from the non-controlling shareholder. The difference amounted to RMB3,604,000 between the consideration paid of RMB58,680,000 and the non-controlling interest decreased of RMB55,076,000 was recognised directly in equity reserve.

Statutory reserve

In accordance with relevant rules and regulations in the PRC and provision of the articles of association of the group companies established in the PRC, the group companies in the PRC are required to appropriate 10% of the profit after tax determined under the accounting principles and financial regulations applicable in the PRC to the statutory reserve until the balances reach 50% of their respective registered capital. The reserve can be used to offset losses incurred or to increase their respective paid-in capital. Except for offset of losses incurred, any other usage should not result in the reserve balance falling below 25% of registered capital.

29. BORROWINGS

	2014 RMB'000	2013 RMB'000
Secured bank loans		
— denominated in RMB	**643,800**	610,000
— denominated in US$	**178,373**	99,423
	822,173	709,423
Unsecured other loans	**6,000**	6,000
	828,173	715,423
Carrying amount repayable as follows:		
Within one year	**745,173**	709,423
More than one year but not more than two years	**80,000**	3,000
More than two years but not more than five years	**3,000**	3,000
	828,173	715,423
Less: Amount due for settlement within one year and shown under current liabilities	**745,173**	709,423
Amount due after one year	**83,000**	6,000

Bank loans:

An analysis of the terms of the bank loans is as follows:

	2014 RMB'000	2013 RMB'000
Fixed rate borrowings		
— within one year	**662,173**	450,000
Variable rate borrowings		
— within one year	**80,000**	259,423
— more than one year but not more than two years	**80,000**	–
	822,173	709,423

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29. BORROWINGS *(Cont'd)*

The ranges of effective interest rates on the Group's bank loans are as follows:

	2014	2013
Effective interest rate per annum:		
Fixed rate borrowings	1.28% to 6.60%	1.50% to 6.60%
Variable rate borrowings	7.38%	8.00%

Other loans:

Other loans were obtained from independent third parties, unsecured and denominated in RMB. As at 31 December 2014 and 2013, other loans of RMB6,000,000 borrowings are interest free. An analysis of the terms of other loans is as follows:

	2014 RMB'000	2013 RMB'000
Within one year	3,000	–
More than one year but not more than two years	–	3,000
More than two years but not more than five years	3,000	3,000
	6,000	6,000

The fair values of all borrowings are approximate to their carrying amounts because the impact of discounting is not significant.

Details of pledge of assets for the Group's secured bank borrowings are set out in Note 41.

30. SENIOR NOTES

6.50% Senior Notes Due 2019

On 4 September 2014, the Company issued 6.50%, five-year senior notes with an aggregated principal amount of US$400,000,000 due in 2019 (the "2019 Senior Notes") at 100% of the face value. The 2019 Senior Notes are listed on the HKSE 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 2019 Senior Notes, at any time or from time to time prior to 11 September 2017, 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 11 September 2017, plus all required remaining scheduled interest payments due on such note (but excluding accrued and unpaid interest to the redemption date) through 11 September 2017, 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 11 September 2017 the Company may at its option redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 106.50% of the principal amount of the notes, plus accrued and unpaid interest, if any, with the proceeds from issue of shares of the Company.

30. SENIOR NOTES *(Cont'd)*

6.50% Senior Notes Due 2019 *(Cont'd)*

On or after 11 September 2017, the Company may on any one or more occasions redeem all or any part of the notes, at the redemption prices of 103.25% (if redeemed prior to 11 September 2018) or 101.625% (if redeemed on or after 11 September 2018), plus accrued and unpaid interest, if any, on the notes redeemed, to (but not including) the applicable date of redemption.

The early redemption options are 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 as at 31 December 2014 is insignificant.

The effective interest rate is approximately 6.80% per annum after adjusted for transaction costs.

7.50% Senior Notes Due 2016

On 25 January 2011, the Company issued 7.50%, five-year senior notes with an aggregated principal amount of US$400,000,000 due in 2016 (the "2016 Senior Notes") at 100% of the face value. The effective interest rate is approximately 8.04% per annum after adjusted for transaction costs.

On 11 October 2014, the Company redeemed the entire outstanding 2016 Senior Notes in full equal 100% of the principal amount outstanding of US$400 million (equivalent to RMB2,459 million), plus the applicable redemption premium of US$15 million (equivalent to RMB92,192,000) and accrued and unpaid interest of US$6,333,000 (equivalent to RMB38,931,000).

The 2016 Senior Notes contain early redemption options exercisable by the Company. These options are 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 is insignificant as at 31 December 2013 and date of redemption.

The 2019 Senior Notes and 2016 Senior Notes recognised in the consolidated statement of financial position were as follows:

	2014 RMB'000	2013 RMB'000
Carrying amount at 1 January	**2,407,455**	2,468,506
Net proceeds from the issue of 2019 Senior Notes	**2,417,836**	–
Interest expenses	**227,965**	196,708
Interest paid/payable	**(194,375)**	(184,376)
Exchange losses (gains)	**8,207**	(73,383)
Redemption of 2016 Senior Notes	**(2,458,800)**	–
Carrying amount at 31 December	**2,408,288**	2,407,455
Fair value	**2,343,000**	2,518,000

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31. MEDIUM-TERM NOTES

On 28 March 2013, Shaanxi Yaobai issued 6.10%, unsecured three-year medium-term notes with a principal amount of RMB800,000,000 (the "First Tranche of the Medium-term Notes") at 100% of the face value. The First Tranche of the Medium-term Notes was issued to investors in the national inter-bank market in the PRC. The medium-term notes have been registered with the National Association of Financial Market Institutional Investors of the PRC with an aggregate principal of RMB1,600,000,000. The medium-term notes, including the first tranche, will be used for the expansion of production facilities, the repayment part of the bank loans and general working capital of the Group.

Subsequent to the First Tranche of the Medium-term Notes, Shaanxi Yaobai may until March 2015, being the validity period for the registration of the medium-term notes, determine whether or not to issue, and the terms of, further notes.

The effective interest rate of the First Tranche of the Medium-term Notes is approximately 6.26% per annum after adjusted for transaction costs.

The First Tranche of Medium-term Notes recognised in the consolidated statement of financial position were calculated as follows:

	2014 **RMB'000**	2013 RMB'000
Carrying amount at 1 January	**794,189**	–
Net proceeds	**–**	792,800
Interest expenses	**51,159**	37,989
Interest paid/payable	**(48,800)**	(36,600)
Carrying amount at 31 December	**796,548**	794,189
Fair value	**823,600**	817,280

32. ASSET RETIREMENT OBLIGATION

	2014 RMB'000	2013 RMB'000
1 January	**13,763**	12,991
Acquisition of a subsidiary *(Note 35)*	**183**	–
Unwinding of discount	**815**	772
31 December	**14,761**	13,763

According to a regulation issued in 2009 by the Ministry of Land and Resources of the People's Republic of China, the owner of a mine should undertake the obligation of environmental restoration. A provision is recognised for the present value of costs to be incurred for the restoration of the limestone mines of the Group based on the best estimate of future expenditure by the management. These amounts will be settled when environmental restoration is undertaken, generally at the end of a mining life. However, so far the local Land and Resource Bureau has not issued specific rules for the restoration standard, and if the restoration standard is released, the estimate of restoration costs may be subject to revision in the future. The amounts provided in relation to restoration and environmental cleanup costs are reviewed at least annually based upon the facts and circumstances available at the time, and the provisions are updated accordingly.

33. DEFERRED INCOME

	2014 RMB'000	2013 RMB'000
Deferred income for acquisition of property, plant and equipment *(note (a))*	**56,633**	45,014
Deferred income for construction of properties *(note (b))*	**10,000**	10,000
	66,633	55,014

(a) Deferred income represents government grants to the Group's subsidiaries for acquisition of property, plant and equipment. The balance will be amortised based on the useful life of the property, plant and equipment of 5–12 years.

(b) Deferred income represents government grants to the Group's subsidiaries for construction of properties. The balance will be amortised based on the useful life of the relevant properties.

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34. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	**762,766**	722,504
Bill payables	**30,000**	–
	792,766	722,504
Amount due to non-controlling shareholder of a subsidiary	**3,774**	981
Payables for constructions and equipment purchase	**444,393**	437,734
Advance from customers	**96,502**	107,917
Other tax liabilities	**39,379**	55,128
Payroll and welfare payable	**28,511**	22,436
Acquisition consideration payable to previous shareholders of subsidiaries	**5,000**	14,600
Advance from previous shareholder of a subsidiary	**7,921**	8,755
Other payables	**95,007**	74,296
Interest payable	**84,328**	112,811
	1,597,581	1,557,162

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

	2014 RMB'000	2013 RMB'000
0 to 90 days	**610,163**	543,786
91 to 180 days	**102,934**	78,258
181 to 360 days	**51,230**	52,008
361 to 720 days	**14,021**	39,599
Over 720 days	**14,418**	8,853
	792,766	722,504

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

35. BUSINESS COMBINATION

On 23 May 2014, the Group acquired 100% equity interest in Huocheng Nangang Xixin Mining Co., Ltd. ("Huocheng Mining") from independent third parties for a cash consideration of RMB20,000,000. Huocheng Mining is principally engaged in the production and sale of limestone in Xinjiang, China and was acquired with the primary objective of stabilising limestone supply cost to the Group's operation in Xinjiang.

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

Assets and liabilities to be recognised at the date of acquisition

	RMB'000
Assets	
Trade and other receivables	311
Inventories	1
Bank balances and cash	195
Property, plant and equipment	2,324
Mining rights	23,656
Liabilities	
Trade and other payables	(1,624)
Deferred tax liabilities	(4,680)
Asset retirement obligation	(183)
	20,000

The trade and other receivables acquired with gross contractual amount of RMB311,000 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 fair value of the acquired property, plant and equipment and mining rights of RMB2,324,000 and RMB23,656,000, respectively, has been determined based on the valuation report issued by an independent professional value and the management reasonable estimation in investment evaluation due diligence.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	20,000
Less: Recognised amount of net identifiable assets acquired	(20,000)
Goodwill arising on acquisition	–

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35. BUSINESS COMBINATION *(Cont'd)*

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	15,000
Less: cash and cash equivalent balances acquired	(195)
	14,805

As at 31 December 2014, the remaining balance of the consideration of RMB5,000,000 was unpaid and included in 'trade and other payables' on the consolidated statement of financial position. The amount is unsecured, interest-free and repayable on demand.

Had the acquisition been completed on 1 January 2014, the revenue of the Group for the year ended 31 December 2014 would have been RMB3,883,445,000, and the profit for the year would have been RMB35,404,000. 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 2014, nor is intended to be a projection of future results.

36. ACQUISITION OF ASSETS

On 1 January 2014, Shaanxi Yaobai, a wholly-owned subsidiary of the Company, purchased certain assets and assumed certain liabilities of a branch company of an independent third party, Shaanxi Danluo Cement Co., Ltd. ("Shaanxi Danluo") for a final cash consideration of RMB39,068,000. The acquisition is accounted for as an asset acquisition as at the time of acquisition, this branch company had no significant operating activities.

Net assets acquired

	RMB'000
Assets	
Other receivables	75
Inventories	4,060
Property, plant and equipment	23,910
Prepaid lease payments	18,176
Liabilities	
Other payables	(7,153)
	39,068

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	20,000
Less: cash and cash equivalent balances acquired	–
	20,000

The remaining balance of the consideration of RMB19,608,000 was fully by offset of the trade receivable amounts due from Shaanxi Danluo to the Group during the year.

37. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**180,528**	585,831

38. 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, and will expire 10 years after the date of grant ("Post-IPO Share Option Scheme").

The total number of shares in respect of which options may be granted under the Post-IPO Share Option Scheme is not permitted to exceed 10% of the issued shares capital of the Company as at 23 August 2010, which aggregated at 411,533,185 shares, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant. Options 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. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

On 23 March 2011, the Company granted a total of 18,400,000 options to directors, senior management and staff, to subscribe for shares of the Company with a payment of HK$1 for each person who was granted and with an exercise price of HK$3.41 per share ("First Issuance"). The fair values of the options using the Black-Scholes option pricing model were approximately HK$19,069,000 at the grant date.

On 22 March 2013, the board of directors approved, within the pre-approved quantity limit under the same scheme, the issuance of 34,000,000 options to directors, senior management and staff with an exercise price of HK$1.25 per share (the "Second Issuance"). The fair values of the options using the Black-Scholes option pricing model were approximately HK$19,553,000 at the grant date.

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38. SHARE-BASED PAYMENTS *(Cont'd)*

On 24 March 2014, the board of directors approved, within the pre-approved quantity limit under the same scheme, the issuance of 52,100,000 options to directors, senior management and staff with an exercise price of HK$0.91 per share (the "Third Issuance"). The closing price of the Company's shares immediately before 24 March 2014 was HK$0.91 per share. The total fair value of the Third Issuance was approximately HK$21,103,000, and was determined at the date of grant using the Black-Scholes option pricing model.

The share options granted are exercisable within a period of ten years after the corresponding vesting periods (from 1 to 6 years) succeeding the date of grant, subject to the fulfilment of certain non-market performance condition, that is the share options would vest only if the growth in profit after tax of the Group in the financial year following the vesting date of the share options (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 will not vest.

Fair value of the share options

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options. The following assumptions were used to calculate the fair values of share options:

	Second Issuance	Third Issuance
Grant date share price	HK$1.24	HK$0.91
Exercise price	HK$1.25	HK$0.91
Expected option life	5.5 years to 7 years	5.5 years to 7 years
Expected volatility	56.67% to 59.13%	54.46% to 55.36%
Dividend yield	1.58%	1.98%
Risk-free interest rate	0.60% to 0.81%	1.61% to 1.87%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

38. SHARE-BASED PAYMENTS *(Cont'd)*

Fair value of the share options *(Cont'd)*

The following table disclose the details of the share options held by the employees (including the directors) and movements in such holdings during the years ended 31 December 2013 and 2014:

				Number of options ('000)				
	Date of grant	Exercise period	Exercise price	Outstanding at 1.1.2014	Granted during the year	Exercised during the year	Forfeited/ lapsed during the year	Outstanding at 31.12.2014
First Issuance	23 March 2011	23 March 2012 to 22 March 2021	HK$3.41	13,300	–	–	7,950	5,350
Second Issuance	22 March 2013	22 March 2014 to 21 March 2023	HK$1.25	34,000	–	–	10,750	23,250
Third Issuance	24 March 2014	24 March 2015 to 23 March 2024	HK$0.91	–	52,100	–	5,700	46,400
				47,300	52,100	–	24,400	75,000
Exercisable at the end of the year								–
Weighted average exercise price								HK$1.19

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38. SHARE-BASED PAYMENTS *(Cont'd)*

Fair value of the share options *(Cont'd)*

				Number of options ('000)				
	Date of grant	Exercise period	Exercise price	Outstanding at 1.1.2013	Granted during the year	Exercised during the year	Forfeited/ lapsed during the year	Outstanding at 31.12.2013
First Issuance	23 March 2011	23 March 2012 to 22 March 2021	HK$3.41	17,400	–	–	4,100	13,300
Second Issuance	22 March 2013	22 March 2014 to 21 March 2023	HK$1.25	–	34,000	–	–	34,000
				17,400	34,000	–	4,100	47,300
Exercisable at the end of the year								–
Weighted average exercise price								HK$1.86

At the end of each reporting date, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share option reserve.

The Group recognised the total net expense of RMB3,957,000 (2013: RMB4,448,000) for the year ended 31 December 2014 in relation to share options granted by the Company. Included in the amount of share-based payments expenses during the year ended 31 December 2014 was a reversal of expenses against profit or loss due to non-fulfillment of performance conditions and employee resignation was amounting to RMB8,790,000 (2013: RMB2,183,000).

39. RETIREMENT BENEFITS PLANS

The Group participate in the Mandatory Provident Fund Scheme (the "Scheme") for its employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The Scheme requires the Group and its employees in Hong Kong to contribute 5% of the employee's monthly salary to the Scheme subject to a monthly salary cap of HK$30,000 (HK$25,000 before 1 June 2013).

The employees of the Group's subsidiaries in the PRC are members of a state-managed defined contribution retirement scheme operated by the PRC government. The subsidiary is required to contribute 20% of payroll costs to the retirement scheme subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

The total expense recognised in profit or loss of RMB18,761,000 (2013: RMB17,129,000) represents contributions paid or payable under the retirement benefit scheme.

40. RELATED PARTY TRANSACTIONS

Key management compensation

The key management includes directors (executive and non-executive) of the Company and senior management of the Group. The compensation paid or payable to the key management for employee services is shown below:

	2014 RMB'000	2013 RMB'000
Salaries and other short-term employee benefits	**9,927**	9,602
Post-employment benefits	**122**	130
Share-based payments *(note)*	**7,356**	5,655
	17,405	15,387

Note: During the years ended 31 December 2014 and 2013, as the result of the non-fulfilment of performance condition attached to the share option scheme (Note 38), the share-based payments expenses charged to profit or loss in the prior periods was reversed against current year profit or loss. For the purpose of this presentation, such reversal of RMB5,693,000 (2013: RMB1,490,000) was not reflected under the total emoluments paid or payable to key management personnel above.

41. ASSETS PLEDGED FOR SECURITY

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

	2014 RMB'000	2013 RMB'000
Restricted bank deposits (Note 26)	**189,000**	100,000
Prepaid lease payments	**44,122**	6,446
Property, plant and equipment	**1,401,014**	913,304
	1,634,136	1,019,750

42. MAJOR NON-CASH TRANSACTIONS

(a) As at 31 December 2014, the Group's additions to property, plant and equipment of RMB444,393,000 (2013: RMB437,734,000) remained unpaid and included in trade and other payables on the consolidated statement of financial position.

(b) During the year ended 31 December 2014, the purchase consideration in respect of the acquisition of Huocheng Mining of RMB5,000,000 (2013: Nil) remained unpaid and included in trade and other payables on the consolidated statement of financial position.

(c) During the year ended 31 December 2014, the remaining balance of the consideration in respect of acquisition of assets from Shaanxi Danluo (Note 36) of RMB19,608,000 was fully settled by offset of the trade receivable amounts due from Shaanxi Dantuo to the Group.

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43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at the end of the reporting period are as follows:

Name of subsidiary	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company 2014	2013	Principal activities
Directly held						
West China BVI	Ordinary	BVI	HK$7,800	**100%**	100%	Investment holding
Faithful Alliance Limited 集誠有限公司	Ordinary	Hong Kong	HK$100	**100%**	100%	Investment holding
Shaanxi Yaobai 堯柏特種水泥集團有限公司	Ordinary	Shaanxi, PRC	RMB1,620,000,000	**100%**	100%	Production and sale of cement
Lantian Yaobai 西安藍田堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	**100%**	100%	Production and sale of cement
Ankang Yaobai 安康堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB345,000,000	**100%**	100%	Production and sale of cement
Hanzhong Yaobai 漢中堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB135,000,000	**100%**	100%	Production and sale of cement
Hanzhong Mianxian Yaobai Cement Co. Ltd. 漢中勉縣堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB140,000,000	**100%**	100%	Production and sale of cement
Xi'an Yaobai Material Co., Ltd. 西安市堯柏物資有限公司	Ordinary	Shaanxi, PRC	RMB35,000,000	**100%**	100%	Purchase and sale of raw material
Hanzhong Xixiang Yaobai Cement Co., Ltd. 漢中西鄉堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB105,000,000	**100%**	100%	Production and sale of cement
Shangluo Yaobai Longqiao Cement Co., Ltd. ("Longqiao Yaobai") 商洛堯柏龍橋水泥有限公司	Ordinary	Shaanxi, PRC	RMB125,000,000	**100%**	100%	Production and sale of cement
Xiushan Yaobai Cement Co., Ltd. 商洛堯柏秀山水泥有限公司	Ordinary	Shaanxi, PRC	RMB20,000,000	**100%**	100%	Production and sale of cement

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Name of subsidiary	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company 2014	2013	Principal activities
Ankang Jianghua 安康堯柏江華水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	**100%**	100%	Production and sale of cement
Hancheng Yaobai Yangshanzhuang 韓城堯柏陽山庄水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	**80%**	80%	Production and sale of cement
Luxin Building Materials Co., Ltd. 和田魯新建材有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	**100%**	100%	Production and sale of cement
Hetian Yaobai Cement Co., Ltd. 和田堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB236,000,000	**100%**	100%	Production and sale of cement
Shifeng Cement Co., Ltd. 實豐水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	**100%**	100%	Production and sale of cement
Fuping Cement 富平水泥有限公司	Ordinary	Shaanxi, PRC	RMB597,000,000	**100%**	100%	Production and sale of cement
Guizhou Linshan. Cement Co., Ltd. 貴州麟山水泥有限公司	Ordinary	Guizhou, PRC	RMB233,381,000	**100%**	100%	Production and sale of cement
Yili Yaobai Cement Co., Ltd. 伊犁堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB1,000,000,000	**100%**	100%	Production and sale of cement

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

(a) Except for West China BVI and Faithful Alliance Limited, the above English names of the entities have not been registered with the authorities and are used throughout the consolidated financial statements for discussion only.

(b) Other than the senior notes issued by the Company and the medium-term notes issued by Shaanxi Yaobai, no other subsidiaries had issued debt securities at the end of the year.

(c) Other than Shaanxi Yaobai and Fuping Cement which are wholly-owned foreign enterprises held directly by Faithful Alliance Limited, all other subsidiaries established in the PRC are domestic companies held directly/indirectly by Shaanxi Yaobai.

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For the year ended 31 December 2014

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have non-controlling interests:

Name of subsidiary	Place of registration/ incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
				RMB'000	RMB'000	**RMB'000**	RMB'000
Hancheng Yaobai Yangshanzhuang 韓城堯柏陽山庄水泥有限公司	Shaanxi, PRC	**20%**	20%	**2,135**	4,049	**41,979**	39,844
Xi'an Yaobai Hongyi Cement Admixture Co., Ltd. 西安市堯柏宏藝水泥外加劑有限公司	Shaanxi, PRC	**45%**	45%	**1,465**	(100)	**2,715**	1,250
Shaanxi Jiandaxin Technology Co., Ltd. 陝西建達信科技有限責任公司	Shaanxi, PRC	**49%**	–	**(12)**	–	**938**	–
Total						**45,632**	41,094

Summarised financial information of Hancheng Yaobai Yangshanzhuang which have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Cont'd)*

Hancheng Yaobai Yangshanzhuang

	2014 RMB'000	2013 RMB'000
Current assets	**79,684**	95,492
Non-current assets	**433,666**	470,059
Current liabilities	**303,455**	366,332
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**167,916**	159,375
Non-controlling interests	**41,979**	39,844
Revenue	**220,767**	277,962
Expenses	**210,091**	257,718
Profit for the year	**10,676**	20,244
Profit attributable to owners of the Company	**8,541**	16,195
Profit attributable to non-controlling interests	**2,135**	4,049
Profit for the year	**10,676**	20,244
Net cash inflow from operating activities	**1,066**	1,278
Net cash outflow from investing activities	**(57)**	(1,150)
Net cash inflow	**1,009**	128

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

44. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY

Information about the financial position of the Company at the end of the reporting period includes:

	2014 RMB'000	2013 RMB'000
ASSETS		
Unlisted investments in subsidiaries	**1,700,742**	1,668,449
Amount due from subsidiaries	**3,371,979**	3,714,712
Dividend receivable from a subsidiary	**17,000**	17,000
Cash and cash equivalents	**4,337**	3,775
Total assets	**5,094,058**	5,403,936
EQUITY		
Share capital	**124,098**	124,715
Reserves	**2,503,570**	2,784,866
Total equity	**2,627,668**	2,909,581
LIABILITIES		
Senior notes *(Note 30)*	**2,408,288**	2,407,455
Other payables	**58,102**	86,900
Total liabilities	**2,466,390**	2,494,355
Total equity and liabilities	**5,094,058**	5,403,936
Net current liabilities	**(36,765)**	(66,125)
Total assets less current liabilities	**5,035,956**	5,317,036

44. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

Movement in reserves

	Share capital RMB'000	Share premium RMB'000	Share option reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2013	124,715	2,136,463	9,172	526,847	2,797,197
Profit and total comprehensive income for the year	–	–	–	198,868	198,868
Recognition of equity-settled share-based payment *(Note 38)*	–	–	4,448	–	4,448
Dividend recognised as distribution *(Note 14)*	–	–	–	(90,932)	(90,932)
At 31 December 2013	**124,715**	**2,136,463**	**13,620**	**634,783**	**2,909,581**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**(172,714)**	**(172,714)**
Recognition of equity-settled share-based payment *(Note 38)*	**–**	**–**	**3,957**	**–**	**3,957**
Dividend recognised as distribution *(Note 14)*	**–**	**–**	**–**	**(90,944)**	**(90,944)**
Share repurchased and cancelled *(Note 27)*	**(617)**	**(21,595)**	**–**	**–**	**(22,212)**
At 31 December 2014	**124,098**	**2,114,868**	**17,577**	**371,125**	**2,627,668**

At 31 December 2014, the aggregate amount of reserves available for distribution to equity holders of the Company under the Company's Articles of Association and Companies (Jersey) Law 1991, as amended, was RMB2,485,993,000 (2013: RMB2,771,246,000).

45. RECLASSIFICATIONS OF COMPARATIVE AMOUNTS

Certain reclassifications have been made to the comparative amounts as of 31 December 2013 to conform with the current period's presentation, which have no impact to the Group's result of operations, total assets and total liabilities.

Group Financial Summary

RESULTS

	For the year ended 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014 RMB'000**
Revenue	2,960,781	3,190,479	3,524,117	4,167,843	**3,883,385**
Profit before tax	1,057,604	763,289	458,584	475,082	**135,036**
Income tax expense	(124,337)	(102,888)	(86,058)	(92,812)	**(95,546)**
Profit for the year	933,267	660,401	372,526	382,270	**39,490**
Attributable to:					
Owners of the Company	925,143	662,128	364,881	378,321	**35,902**
Non-controlling interests	8,124	(1,727)	7,645	3,949	**3,588**
	933,267	660,401	372,526	382,270	**39,490**

ASSETS AND LIABILITIES

	At 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014 RMB'000**
Total assets	5,545,674	8,420,684	10,298,888	10,664,709	**10,768,012**
Total liabilities	(1,971,658)	(4,242,143)	(5,452,086)	(5,579,451)	**(5,751,513)**
	3,574,016	4,178,541	4,846,802	5,085,258	**5,016,499**
Equity attributable to:					
Owners of the Company	3,540,892	4,069,475	4,755,931	5,044,164	**4,970,867**
Non-controlling interests	33,124	109,066	90,871	41,094	**45,632**
	3,574,016	4,178,541	4,846,802	5,085,258	**5,016,499**