西部水泥

中國西部水泥有限公司
WEST CHINA CEMENT LIMITED

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

Stock code: 2233

INTERIM REPORT 2013

西部水泥

中國西部水泥有限公司
WEST CHINA CEMENT LIMITED

CONTENTS

CORPORATE INFORMATION

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
Unit 1903, Tower A, Gaoke Plaza
Hi-Tech Industrial Development Zone
Xi'an, Shaanxi Province, PRC

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47 Esplanade
St Helier
Jersey JE1 0BD

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 1907, 19th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

COMPANY WEBSITE
www.westchinacement.com

BOARD OF DIRECTORS
Executive Directors
Zhang Jimin *(Chairman)*
Tian Zhenjun *(Chief Executive Officer)*
Wang Jianli
Low Po Ling

Non-Executive Directors
Ma Zhaoyang
Ma Weiping

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

COMPANY SECRETARY
Chan King Sau *HKICPA*

AUTHORIZED REPRESENTATIVES
Low Po Ling *FCCA*
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
Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

JERSEY PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Investor Services (Channel Islands) Limited
Ordinance House
31 Pier Road
St Helier
Jersey JE4 8PW

HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

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

FINANCIAL HIGHLIGHTS

RMB' Million (unless otherwise specified)	**Six months ended 30 June 2013**	Six months ended 30 June 2012	% Change
Cement Sales Volume (million tons)	**8.1**	6.4	26.6%
Revenue	**1,967.4**	1,590.1	23.7%
Gross Profit	**347.0**	301.9	14.9%
EBITDA	**569.2**	479.8	18.6%
Profit Attributable to owners of the Company	**168.2**	148.5	13.3%
Basic Earnings Per Share[(1)]	**3.7 cents**	3.5 cents	5.7%
Interim Dividend	**Nil**	Nil	Nil
Gross Profit Margin	**17.6%**	19.0%	(1.4 ppt)
EBITDA Margin	**28.9%**	30.2%	(1.3 ppt)
Net Profit Margin	**8.7%**	9.5%	(0.8 ppt)

	30 June 2013	31 December 2012	% Change
Total Assets	**10,411.2**	10,298.9	1.1%
Net Debt[(2)]	**3,453.9**	3,350.4	3.1%
Net Gearing[(3)]	**70.1%**	69.1%	1.0 ppt
Net Assets Per Share	**108 cents**	107 cents	0.9%

Notes:

(1) *The percentage increase in basic earnings per share was lower than the percentage increase in profit attributable to owners of the Company due to the increase in the weighted average number of shares as compared with the corresponding period in 2012 following the issuance of new shares to the Italcementi Group as part of the purchase consideration for the Fuping Cement Plant in June 2012*

(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*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

After the rapid growth in capacity over recent years, the focus of the Group during the six months ended 30 June 2013 has been on consolidating and integrating its newly acquired and constructed operations in both Shaanxi and Xinjiang Provinces. With acquisitions and construction in Shaanxi Province completed by the end of 2012, the Group has gained market share in the province and achieved cement sales volume growth of over 26% during the period under review as compared with the corresponding period in 2012. Shaanxi Province has seen a limited resumption of infrastructure spending return in the period under review, especially on railways, but the province remains in oversupply. This has constrained any significant upturn in average selling prices ("ASPs"), which have been marginally lower than those in the corresponding period of 2012. The cement sales volume growth achieved has been well balanced between a moderate infrastructure demand upturn, increased market share in the Xi'an metropolitan market as a result of the Group's 2012 acquisitions and continued resilient rural demand in the Group's core markets.

Whilst the Group has slowed its rate of expansion and capital expenditure, the financing activities of the Group have been of particular significance in the period under review. In March 2013, the Group became one of the first private companies in the PRC to obtain a quota to issue a Medium-Term Note (the "MTN") in the domestic PRC bond market. The first tranche of the MTN, with a principal amount of RMB800 million, was issued on 28 March 2013. The proceeds of this debt issue have been used to provide working capital and repay a significant amount of the Group's short-term bank loans. This financing activity allows the group to borrow at interest rates lower than and durations longer than those available from the domestic banks. Access to the MTN market enables the Group to reduce its average cost of funding going forward, and provides further funding and refinancing options in the future without exposing to the currency risk associated with off-shore borrowing instruments.

The Group's capacity at 30 June 2013 remained at 23.7 million tons with no new construction or acquisitions completed during the period under review. The Group targets a total capacity of 27 million tons by the end of 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

The tough operating environment that the Group has faced since the second half of 2011 has lessened to a certain extent. This has been a result of the wave of consolidation activity that took place in 2011 and 2012 and a slowdown in the rate of capacity additions in Shaanxi Province. Whilst capacity additions amounted to over 30 million tons of cement between 2010 and the period under review, less than 5 million tons is expected to be added in the second half of 2013 and in 2014 and the Government has not issued any new cement plant construction approvals since October 2010. In addition, closure of inefficient capacity has continued throughout this period and remains a prime focus of central Government policy, with additional closures expected to further constrain supply. Taken together, Shaanxi Province now has one of the more consolidated cement markets in the PRC and this is resulting in a gradual improvement in the supply side situation in the province.

Although the rapid supply growth in Shaanxi Province has been the main factor leading to the cement price falls that the Group experienced in 2011, demand has remained robust and even registered positive growth during the most severe period of credit tightening in 2011 and 2012. Cement consumption in Shaanxi Province continues to rise and is expected to grow by up to 10% in 2013 from 75.5 million tons in 2012. Cement consumption in the first half of 2013 reached approximately 38 million tons as compared with approximately 35 million tons in the corresponding period in 2012. Rural demand growth rates remain stable and new urbanisation plans are being gradually implemented throughout the country. Urban demand, mainly in the Xi'an metropolitan area, has started to strengthen in the period under review, driven by a recovery in property construction. The infrastructure market has also started to recover, with the resumption of railway projects such as the Xi'an — Chengdu High-Speed Railway Line, the Baoji-Lanzhou High-Speed Railway Line and the Xi'an-Hefei Railway Line.

Whilst the gradual supply side improvements have not led to any upside to cement ASPs so far, they have established a floor for cement pricing at a level broadly in line with levels seen in 2012. In the period under review, ASPs have been marginally lower than those seen in the corresponding period of 2012, and have been following the usual seasonal trends of low pricing in the winter months leading up to Chinese New Year, upturns led by stronger volume into March and the beginning of the second quarter, followed by pricing moderation into June and the summer rainy season.

The Group has registered strong sales volume growth of over 26% during the period under review. Sales were especially strong in the first half peak months of March and April, when the Group registered record sales volumes and capacity utilization rates were over 90%. The strong volume numbers have been driven by two main factors. Firstly, the Group has gained market share in the province through the acquisition of the Fuping and Shifeng Cement Plants in 2012, allowing the Group to become a significant player in the Xi'an metropolitan market. Secondly, there has been a pick up in the infrastructure market, especially in the Group's Southern Shaanxi core markets. Both of these factors have led to increases in high-grade cement sales and this has been reflected in the Group's cement sales mix. In the period under review, approximately 42% of cement sales have been high-grade cement, and this reached approximately 48% by the end of the second quarter. This compares with only 30% high grade cement sales in the corresponding period in 2012, and an average below 40% during the whole of 2012.

The Group has continued to supply cement to railway projects that resumed in the second half of 2012. The Group is in bulk supply to the Huangling — Hancheng — Houma Railway Line from its Weinan District plants; and the Xian — Hefei Railway Line from its Shangluo District plants. Most significantly, in May and June of the period under review, the Group won over 70% of Shaanxi Province tender sections for the Xi'an — Chengdu High Speed Railway Line, and is now in bulk supply to this project from its Hanzhong District plants. In addition, the Group continues to supply bulk cement to the Lanzhou — Chongqing Railway Line in the Gansu-Shaanxi Province border region and is supplying approximately 10% of the Group's cement output in Southern Shaanxi to the "Southern Shaanxi Resettlement Project".

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's operations in Xinjiang Province have been relatively lackluster. Whilst ASPs and margins have been reasonable and higher than the Group's average, this has been at the expense of sales volumes which have been low at 415,000 tons of mostly low grade cement. This low volume was due to the current lack of infrastructure demand in the Hetian region. The longer winter season, which extends into the end of March, is another factor contributing to low sales volume in Xinjiang, and the Group expects a pick up in the second half with a longer cement production season.

Expansion and Acquisitions

The Group has now substantially completed most of its expansion plans in 2012, and currently has no further plans for expansion in Shaanxi Province, leading to a sharp reduction in capital expenditure as compared with the previous three financial years. In the medium term, the Group currently has plans to complete two brownfield projects — the Yili Project, in the Ili Kazakh Autonomous Prefecture in North West Xinjiang Province and the Guiyang Linshan Project, located in Guiyang City, the capital of Guizhou Province. The Yili Plant, with a cement capacity of 1.5 million tons is expected to be completed in 2014. The Guiyang Linshan Plant is another brown field site, acquired at a relatively low acquisition cost in 2012 during a sharp downturn in the Guizhou cement market. It is expected that these two projects will take the Group to its targeted capacity of approximately 27 million tons by the end of 2015.

A decision on the timing of construction of the Guiyang Linshan project will be made with due regard to the Group's cash flow and funding abilities going forward. The Group plans to incur not more than approximately RMB500 million of investing cash flow in total in 2013, and has flexibility on the timing of investment and construction.

Safety, Environment & Social Responsibility

The Group's safety and environmental protection department continuously monitors and reviews safety procedures and continues to adhere to the best industry safety standards and practices.

The Group continues to work towards minimal possible emissions and energy consumption. All of the Group's production facilities employ NSP technology. The plants are situated in close proximity to their respective limestone quarries and, at many of the plants, limestone conveyor belt systems are used in order to minimize emissions from transportation. The Group is also the first cement producer in Shaanxi Province to use desulfurized gypsum and construction waste as raw material inputs 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.

During the first half of 2013, the Group has continued constructing residual heat recovery systems and one more of these is due to be installed and come into operation by the end of 2013. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce Co2 emissions by approximately 20,000 tons per annum per million tons of cement production. As at 30 June 2013, residual heat recovery systems have been installed at 12 out of 16 production lines, and with a system for one more due to be completed in the second half of 2013, the Group expects to achieve a rate of over 80% of capacity with heat recovery systems installed by the end of the year.

Recycling and emissions have become increasingly important in the cement industry and the Group carefully monitors any new standards discussed by the Ministry of Environmental Protection regarding carbon dioxide and nitrous oxide emissions. In anticipation of more stringent nitrous oxide emission standards, the Group installed denitration (De-NOx) equipment at most of its production lines in Shaanxi Province during 2012, with equipment for two more plants (Weinan Pucheng and Ankang Xunyang) due to be installed in the second half of 2013 and one more (Shangluo Zhen'an) in 2014. This equipment will enable nitrous oxide emissions to be reduced to approximately 350mg per ton of cement produced.

During the first half of 2013, charitable donations made by the Group amounted to RMB600,000, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 23.7% from RMB1,590.1 million for the six months ended 30 June 2012 to RMB1,967.4 million for the six months ended 30 June 2013. Cement sales volume grew by 26.6% from approximately 6.4 million tons to approximately 8.1 million tons for this period. Whilst the Group did not expand capacity during the reporting period, sales volumes have grown as compared to the corresponding period in 2012 due to acquisitions and capacity expansion completed in 2012. New production facilities that have contributed to these increases in sales volumes include:

- Weinan Shifeng Plant — acquired in April and June 2012
- Weinan Fuping Plant — acquired in June 2012
- Shangluo Danfeng Line 2 — construction completed in April 2012; commenced operation in January 2013
- Xinjiang Yutian Plant — construction completed in August 2012; commenced operation in April 2013

Overall cement prices have remained fairly consistent to those seen in the corresponding period of 2012, and have fluctuated according to normal industry seasonality trends. The ASPs for the Group's cement products in the six months ended 30 June 2013 was RMB233 per ton as compared with RMB234 per ton in the six months ended 30 June 2012.

Cost of Sales

Cost of sales increased by 25.8% from RMB1,288.2 million for the six months ended 30 June 2012 to RMB1,620.5 million for the six months ended 30 June 2013. The increase in cost of sales has been slightly lower than the 26.6% growth in cement sales volume.

There were significant 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 18.1% from approximately RMB586 per ton for the six months ended 30 June 2012 to approximately RMB480 per ton for the six month ended 30 June 2013. However, the cost savings from lower coal prices have been partially offset by higher material, electricity, and depreciation costs.

Material costs increased by approximately 33.9%, a rate higher than the increases in sales and production volumes. This was due to higher material consumption as a result of an increased proportion of high-grade cement sales. High-grade cement uses a larger amount of limestone and other materials per ton of cement produced, and these high-grade cement volumes accounted for 42% of total volume in the reporting period, compared with only 30% in the corresponding period in 2012.

Electricity costs increased by approximately 38.6%, a rate higher than the increases in sales and production volumes. This was due to the combination of higher unit electricity costs as a result of fixed electricity charges, and higher rates of electricity consumption as a result of changes in the product mix to increased amounts of high grade cement. The average electricity price, after taking into account of the savings from the heat recycling system, increased from approximately RMB0.45 per kwh in the six months ended 30 June 2012 to approximately RMB0.47 per kwh in the six months ended 30 June 2013.

Total depreciation costs for the six months ended 30 June 2013 were 34.2% higher as compared with the corresponding period in 2012 due to the increase in operating plants and further investment including plant modifications and upgrades, quarry preparation work and new heat recycling systems.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB45.1 million, or 14.9%, from RMB301.9 million for the six months ended 30 June 2012 to RMB347.0 million for the six months ended 30 June 2013. Gross profit margins decreased from 19.0% for the six months ended 30 June 2012 to 17.6% for the six months ended 30 June 2013. As the changes in cement selling prices and costs between the two comparing periods were marginal, the changes in gross profit and margins were mainly due to the increases in sales volume.

Administrative Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. These expenses increased by 27.9% from RMB100.4 million for the six months ended 30 June 2012 to RMB128.4 million for the six months ended 30 June 2013. This was mainly due to the increase in the number of production facilities and operations in Shaanxi and Xinjiang Provinces as compared with the corresponding period in 2012.

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 government grants. Other income increased marginally by 1.0% from RMB80.1 million for the six months ended 30 June 2012 to RMB80.9 million for the six months ended 30 June 2013. Despite the increases in revenue and sales volume as compared with the corresponding period in 2012, the increase in VAT rebates has only been marginal as the incremental sales volume has mainly been derived from the sales of higher grade cement, which is not entitled to VAT refunds.

Other Gains and Losses — net

Other gains increased by RMB57.4 million from a RMB13.7 million loss for the six months ended 30 June 2012 to a RMB43.7 million gain for the six months ended 30 June 2013. The gains were primarily due to exchange gains of RMB42.8 million (six months ended 30 June 2012: exchange loss of RMB10.0 million) arising from foreign exchange translation of the Senior Notes.

Interest Income

Interest income increased by RMB1.5 million from RMB0.9 million for the six months ended 30 June 2012 to RMB2.4 million for the six months ended 30 June 2013. The increase was primarily due to the bank deposit interest income arising from the MTN issued in March 2013.

Finance Costs

Finance costs increased by RMB40.5 million or 57.8% from RMB70.1 million for the six months ended 30 June 2012 to RMB110.6 million for the six months ended 30 June 2013. The increase was primarily due to modest increases in total borrowings and the decrease in interest capitalised during the period under review.

The interest capitalised as part of the costs of assets for the six months ended 30 June 2013 was RMB35.7 million, representing a decrease of RMB24.1 million as compared with RMB59.8 million for the six months ended 30 June 2012.

Taxation

Income tax expenses increased by RMB9.4 million or 25.8%. The increase was mainly due to deferred tax charges of RMB10.9 million for the six months ended 30 June 2013, as compared with deferred tax charges of RMB4.3 million for the corresponding period in 2012. The deferred tax charge arose primarily as a result of a reversal of unused tax losses previously recognized as deferred tax assets.

MANAGEMENT DISCUSSION AND ANALYSIS

As a result of the higher deferred tax charges, the effective tax rate for the six months ended 30 June 2013 increased to 21.2% (2012: 19.5%). The effective tax rate of the Group is lower compared to the PRC national tax rate of 25% as most 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 detailed income tax expenses for the Group are outlined in Note 8 to the consolidated financial statements below.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company increased by 13.3% from RMB148.5 million for the six months ended 30 June 2012 to RMB168.2 million for the six months ended 30 June 2013. Basic earnings per share increased by 5.7% from RMB0.035 for the six months ended 30 June 2012 to RMB0.037 for the six months ended 30 June 2013. The increase in basic earnings per share was lower than the increase in profit attributable to owners of the Company due to the increase in the weighted average number of shares as compared with the corresponding period in 2012, following the new share issue to the Italcementi Group as part of the purchase consideration for the Fuping Cement Plant in June 2012.

FINANCIAL AND LIQUIDITY POSITION

As at 30 June 2013, the Group's total assets increased by 1.1% to RMB10,411.2 million (31 December 2012: RMB10,298.9 million) while total equity grew by 1.7% to RMB4,927.0 million (31 December 2012: RMB4,846.8 million).

As at 30 June 2013, the Group had cash and cash equivalents, as well as restricted bank deposits, amounting to RMB554.8 million (31 December 2012: RMB518.8 million). After deducting total borrowings, MTN and Senior Notes of RMB4,008.7 million (31 December 2012: RMB3,869.2 million), the Group had net debt of RMB3,453.9 million (31 December 2012: RMB3,350.4 million). 15.3% (31 December 2012: 34.1%) of borrowings are at a fixed interest rate. Please refer to Notes 19, 20, 21 and 27 of the consolidated financial statements below for the details of the borrowings, Senior Notes, MTN and the respective pledge of assets.

As at 30 June 2013, the Group's net gearing ratio, measured as net debt to equity, was 70.1% (31 December 2012: 69.1%).

Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern. As at 30 June 2013, the Group had net current liabilities of RMB241.7 million (31 December 2012: RMB1,093.6 million). This net amount includes bank borrowings of RMB587.3 million (31 December 2012: RMB1,178.2 million) classified as current liabilities. The decrease in net current liabilities was a result of the repayment of some of the Group's short term bank borrowings using part of the proceeds from the RMB800 million 3 year MTN issued in March 2013. The Group intends to rollover part of the bank borrowings, as permitted under the existing facility terms, when they fall due.

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

CONTINGENT LIABILITIES

As at 30 June 2013, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure for the six months ended 30 June 2013 amounted to RMB251.8 million (2012: RMB426.8 million) and capital commitments as at 30 June 2013 amounted to RMB789.5 million (31 December 2012: 1,277.9 million). Both capital expenditure and capital commitments were mainly related to residual payments for 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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group employed a total of 4,789 full time employees (2012: 4,198). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2013, the employees benefit expenses were RMB120.0 million (2012: RMB83.9 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 ACQUISITIONS AND DISPOSALS

The Group had no significant material acquisitions or disposals during the six months ended 30 June 2013.

FOREIGN EXCHANGE RISK MANAGEMENT

During the six months ended 30 June 2013, 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 issuance of Senior Notes in January 2011 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 domestically and/or internationally, 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

There has been good sales volume growth and a gradual recovery in earnings for the Group in the period under review. This has been a result of the modest resurgence of infrastructure spending in Shaanxi Province, coupled with the Group's increased market share in Xi'an resulting from its acquisitions of the Shifeng and Fuping Cement Plants in 2012. Although overcapacity remains, the increasing consolidation and slowing rate of capacity additions in the province have set a floor for cement pricing. The Group expects these trends to continue into the second half of 2013, and whilst significant cement price rises are not expected, annual sales volumes are expected to continue to grow at rates established in the first half of 2013.

In spite of the recent slowdowns in the national rates of economic growth in the PRC, the demand scenario in Shaanxi Province continues to be healthy. Shaanxi is a key development area for the PRC Government as part of the "Western Development Policy", and the construction of a number of infrastructure projects have resumed in the first half of 2013. The railway projects, described in the business review section, that have resumed in the first half of 2013 will generate increasing demand for cement as they approach peak construction periods in the second half

MANAGEMENT DISCUSSION AND ANALYSIS

of 2013 and in 2014. In addition, the Group expects other infrastructure projects, including further railway projects, expressways and hydro-power projects, to commence construction in 2013 and 2014. Urban demand in the Xi'an Metropolitan area is picking up and rural demand growth is expected to be driven by continuing urbanization trends over the next few years. Taken together, the Group expects an annual demand growth of up to 10% into the remaining years of the current 12th Five Year Plan.

The Group also expects continued gradual improvements on the supply side in Shaanxi Province. Growth rates of new capacity are decelerating rapidly with little new capacity expected beyond 2013. Furthermore, the PRC Government has set curbing industrial overcapacity as a priority for 2013. In May, the National Development and Reform Commission ("NDRC") published document No. 892, aiming to restrict credit to excess capacity industries. Closures of outdated capacity are continuing, and this has been confirmed by the publication of the Ministry of Industry and Information Technology's ("MIIT") list of plants that have been or are scheduled for closure by September 2013. This list includes over 2 million tons of clinker kiln and cement grinding capacity in Shaanxi Province, of which 700,000 tons are in the Group's Hanzhong District core market and 400,000 tons in the Group's Weinan District market. Although it is likely that some grinding capacity will remain, these closures represent continued shutdowns and elimination of excess capacity in the Group's core markets. Increasing environmental controls are also likely to constrict supply by way of further eliminating less efficient capacity in the future.

The Group believes that these factors will lead to the eventual reversal of oversupply in the Shaanxi cement market in the medium term. This process may not become fully noticeable in 2013, as pricing may remain volatile in the second half of the year as the market digests output from new capacity additions in 2013. Nonetheless, the Group's focus remains on maintaining its leadership position in Shaanxi Province, and protecting its core markets in the south and east of the province in anticipation of a more balanced cement market in 2014 and 2015.

Operations at the Group's plants in the Hotan District of Xinjiang Province during the period under review have been profitable but this was at the expense of volumes which have been particularly low. In spite of this, the Group has strong expectations for a cyclical upturn in this market going forward. Capacity growth has been severely curtailed in 2013 and significant infrastructure development has yet to commence. Xinjiang is a strategically important area with significant development needs and energy supplies. The Group's Hetian and Yutian Plants are in superior locations in Hotan District and are well placed to benefit from future infrastructure development in the region, and the Group believes that future growth rates in Xinjiang will be higher than the average for the PRC.

This growth and cyclicality has important implications for the timing of the Group's two brownfield construction projects. The Yili Project is situated in Yining County in the Ili Kazakh Autonomous Prefecture in North West Xinjiang Province, a border region with the Republic of Kazakhstan and adjacent to the Khorgas Special Economic Zone ("SEZ") where economic development and construction supported by trade with Central Asia are growing rapidly. The Guiyang Linshan Project, which is located in the Guizhou Provincial capital, was secured by the Group at a reasonably low acquisition cost in the trough of the Guizhou cement industry cycle in 2012, and this cement market has since then recovered significantly. Construction of the Yili Plant is expected to be completed in 2014 and a decision on the timing of the Guiyang Linshan Plant has yet to be made. Although these projects will not be completed in the current year, they do represent further growth opportunities for the group into the medium term.

The target of cement capacity of 27 million tons by the end of 2015 allows the Group to pursue certain further growth opportunities whilst maintaining a reasonable level of gearing. The entry by the Group into the domestic RMB bond market with the issuance of its MTN in March 2013 has enabled the Group to obtain cheaper financing and achieve funding flexibility in the future, allowing the Group to maintain its dual targets of repayment of the USD Senior Notes in January 2016 and medium term growth.

DISCLOSURE OF INTEREST

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

(1) Interests in shares of the Company

As at 30 June 2013:

Name of Director	Capacity	Number of ordinary shares held as at 30 June 2013 Total *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2013
Zhang Jimin	Interest in a controlled corporation	1,752,039,900(L) *(Note 2)*	38.53%
Ma Zhaoyang	Interest in a controlled corporation	217,099,950 (L) *(Note 3)*	4.77%
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") which is beneficially and wholly-owned by Ma Zhaoyang.

DISCLOSURE OF INTEREST

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

As at 30 June 2013:

Name of Director	Capacity	Number of underlying shares in respect of the share options granted under the Post-IPO Share Option Scheme	Approximate % of issued share capital of the Company as at 30 June 2013
Zhang Jimin	Beneficial Owner	4,000,000	0.088%
Tian Zhenjun	Beneficial Owner	6,050,000	0.133%
Wang Jianli	Beneficial Owner	4,000,000	0.088%
Low Po Ling	Beneficial Owner	2,200,000	0.048%
Ma Zhaoyang	Beneficial Owner	875,000	0.019%
Ma Weiping	Beneficial Owner	650,000	0.014%
Lee Kong Wai, Conway	Beneficial Owner	875,000	0.019%
Wong Kun Kau	Beneficial Owner	875,000	0.019%
Tam King Ching, Kenny	Beneficial Owner	875,000	0.019%

Save as disclosed above, as at 30 June 2013, 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 Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 June 2013, 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:

Name of shareholder	Capacity	Number of ordinary shares of £0.002 each held as at 30 June 2013 *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2013
Asia Gain *(Note 2)*	Beneficial owner	1,752,039,900 (L)	38.53%
Zhang Jimin *(Note 2)*	Interest in a controlled corporation	1,752,039,900 (L)	38.53%
Cimfra (China) Limited ("Cimfra") *(Note 3)*	Beneficial owner	284,200,000 (L)	6.25%
Ciments Français SA ("Ciments") *(Note 3)*	Interest in a controlled corporation	284,200,000 (L)	6.25%
Italcementi S.p.A. ("Italcementi") *(Note 3)*	Interest in a controlled corporation	284,200,000 (L)	6.25%
Genesis Asset Managers, LLP	Beneficial owner	321,091,184 (L)	7.06%
Genesis Fund Managers, LLP	Beneficial owner	263,898,000 (L)	5.80%

DISCLOSURE OF INTEREST

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 30 June 2013 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.

SHARE OPTION SCHEMES

The Company has adopted a share option scheme (the "Share Option Scheme") and a post-IPO share option scheme (the "Post-IPO Share Option Scheme") on 27 October 2006 and 31 March 2010, respectively.

A. Share Option Scheme

The Share Option Scheme was an old scheme adopted on 27 October 2006, when the Company was listed on the Alternative Investment Market (the "AIM") of the London Stock Exchange. All of the share options granted under this scheme have been exercised as at 30 June 2012. No more new share option will be granted under this scheme. This scheme has been superseded by the Post-IPO Share Option Scheme adopted on 31 March 2010.

B. 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.

DISCLOSURE OF INTEREST

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 may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme shall not in aggregate exceed 411,533,185 shares (representing 10% of the issued share capital of the Company as at 23 August 2010).

4. **Maximum entitlement of each participant under the Post-IPO Share Option Scheme:**

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

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

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

5. **The period within which the shares must be exercised under the Post-IPO Share Option Scheme:**

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

6. **The minimum period for which an option must be held before it can be exercised:**

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

7. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid:**

   Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant.

8. **The basis of determining the exercise price:**

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

9. **The remaining life of the Post-IPO Share Option scheme:**

   It will remain in force for a period of 10 years.

DISCLOSURE OF INTEREST

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

During the six months ended 30 June 2013:

Category and name of participant	Date of grant of share options	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2013	Granted during the period ended 30 June 2013	Exercised during the period ended 30 June 2013	Lapsed during the period ended 30 June 2013	Outstanding as at 30 June 2013
				Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme				
Directors								
Zhang Jimin	22 March 2013	1.25	22 March 2014 to 21 March 2023	—	4,000,000	—	—	4,000,000
Tian Zhenjun	23 March 2011	3.41	23 March 2012 to 22 March 2021	3,000,000	—	—	750,000	2,250,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	—	3,800,000	—	—	3,800,000
Wang Jianli	23 March 2011	3.41	23 March 2012 to 22 March 2021	2,000,000	—	—	500,000	1,500,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	—	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
Ma Zhaoyang	23 March 2011	3.41	23 March 2012 to 22 March 2021	300,000	—	—	75,000	225,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	—	650,000	—	—	650,000
Ma Weiping	22 March 2013	1.25	22 March 2014 to 21 March 2023	—	650,000	—	—	650,000
Lee Kong Wai, Conway	23 March 2011	3.41	23 March 2012 to 22 March 2021	300,000	—	—	75,000	225,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	—	650,000	—	—	650,000
Wong Kun Kau	23 March 2011	3.41	23 March 2012 to 22 March 2021	300,000	—	—	75,000	225,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	—	650,000	—	—	650,000
Tam King Ching, Kenny	23 March 2011	3.41	23 March 2012 to 22 March 2021	300,000	—	—	75,000	225,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	—	650,000	—	—	650,000
Other employees (Group A)	23 March 2011	3.41	23 March 2012 to 22 March 2021	9,000,000	—	—	2,250,000	6,750,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	—	18,250,000	—	—	18,250,000
Other employees (Group B)	23 March 2011	3.41	23 March 2012 to 22 March 2021	2,200,000	—	—	—	2,200,000
Total				17,400,000	34,000,000	—	3,800,000	47,600,000

Note:

1. *The closing price of the shares of the Company on the date of grant of the share options was respectively HK$3.32 per share on 23 March 2011 and HK$1.24 per share on 22 March 2013.*

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2013 (2012: Nil).

CORPORATE GOVERNANCE PRACTICE

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

During the six months ended 30 June 2013, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code (the "Code") as set forth in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written term of reference in compliance with the Code, the primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management systems of the Group and to provide advice and comments to the Board, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. 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 this report and the Group's unaudited consolidated interim results for the six months ended 30 June 2013.

AUDITORS

The condensed consolidated financial statements for the six months ended 30 June 2013 have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the auditors of the Company.

REMUNERATION COMMITTEE

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

NOMINATION COMMITTEE

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiries have been made with all the Directors, all the Directors confirmed and declared that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2013.

On behalf of the Board of Directors
Zhang Jimin
Chairman
20 August 2013

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF WEST CHINA CEMENT LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 38, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong

20 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Revenue	4	**1,967,439**	1,590,121
Cost of sales		**(1,620,483)**	(1,288,198)
Gross profit		**346,956**	301,923
Selling and marketing expenses		**(18,920)**	(12,123)
Administrative expenses		**(128,434)**	(100,375)
Other income	5	**80,897**	80,148
Other gains (losses), net	9	**43,739**	(13,655)
Interest income	6	**2,433**	927
Finance costs	7	**(110,609)**	(70,068)
Profit before tax		**216,062**	186,777
Income tax expense	8	**(45,872)**	(36,477)
Profit and total comprehensive income for the period	9	**170,190**	150,300
Profit and total comprehensive income attributable to			
— Owners of the Company		**168,187**	148,454
— Non-controlling interests		**2,003**	1,846
		170,190	150,300
Earnings per share			
Basic earnings per share (RMB)	11	**0.037**	0.035
Diluted earnings per share (RMB)	11	**0.037**	0.035

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	Notes	**30 June 2013 RMB'000 (Unaudited)**	31 December 2012 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	**7,790,377**	7,829,666
Prepaid lease payments	13	**453,963**	450,000
Mining rights	14	**135,019**	139,249
Other intangible assets	15	**170,795**	171,826
Deferred tax assets	16	**30,173**	36,755
		8,580,327	8,627,496
Current assets			
Inventories		**480,177**	468,602
Trade and other receivables and prepayments	17	**795,931**	683,973
Restricted bank deposits		**150,490**	149,881
Bank balances and cash		**404,266**	368,936
		1,830,864	1,671,392
Total assets		**10,411,191**	10,298,888
EQUITY			
Share capital	22	**124,715**	124,715
Share premium		**2,136,463**	2,136,463
Equity reserve		**(302,264)**	(302,264)
Statutory reserve		**405,787**	405,787
Share option reserve	23	**10,084**	9,172
Retained earnings		**2,459,313**	2,382,058
Equity attributable to owners of the Company		**4,834,098**	4,755,931
Non-controlling interests		**92,874**	90,871
Total equity		**4,926,972**	4,846,802

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	19	106,000	144,000
Senior notes	20	2,432,971	2,468,506
Asset retirement obligation		13,377	12,991
Medium-term notes	21	793,066	–
Deferred tax liabilities	16	13,990	9,636
Other liabilities		52,274	51,971
		3,411,678	2,687,104
Current liabilities			
Trade and other payables	18	1,367,846	1,484,434
Senior notes	20	77,234	78,544
Medium-term notes	21	12,200	–
Income tax payable		27,983	23,812
Borrowings	19	587,278	1,178,192
		2,072,541	2,764,982
Total liabilities		5,484,219	5,452,086
Total equity and liabilities		10,411,191	10,298,888
Net current liabilities		(241,677)	(1,093,590)
Total assets less current liabilities		8,338,650	7,533,906

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Equity reserve RMB'000	Share option reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013 (Audited)	**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 period	**–**	**–**	**–**	**–**	**–**	**168,187**	**168,187**	**2,003**	**170,190**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**912**	**–**	**–**	**912**	**–**	**912**
Dividend recognised as distribution *(Note 10)*	**–**	**–**	**–**	**–**	**–**	**(90,932)**	**(90,932)**	**–**	**(90,932)**
At 30 June 2013 (Unaudited)	**124,715**	**2,136,463**	**(302,264)**	**10,084**	**405,787**	**2,459,313**	**4,834,098**	**92,874**	**4,926,972**
At 1 January 2012 (Audited)	119,119	1,855,759	(333,180)	4,812	376,274	2,046,690	4,069,474	109,067	4,178,541
Profit and total comprehensive income for the period	–	–	–	–	–	148,454	148,454	1,846	150,300
Acquisition of additional interests in a subsidiary	–	–	30,916	–	–	–	30,916	(80,916)	(50,000)
Acquisition of subsidiaries in 2012 *(Note)*	5,596	341,128	–	–	–	–	346,724	–	346,724
Recognition of equity-settled share-based payments	–	–	–	2,401	–	–	2,401	–	2,401
Dividend recognised as distribution *(Note 10)*	–	–	–	–	–	(60,425)	(60,425)	–	(60,425)
At 30 June 2012 (Unaudited)	124,715	2,196,887	(302,264)	7,213	376,274	2,134,719	4,537,544	29,997	4,567,541

Note: The Company acquired three subsidiaries in 2012, namely Shifeng Cement Co. Ltd., Fuping Cement Co., Ltd. and Guizhou Linshan Cement Co. Ltd..

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Net cash from operating activities		**297,126**	664,003
INVESTING ACTIVITIES:			
Interest received		**2,433**	927
Addition of property, plant and equipment		**(175,374)**	(327,884)
Addition of prepaid lease payments		**(214)**	–
Purchase of other intangible assets		**(80)**	(66)
Proceeds from disposal of property, plant and equipment		**16,283**	958
Receipt of government grants		**2,630**	–
Withdrawal of restricted bank deposits		**110,503**	18,991
Placement of restricted bank deposits		**(111,112)**	(45,205)
Deposit paid for acquisition		**–**	(50,000)
Acquisition of subsidiaries, net of cash acquired		**–**	(43,558)
Payment for acquisition of subsidiaries in prior period		**(37,406)**	–
Advance to a subsidiary before the acquisition date		**–**	(590,200)
Net cash used in investing activities		**(192,337)**	(1,036,037)
FINANCING ACTIVITIES:			
New borrowings raised		**331,178**	576,900
Repayment of borrowings		**(960,092)**	(386,900)
Net proceeds from issuance of medium-term notes		**792,800**	–
Interest paid		**(140,637)**	(125,746)
Dividend paid		**(90,932)**	(60,425)
Acquisition of additional interest in a subsidiary		**–**	(50,000)
Net cash used in financing activities		**(67,683)**	(46,171)
Net increase (decrease) in cash and cash equivalents		**37,106**	(418,205)
Cash and cash equivalents at 1 January		**368,936**	529,612
Effect of foreign exchange rate changes		**(1,776)**	–
Cash and cash equivalents at 30 June, represented by bank balances and cash		**404,266**	111,407

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. GENERAL INFORMATION

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

The Company was incorporated on 16 October 2006 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 Unit 1903, Tower A, Gaoke Plaza, Hi-Tech Industrial Development Zone, Xi'an, Shaanxi Province, the PRC.

The Company's ordinary shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE") since 23 August 2010.

The condensed 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

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard 34, *Interim Financial Reporting*.

As of 30 June 2013, the Company has net current liabilities of approximately RMB241,677,000. As of the period end, the Company has unutilised loan facilities totaling RMB456,900,000 readily available for drawdown within the next twelve months. 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 further three-year medium-term notes of RMB800,000,000 on demand by March 2015 for the purpose of, among others, expansion of production facilities, repayment 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 account of operating as well as capital expenditure and availability of borrowing facilities, the directors of Company are of the view that the Company is able to operate within the level of its current capacity.

In view of these, the directors of the Company expect it will have sufficient liquidity to finance its operations for the next twelve months from 30 June 2013. Therefore, the condensed 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. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Report Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

IFRS 10	Consolidated Financial Statements;
IFRS 11	Joint Arrangements;
IFRS 12	Disclosure of Interests in Other Entities;
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;
IFRS 13	Fair Value Measurement;
IAS 19 (as revised in 2011)	Employee Benefits;
IAS 27 (as revised in 2011)	Separate Financial Statements;
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures;
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income;
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities;
Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle; and
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine.

Saved as discussed below, the application of the above new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time, IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11, IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and SIC 12 "Consolidation — Special Purpose Entities". IFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee, and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Cont'd)

Impact of the application of IFRS 10 (Cont'd)

The Directors has made an assessment as at the date of initial application of IFRS 10 (i.e 1 January 2013) as to whether the introduction of the new definition of control under IFRS 10 has resulted in a change of control over the existing entities treated as subsidiaries of the Company. Previously, the Directors concluded that the Group has control over the existing subsidiaries because the Group has power to govern the financial and operating policies of these subsidiaries so as to obtain benefits from their activities. The power existed because the Group owned more than half of the voting power by virtue of these subsidiaries, and/or has power to cast majority votes at the board of directors meeting. Additionally, the Group has the power over these entities including but not limited to power to appoint, reassign, remove the key management personnel such as executive director of an entity, who has ability to direct relevant activities of that entity which include primarily the sale and purchase, working capital, investments and financing activities. The Directors has also made the assessment on whether there is a change in control over the existing entities accounted for as associates of the Group and concluded that the Group continues to exercise significant influences over these associates but has no power to direct the relevant activities of these associates.

Accordingly, the Directors concluded that the adoption of IFRS 10 has had no material impact of the Group's condensed consolidated financial statements for the current or prior periods because the Group's control over the existing subsidiaries and the Group's significant influences over the existing associates remained unchanged in accordance with the new definition of control under IFRS 10.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal on-going 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 tangible or intangible according to the nature of the existing asset of which it forms part. In the previous years, the Group's accounting treatment for the stripping costs is consistent with the requirements under IFRIC 20.

Accordingly, the adoption of IFRIC 20 has had no material impact on the Group's condensed consolidated financial statements for the six months ended 30 June 2013.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the title of "condensed consolidated statement of comprehensive income" is changed to "condensed consolidated statement of profit and loss and other comprehensive income " and the presentation of items of other comprehensive income has been modified to reflect the changes.

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4. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the production and sale of cement. The Group's Chief Executive Officer, the chief operating decision maker reviews the results of individual plants to decide on the allocation of resources. These plants have similar economic characteristics and each plant's products, production process and distribution methods are similar. In addition, the operation of the plants is under similar regulatory environment that governs production of cement products and they have similar type or class of customers. Therefore they are presented as a single reportable segment. All of the revenue and operating results of the Group are derived from western China.

The revenue represents the sale of cement products during the periods of six months ended 30 June 2013 and 2012. No single customer contributed 10% or more to the Group's revenue for both periods.

5. OTHER INCOME

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Value added tax refund related to the utilisation of industrial waste	**73,658**	73,383
Government grants	**7,239**	6,765
	80,897	80,148

6. INTEREST INCOME

Interest income represents interest received and receivable from bank deposits.

7. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interest expenses on bank and other borrowings wholly repayable within five years	**33,447**	28,636
Interest expenses on senior notes	**100,002**	100,970
Interest expenses on medium-term notes	**12,466**	–
	145,915	129,606
Less: amount capitalised	**(35,692)**	(59,848)
	110,223	69,758
Unwinding of discount related to asset retirement obligation	**386**	310
	110,609	70,068

The weighted average capitalization rate on funds borrowed generally is 8.04% (six months ended 30 June 2012: 7.72%) per annum.

8. INCOME TAX EXPENSE

Except for the Company and its subsidiary, West China Cement Co., Ltd. which are not subject to any income tax pursuant to the rules and regulations of Jersey and British Virgin Islands, the Group is generally subject to enterprise income tax ("EIT") in the PRC at 25% (six months ended 30 June 2012: 25%) on an entity basis on profits arising on or derived from the local tax jurisdictions in which subsidiaries of the Group operate. Certain of the Group's subsidiaries operating in the western developing region of the PRC are entitled to a preferential tax rate of 15% from 2011 to 2020.

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current tax	**34,936**	32,157
Deferred tax *(Note 16)*	**10,936**	4,320
Income tax expense	**45,872**	36,477

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**275,503**	201,472
Amortisation of prepaid lease payments	**6,044**	4,597
Amortisation of mining rights included in cost of sales	**4,230**	4,298
Amortisation of other intangible assets included in administrative expenses	**1,111**	1,041
Total depreciation and amortisation	**286,888**	211,408
Allowance for doubtful debts	**–**	2,538
Cost of inventories recognised as expenses	**1,233,865**	1,081,491
Share option expenses	**912**	2,401
Other (gains) losses comprise:		
Net foreign exchange (gains) losses *(Note)*	**(42,834)**	10,033
(Gain) loss on disposal of property, plant and equipment	**(845)**	97
Donations	**591**	917
Others	**(651)**	2,608
Other (gains) losses, net	**(43,739)**	13,655

Note: Net foreign exchange gains amounting to RMB42,052,000 in the current interim period (six months ended 30 June 2012: net foreign exchange losses of RMB9,338,000) arose from US$ denominated Senior Notes (Note 20).

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10. DIVIDEND

During the current period, a final dividend of RMB2.00 cents per share in respect of the year ended 31 December 2012 (six months ended 30 June 2012: RMB1.42 cents in respect of the year ended 31 December 2011) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB90,932,000 (six months ended 30 June 2012: RMB60,425,000).

The directors have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2012: Nil).

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**168,187**	148,454

	Six months ended 30 June	
	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**4,547,199,850**	4,281,841,839

The calculation of diluted earnings per share for the six-month periods ended 30 June 2013 and 2012 did not take into account the share options of the Company (Note 23) 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 periods, and hence their effect of exercise would be anti-dilutive.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB15,438,000 (six months ended 30 June 2012: RMB1,055,000) to third parties, resulting in a gain on disposal of RMB845,000 (six months ended 30 June 2012: a loss on disposal of RMB97,000).

In addition, during the current interim period, the Group purchased property, plant and equipment of approximately RMB24,428,000 (six months ended 30 June 2012: RMB27,617,000) from third parties, and incurred approximately RMB227,224,000 on the construction of its new product lines, power plant and property and buildings in the current period (six months ended 30 June 2012: RMB387,972,000). The Group did not acquire any property, plant and equipment on acquisition of subsidiaries in the current period (six months ended 30 June 2012: RMB1,027,916,000).

13. PREPAID LEASE PAYMENTS

During the current interim period, the Group prepaid lease payments of approximately RMB214,000 (six months ended 30 June 2012: Nil), and did not acquire any prepaid leases payments on acquisition of subsidiaries (six months ended 30 June 2012: RMB91,742,000).

14. MINING RIGHTS

During the current interim period, the Group did not acquire any mining rights (six months ended 30 June 2012: RMB11,189,000 on acquisition of subsidiaries).

15. OTHER INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationships RMB'000	Computer software RMB'000	Total RMB'000
Cost				
At 1 January 2012	94,407	20,610	320	115,337
Addition	–	–	52	52
Acquisition of subsidiaries	63,130	–	535	63,665
At 30 June and 31 December 2012	157,537	20,610	907	179,054
Addition	–	–	80	80
At 30 June 2013	157,537	20,610	987	179,134
Accumulated amortisation				
At 1 January 2012	–	4,889	155	5,044
Charge to profit or loss	–	1,008	33	1,041
At 30 June 2012	–	5,897	188	6,085
Charge to profit or loss	–	1,007	136	1,143
At 31 December 2012	–	6,904	324	7,228
Charge to profit or loss	–	1,008	103	1,111
At 30 June 2013	–	7,912	427	8,339
Carrying amount				
At 30 June 2013	157,537	12,698	560	170,795
At 31 December 2012	157,537	13,706	583	171,826

16. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior periods:

	Allowance and accrued expenses RMB'000	Deferred income RMB'000	Tax losses RMB'000	Assets booked at fair value on acquisitions RMB'000	Total RMB'000
At 1 January 2012	4,996	10,643	9,262	(10,964)	13,937
Credited (charged) to profit or loss	(1,288)	(3,991)	602	357	(4,320)
Acquisition of subsidiaries	9,682	–	32,057	(16,744)	24,995
At 30 June 2012	13,390	6,652	41,921	(27,351)	34,612
Credited (charge) to profit or loss	(2,816)	1,385	(7,180)	1,118	(7,493)
At 31 December 2012	10,574	8,037	34,741	(26,233)	27,119
Credited (charge) to profit or loss	276	34	(9,806)	1,308	(8,188)
Effect of change in tax rate	–	–	–	(2,748)	(2,748)
At 30 June 2013	10,850	8,071	24,935	(27,673)	16,183

The following is analysis of deferred tax balance for financial reporting purpose:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Deferred tax assets	**30,173**	36,755
Deferred tax liabilities	**(13,990)**	(9,636)
	16,183	27,119

At the end of the current interim period, the Group has unused tax losses of RMB160,972,000 (31 December 2012: RMB224,317,000) available for offset against future profits and a deferred tax has been recognised for tax losses of RMB160,972,000 (31 December 2012: RMB221,969,000), respectively.

As at the end of the current interim period, the aggregate amount of taxable temporary differences associated with undistributed earnings of relevant PRC subsidiaries for which deferred tax liabilities have not been recognised amounted to RMB2,171,765,000 (31 December 2012: RMB2,014,394,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

17. TRADE AND BILLS RECEIVABLES

	30 June 2013 RMB'000	31 December 2012 RMB'000
Trade receivables	**242,348**	139,626
Less: allowance for doubtful debts	**(6,985)**	(6,985)
Net trade receivables	**235,363**	132,641
Bills receivable	**84,956**	65,322
	320,319	197,963

The following is an analysis of trade receivables by age, presented based on the date of delivery of goods which approximated the revenue recognition date. The analysis below is net of allowance for doubtful debts.

	30 June 2013 RMB'000	31 December 2012 RMB'000
0 to 90 days	**125,055**	66,189
91 to 360 days	**78,413**	13,826
361 to 720 days	**25,572**	44,364
Over 720 days	**6,323**	8,262
	235,363	132,641

The Group allows an average credit period from 60 to 90 days to its credit sales customers.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Bills receivable are mainly aged within six months.

18. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2013 RMB'000	31 December 2012 RMB'000
0 to 90 days	**459,686**	497,534
91 to 360 days	**146,457**	135,847
361 to 720 days	**18,912**	27,080
Over 720 days	**909**	1,495
	625,964	661,956

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 time frame.

19. BORROWINGS

During the current period, the Group received the proceeds of approximately RMB331,178,000 (six months ended 30 June 2012: RMB576,900,000) related to its renewed and newly obtained bank loans and made repayments amounting to approximately RMB960,092,000 (six months ended 30 June 2012: RMB386,900,000). The renewed and newly obtained bank loans are carrying interest at variable market rates from 1.40% to 7.22% (six months ended 30 June 2012: from 5.87% to 7.93%) and repayable within one year.

20. SENIOR NOTES

On 25 January 2011, the Company issued 7.5%, five-year senior notes with an aggregated principal amount of US$400,000,000 (the "Senior Notes") at 100% of the face value. The Senior Notes are listed on the Singapore Exchange Securities Trading Limited and jointly guaranteed by certain subsidiaries and secured by pledges of the shares of the subsidiaries.

The Company may at its option to early redeem the Senior Notes, in whole or in part, by certain dates based on the terms of the Senior Notes. The early redemption options are regarded as embedded derivatives by the directors of the Company, which is considered as closely related to the host contract and measured together with the host contract at amortised cost.

The effective interest rate is approximately 8.04% per annum after adjusted for transaction costs.

Senior Notes amounting to RMB77,234,000 (31 December 2012: RMB78,544,000) are due for repayment within the next twelve months and are therefore classified as current liabilities.

The fair value of Senior Notes is RMB2,391,157,000 at 30 June 2013 (31 December 2012: RMB2,404,204,000). It represents the quoted price of the Senior Notes on the Singapore Exchange Securities Trading Limited at the end of the reporting period.

21. MEDIUM-TERM NOTES

On 28 March 2013, Shaanxi Yaobai issued 6.1%, 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 listed for trading and 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, can 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.

Medium-term Notes amounting to RMB12,200,000 (31 December 2012: Nil) are due for repayment within the next twelve months and are therefore classified as current liabilities.

The fair value of the First Tranche of the Medium-term Notes is RMB805,036,000 at 30 June 2013. It represents the price of the First Tranche of the Medium-term Notes provided by the China Central Depository & Clearing Co. Ltd. at the end of the reporting period.

22. SHARE CAPITAL

Ordinary shares of GBP0.02 each	**Number of shares** '000	**Issued and fully paid** RMB'000
As at 1 January 2012	4,263,000	119,119
Acquisition of subsidiaries	284,200	5,596
As at 30 June 2012	4,547,200	124,715
As at 1 January 2013 and 30 June 2013	4,547,200	124,715

23. SHARE-BASED PAYMENTS

The Company's 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.

(a) Post-IPO Share Option Scheme/First Issuance

On 23 March 2011, the Company granted 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 ("Post-IPO Share Option Scheme/First Issuance"). The total 18,400,000 options granted are exercisable within a period of ten years after the corresponding vesting periods succeeding the date of grant, subject to the terms and conditions of the plan, the relevant PRC laws and regulations and any conditions of the grant as stipulated by the board of directors. The fair values of the options using the Black-Scholes option pricing model were approximately HK$19,069,000 at the grant date. During the current period, 3,800,000 options of Post-IPO Share Option Scheme were forfeited due to non-fulfillment of the non-market vesting conditions and no options were exercised. As of 30 June 2013, 13,600,000 options remain outstanding.

(b) Second Issuance

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 closing price of the Company's shares on 22 March 2013 was HK$1.24 per share. The options granted are exercisable within a period of ten years after the corresponding vesting periods of one to four years succeeding the date of grant, subject to the terms and conditions of the plan, the relevant PRC laws and regulations and any conditions of the grant as stipulated by the board of directors.

The total fair value of the Second Issuance was approximately HK$19,553,000, and was determined at the date of grant using the Black-Scholes option pricing model. The variables and assumptions used below in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions below may result in changes in the fair value of the options:

Grant date share price	HK$1.24
Exercise price	HK$1.25
Expected option life	5.5 years to 7 years
Expected volatility	56.67% to 59.13%
Dividend yield	1.58%
Risk-free interest rate	0.60% to 0.81%

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 expense of RMB912,000 for the six months ended 30 June 2013 (six months ended 30 June 2012: RMB2,401,000) in relation to share options granted by the Company.

24. CAPITAL COMMITMENTS

	30 June 2013 RMB'000	31 December 2012 RMB'000
Capital expenditure contracted for but not provided in respect of purchase of property, plant and equipment	**789,533**	1,277,947

25. MAJOR NON-CASH TRANSACTION

During the current period, the Group settled as net an amount due from a non-controlling shareholder of subsidiary of RMB44,471,000 (Note 26(a)) and payables to third parties for construction (six months ended 30 June 2012: Nil), pursuant to an agreement entered into by the Group, the non-controlling shareholder of a subsidiary, and the third parties.

26. RELATED PARTY DISCLOSURES

(a) Amount due from related parties

	30 June 2013 RMB'000	31 December 2012 RMB'000
Amount due from a non-controlling shareholder of a subsidiary	**29,564**	44,471

(b) 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:

	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Salaries and other short-term employee benefits	**4,811**	4,487
Post-employment benefits	**64**	62
Share-based payments	**755**	1,398
	5,630	5,947

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27. PLEDGE OF ASSETS

At the end of the reporting periods, 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:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Restricted bank deposit	**150,490**	149,881
Prepaid lease payments	**60,879**	203,801
Property, plant and equipment	**909,629**	2,400,168
	1,120,998	2,753,850

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Other than disclosures made in Notes 20 and 21, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value. The Group has no financial instruments measured at fair value subsequent to initial recognition.