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

ANNUAL REPORT 2013

Contents

Corporate Information

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Yaobai R&D Training Center
No. 336 4th Shenzhou Road
Aerospace Industrial Base
Chang'an District
Xi'an, Shaanxi Province, PRC

REGISTERED OFFICE

47 Esplanade
St Helier
Jersey JE1 0BD

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1, 12th Floor, International Commerce Centre
1 Austin Road West, Kowloon
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
Xu Delong

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
Xu Delong

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)	**Year ended 31 December 2013**	Year ended 31 December 2012	% Change
Cement Sales Volume (million tons)	**17.6**	14.3	23.1%
Revenue	**4,167.8**	3,524.1	18.3%
Gross Profit	**729.3**	675.2	8.0%
EBITDA	**1,188.7**	1,056.4	12.5%
Profit Attributable to Owners of the Company	**378.3**	364.9	3.7%
Basic Earnings Per Share(1)	**8.3 cents**	8.3 cents	–
Interim Dividend	**Nil**	Nil	–
Proposed Final Dividend	**2.0 cents**	2.0 cents	–
Gross Profit Margin	**17.5%**	19.2%	(1.7 ppt)
EBITDA Margin	**28.5%**	30.0%	(1.5 ppt)
Net Profit Margin	**9.2%**	10.6%	(1.4 ppt)
Total Assets	**10,664.7**	10,298.9	3.6%
Net Debt(2)	**3,406.8**	3,350.4	1.7%
Net Gearing(3)	**67.0%**	69.1%	(2.1 ppt)
Net Assets Per Share	**112 cents**	107 cents	4.7%

Notes:

(1) There is no change in the basic earnings per share despite the increase in profit attributable to owners of the Company due to the increase in the weighted average number of shares as compared with 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.

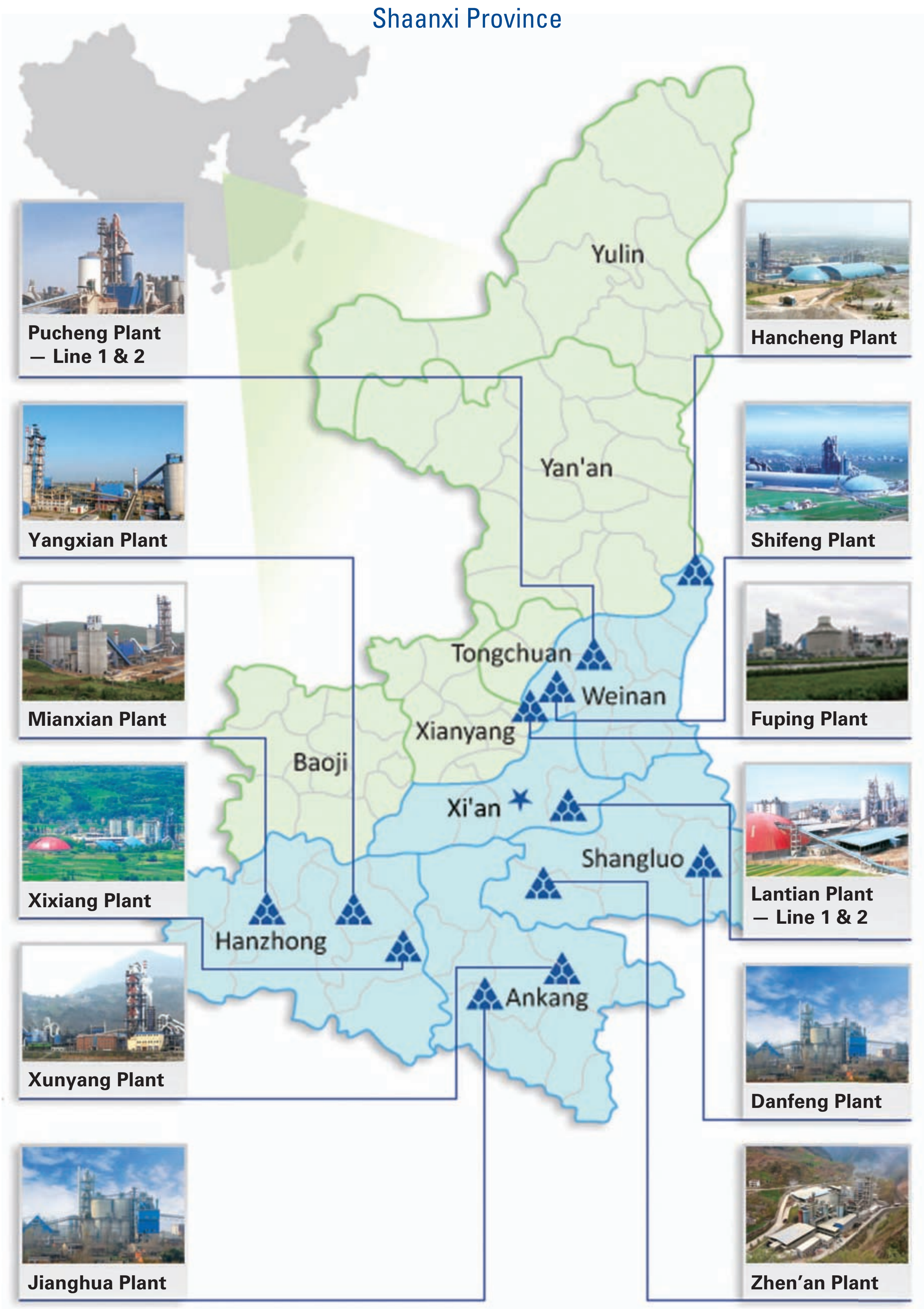
Business Overview

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. As at 31 December 2013, the Group had a total of 17 NSP cement production lines with total cement capacity standing at 21.1 million tons in Shaanxi Province, and an additional 2.6 million tons in Xinjiang Province. A further 1.5 million tons of capacity in Xinjiang Province and 1.8 million tons of capacity in Guizhou Province are under construction and will be completed by the end of 2014.

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.

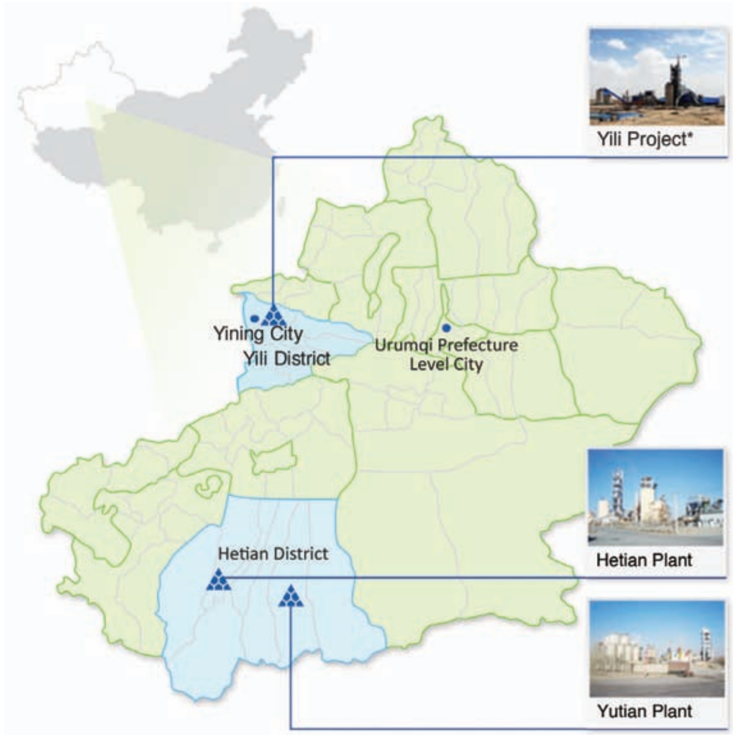
The Group focuses on strengthening its position in its core markets of Eastern and Southern Shaanxi Province, where it has constructed or acquired well-positioned plants. This has resulted in the Group enjoying a leading market position in Shaanxi Province and benefiting from barriers to entry caused 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 CO_2 emissions by approximately 20,000 tons per year per million tons of production. During 2012 and 2013, the Group has installed denitration (De-NOx) equipment at most 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.

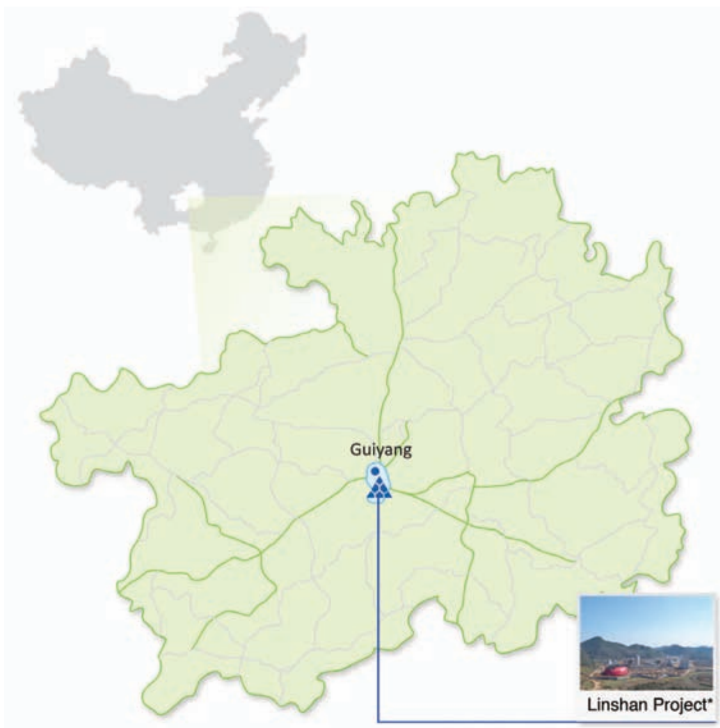

Shaanxi Province
Yulin
Yan'an
Tongchuan
Weinan
Xianyang
Baoji
Xi'an
Shangluo
Hanzhong
Ankang
Pucheng Plant — Line 1 & 2
Yangxian Plant
Mianxian Plant
Xixiang Plant
Xunyang Plant
Jianghua Plant
Hancheng Plant
Shifeng Plant
Fuping Plant
Lantian Plant — Line 1 & 2
Danfeng Plant
Zhen'an Plant

Business Overview

Xinjiang Province



Guizhou Province



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 Company 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 Company 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 Company 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.	

Milestones

Year	Event	Year End Capacity (million tons)
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 Company 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

Chairman's Statement

Zhang Jimin
Chairman

"The Group has continued to defend its strong market position in Southern Shaanxi, expand its market share in Central Shaanxi and establish a stable footing in the Southern Xinjiang market in 2013."

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 2013.

FINANCIAL RESULTS

The Group has continued to defend its strong market position in Southern Shaanxi, expand its market share in Central Shaanxi and establish a stable footing in the Southern Xinjiang market in 2013. Whilst total Group cement capacity has remained flat year on year at 23.7 million tons, Group cement sales volume has grown from 14.3 million tons in 2012 to 17.6 million tons in 2013, and over 18 million tons if clinker sales are included. This volume growth has come from the full year contribution of new capacity that was added or acquired in 2012. The 23% increase in sales volume was however offset by lower ASPs and revenues grew by only 18%. Gross profit margins therefore fell from 19.2% in 2012 to 17.5% in 2013, resulting in a modest 8% rise in gross profits. Profit attributable to shareholders for the year ended 31 December 2013 was RMB378.3 million (2012: RMB364.9 million) and basic earnings per share were RMB0.083 (2012: RMB0.083).

DIVIDEND

The Board recommends the payment of a final dividend of RMB0.02 per share for the year ended 31 December 2013. 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 9 June 2013.

2013 OPERATIONS

The Group's strong volume growth in 2013, supported by an approximate 10% year on year rise in Shaanxi Province cement demand, has been as a result of two major factors. Firstly, the Group has increased its market share in Central Shaanxi with the acquisitions of the Shifeng and Fuping Cement Plants in the Weinan Region in mid 2012. Both of these plants have contributed a full year of operations in 2013 and have been operating satisfactorily, supplying cement into the Xi'an metropolitan and Weinan markets. Secondly, the gradual recovery of infrastructure demand first apparent in the second half of 2012 has continued, particularly in the Group's core market region of Southern Shaanxi, where the Group's capacity utilization rates have risen markedly, especially towards the end of the year and into the first months of 2014.

Whilst demand has remained good, supply has still been an issue for the Shaanxi cement industry in 2013 and has continued to act as a brake on ASP growth. Although average selling prices were good over the first half of the year, pricing in Central Shaanxi was affected by new supply coming on stream in the third quarter of the year and this led to lower Group ASP's for the year as a whole as compared with 2012. This pricing however recovered quite rapidly into the fourth quarter as the new capacity was absorbed by the market. Additionally, the Group had maintained its competitive pricing policy in its Southern Shaanxi core markets in the first half of the year, and this began to reap rewards in the fourth quarter of 2013 as infrastructure demand led to increasingly tight supply in these markets. The Group has exited 2013 with ASP levels higher than the beginning of the year, a situation that has continued into the first few months of 2014.

In Xinjiang Province, the Group has established an important foothold in the southern district of Hetian, with a market share of approximately 50%. Demand has been slow in this region in 2013, resulting in low volumes but reasonably high ASPs and margins higher than the Group's average. The Group expects government led development to refocus on Xinjiang in 2014 and 2015 and the Group is excellently placed to benefit from upturns in this market as infrastructure development accelerates.

ENVIRONMENTAL PROTECTION SOLUTIONS

Emission reduction and environmental protection solutions have been a key focus for the Group in 2013. Approximately 70% of the Group's capacity has now been readied for the new more stringent emission standards that are to be introduced in China in 2015, with a particular focus on nitrogen oxide ("NOx") and particulate matter ("PM") emissions. The Group expects to complete the installation of De-NOx equipment and PM bagging equipment at the remainder of its plants during 2014.

The Group's focus on environmental protection solutions also provides an important future source of revenue and profits. At the beginning of 2014, the Group completed the construction of Phase I of the Lantian Cement Kiln Waste Sludge Treatment Facility, the first of its kind in Shaanxi Province and North West China. Using the high temperature emitted from the plant's Kilns to burn waste sludge with zero secondary emissions, this facility will treat waste produced by Samsung (China) Semiconductor Corporation's new Xi'an fabrication plant as well as other industrial and municipal waste. Phase II is due to be completed in 2014 and the entire facility will have a capacity to treat over 200,000 tons of waste per year, with strong revenue and profitability prospects. Once this facility is up and running and the technology utilized matures, the Group intends to roll out similar facilities at its other cement lines leading to waste treatment becoming a significant earnings contributor in the next few years.

2014 PROSPECTS

The Group has faced nearly 3 years of tough market conditions in Shaanxi Province since mid 2011 and has used this period to strengthen its market position in Southern Shaanxi, expand its market in Central Shaanxi, establish a market leading position in Southern Xinjiang and lay the groundwork for new plants in Northern Xinjiang and Guizhou Provinces. This sets the scene for the Group to benefit from future upturns in the cement industry and further consolidation trends envisaged by the PRC Government into 2016 and 2017.

In Shaanxi Province, the industry has seen over 30 million tons of new NSP capacity added since 2010. This phase of capacity build out is now ending with only one new batch of capacity scheduled to come on stream in 2014 and none under construction or planned beyond that. The absence of further new supply will be compounded by stricter environmental controls and, most significantly, the planned elimination of the PC32.5 "low-grade" cement standard in China at the end of 2014. This measure will in effect reduce cement supply in China. Coupled with a continued stable growth in demand, the Group expects these factors to lead to a reduction in the oversupply situation and a rapid return to balanced markets.

The Group is already seeing this process start in its Southern Shaanxi core markets at the beginning of 2014. The Group's competitive pricing policy in this area through 2012 and 2013 has led to a very disciplined supply side in these core markets. Coupled with the upturn in cement demand as a result of increased infrastructure construction, capacity utilization has tightened significantly and pricing has strengthened, allowing the Group to enjoy some of the best margins it has had for 3 years in this area. The trends described above are likely to sustain this turnaround in the medium term. This process is not yet so apparent in Central Shaanxi as there is currently the one last batch of new supply coming on stream in the first half of 2014. However, the Group expects this new supply to be rapidly absorbed by the market, especially with accelerating demand for construction in the Xi-Xian ("Xi'an-Xianyang") New Area into 2014 and 2015.

There are three main focus areas for the Group in 2014. Firstly, the new plants in Guiyang City, Guizhou Province and Yili County, Xinjiang will be completed by the end of this year, taking capacity to 27 million tons. Both of these plants are excellently located and will prove to be important assets in 2015. Secondly, the work on environmental protection will be continued, both in terms of cutting emissions and revenue generation. And finally, the Group will conserve cash and explore RMB funding opportunities in order to repay the USD senior note before maturity, with a view to reducing gearing and eliminating foreign exchange risk.

On behalf of the Board, I would like to take this opportunity to thank our management, employees, bankers and advisors for their efforts in 2013. 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

18 March 2014

Management Discussion and Analysis

OVERVIEW

The Group has faced an operating environment in 2013 that it views as typical for trough market conditions in a cyclical industry. Cement demand and volumes in Shaanxi Province have remained strong, led by a continued recovery in infrastructure demand as well as buoyant urban and rural consumption. However, pricing has been volatile as the final phases of capacity expansion in this current cycle are completed and commissioned. Under these conditions, the Group has experienced rising volumes but further falls in ASP as compared with previous years. With no new planned capacity in Shaanxi Province beyond the second half of 2014, and the trend of continued strong demand, the Group sees a progressive improvement to the supply-demand imbalance in the province. The Group's main area of focus in 2013 has been on consolidating and integrating its plants that were acquired or constructed in 2011 and 2012, as well as focusing on environmental protection solutions, both in terms of emissions and cost reduction as well as revenue generation.

The Group's capacity as at 31 December 2013 has remained at 23.7 million tons with no new construction or acquisitions completed during 2013. The Group currently has two further plants under construction, one in Xinjiang Province and one in Guizhou Province. With capital expenditure for these two projects spreading over five financial years from 2012 to 2016, this represents a significant reduction in capital expenditure for the Group. The Group has targeted a total capacity of 27 million tons by the end of 2015 and this is set to be achieved by the end of 2014.

In addition to this slowdown in capital expenditure, the Group has also taken advantage of the opening up of the domestic PRC bond market to reorganize its debt structure. 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"), with the first tranche of RMB800 million, 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 has led to a sharp decrease in the Group's current liabilities in 2013 as compared to the previous year and has allowed the Group to borrow at interest rates lower than those available from the domestic banks. Access to the domestic MTN market enables the Group to reduce its average cost of funding, and provides further funding and refinancing options in the future without further exposure to the currency risk associated with off-shore borrowing instruments.

OPERATING ENVIRONMENT

In 2013, the Group has continued to face the tough operating environment that has prevailed in the North West China cement market since the second half of 2011. Although the first half of 2013 saw the return of some relative stability to the market, the summer low season saw new supply additions in central Shaanxi Province lead to cement price volatility in the second half of the year. This precipitated price falls in the third quarter, followed by a recovery in the fourth quarter as demand picked up into the end of the year. ASPs for the Group in 2013 have therefore been lower than in 2012, mainly due to poor pricing in the third quarter, but the Group exited the year with pricing levels broadly in line with those established in 2012 and the first half of 2013.

Whilst these new capacity additions were not insignificant in terms of 2013, they do only represent the tail end of a significant build out of over 30 million tons of new capacity in Shaanxi Province between 2010 and the end of 2013. With no new construction approvals issued by the Government since October 2010, less than 5 million tons of new capacity is scheduled to be added in 2014. There are no further cement capacity additions under construction or planned beyond that. In conjunction with this sharp fall in supply side additions into 2014 and beyond, continued government measures to close inefficient capacity, including the planned abolishment of PC32.5 grade cement with implementation details to be announced in the second half of 2014, as well as increased environmental controls and emissions standards, are further constraining low-end supply and resulting in a progressive improvement in the supply side situation in the Province.

Demand in Shaanxi Province has remained relatively robust in 2013, growing at approximately 10% over 2012, and the growth has been relatively evenly spread between rural, urban and infrastructure growth. Consistent and stable rural demand growth has been further stimulated by urbanization trends; urban demand growth, mainly in the Xi'an metropolitan area, has been driven by residential property and industrial facility construction; and the infrastructure construction recovery seen in the first half of 2013 has continued with increased demand from railway, road and metropolitan transport construction.

This demand has resulted in continued strong sales volume growth of over 23% for the Group as compared with the previous year. This growth has been driven by two main factors. Firstly, the Group has increased its market share in Shaanxi Province, especially in the Central Shaanxi Xi'an metropolitan market, through its acquisition of the Fuping and Shifeng Cement Plants in 2012. Secondly, the Group has been able to benefit from the volume recovery in the infrastructure market, especially in the Group's Southern Shaanxi core markets. This infrastructure recovery is reflected in the Group's cement sales mix, where approximately 46% of cement sales in 2013 have been high-grade cement, compared with 42% in the first half of the year, an average of below 40% in 2012 and only 30% in the first half of 2012.

The Group continues to supply to many of the significant infrastructure projects that are currently being constructed in Shaanxi Province. The Group's Weinan District plants are in bulk supply to the Huangling-Hancheng-Houma Railway; its Shangluo District plants are in peak supply to the Xi'an – Hefei Railway; its Hanzhong District plants are supplying to the Xi'an to Chengdu High Speed Railway; and the Southern Shaanxi Resettlement Project is ongoing and continuing to consume approximately 10% of the Group's output in Southern Shaanxi. In addition, in the fourth quarter of 2013, the Group has won the majority of tender sections for the Ankang-Pingli Highway and a significant part of two out of three segments of the Baoji to Hanzhong Highway. These projects are described in more detail on the Prospects section below.

The Group's operations at its plants in Xinjiang Province have remained slow. Volumes have been low at under 800,000 tons of mostly low grade cement sold, but with ASPs and margins at reasonable levels and higher than the Group's average. The region has continued to suffer from low government spending levels which have depressed demand, but the Group expects this situation to become a focus for government led development in 2014.

ENERGY CONSERVATION & 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 continued constructing residual heat recovery systems at its production facilities. As at 31 December 2013, these have been installed at 13 out of 17 production lines, with over 80% of Group capacity with heat recycling systems installed. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce CO_2 emissions by approximately 20,000 tons per million tons of cement production.

In anticipation of the implementation in 2014 and 2015 of more stringent nitrogen oxide ("NOx") and particulate matter ("PM") emission standards, as described in the 2013 publication of the State Council's Guideline Document 41 and Clean Air Action Plan, the Group has installed the required emission reduction equipment in 2012 and 2013. Denitration ("De-NOx") equipment has been installed at most of the Group's Shaanxi Plants, with one more plant, the Shangluo Zhen'an Plant, to be completed in 2014. 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. As at 31 January 2014, the Group has completed the modification of 3 of its production lines to meet the new PM emission standards that are to be implemented from July 2015 for existing cement plants in China. Similar modifications at two more plants are due to be completed in the first half of 2014, with the remainder not requiring modification as they already meet PM emission standards.

During 2013, the Group has constructed the first Cement Kiln Waste Sludge Treatment Facility in Shaanxi Province and Northwest China, at its Lantian cement production plant, and Phase I of this facility was completed in January 2014. The facility makes use of the high temperature of the cement kiln to incinerate waste sludge, with gases and ashes generated absorbed and solidified, resulting in harmless waste disposal and part recycling in the cement production process. The facility will treat industrial and municipal waste from the Xi'an and Xianyang area. Once Phase II has been completed, it will have a capacity to treat 210,000 tons of waste sludge per annum.

EXPANSION AND ACQUISITIONS

Following the completion of the construction of the Danfeng Line 2 Plant and acquisitions of the Shifeng and Fuping Cement Plants in 2012, the Group has not undertaken any expansion in Shaanxi Province in 2013 and has no immediate plans for further expansion in the Province.

The Group currently has two further plants under construction. The Yili Project, located in Yining County in the Ili Kazakh Autonomous Prefecture in North west Xinjiang Province and adjacent to the Khorgas Special Economic Zone ("SEZ"), is a brownfield project with a planned capacity of 1.5 million tons and is expected to be completed in the second half of 2014. The Guiyang Huaxi Project, another brownfield site with a planned capacity of 1.8 million tons, is excellently located in close proximity to Guiyang City centre, the capital of Guizhou Province. The brownfield site of this project was acquired at a relatively low acquisition cost in 2012 during a sharp downturn in the Guizhou cement market and construction is also expected to be completed in the second half of 2014.

The absence of any further expansion in Shaanxi Province coupled with a relatively modest expansion program of 3.3 million tons in Xinjiang and Guizhou Provinces, has resulted in a sharp reduction in capital expenditure for the Group as compared with the previous three financial years. The Group has incurred RMB581 million of investing cash flow for these projects plus its environmental facilities and other plant improvements, and expects approximately RMB500 million to be incurred in 2014. It is expected that these two projects will take the group to its 2015 targeted capacity of 27 million tons once completed.

SAFETY AND 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.

During the year, charitable donations made by the Group amounted to RMB8.3 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

PROSPECTS

Following close to three years of tough market conditions, where volumes have remained reasonable but pricing has been weak, the Group is seeing signs of an improvement in underlying conditions that should point to improved trading in 2014 and beyond. As a result of the industry consolidation that took place in Shaanxi Province in 2011 and 2012, and a sharp slowdown in the rate of capacity additions in the province beyond 2014, the Group anticipates an easing of supply side concerns in 2014. New emission standards and the planned removal of low grade cement (PC32.5 grade) under the State Council Guideline Document 41 and Clean Air Action Plan, with full implementation details to be announced in the second half of 2014, are expected to provide a significant reduction in supply in the province in the medium term, as well as forcing the shutdown of the majority of remaining independent cement grinding stations.

Whilst both rural and urban cement demand in Shaanxi Province has remained strong, even during the period of credit squeeze in the PRC between 2011 and 2013, this demand is looking to accelerate as infrastructure spending continues to recover into 2014 as part of the "Western Development Policy". The Group sees these factors contributing to a further narrowing in the demand-supply gap and increasingly stable market conditions going forward.

Southern Shaanxi

For 2014, the Group is most positive about its operations in its core markets in Southern Shaanxi Province, where the demand supply gap is closing fastest as infrastructure demand picks up.

In the Hanzhong Region, cement consumption for the Xi'an to Chengdu High-speed Railway construction is robust, allowing the Group to achieve average utilisation rates of over 100% with improving ASPs at its Hanzhong plants between October 2013 and January 2014. In the fourth quarter of 2013, work commenced on the Baoji to Hanzhong Highway, and this project is currently in the middle of the cement tendering process. The Group has already won a number of tender sections, and expects to win at least half of the total sections falling within Shaanxi Province. This infrastructure construction will ensure that the Group's plants in Hanzhong continue to operate at full capacity with good ASP for the foreseeable future.

In the Ankang Region, the Group has won most of the tenders for the Ankang to Pingli Highway, a four year construction project with a total distance of 61KM with over half of the construction mileage accounted for by bridges and tunnels, which consumes higher amounts of cement. The Group also expects the tendering process for the Ankang to Yangpingguan Railway to commence in 2014. The total construction mileage of this railway is 325KM, with bridges and tunnels accounting for 50% of the total length, and will be supplied from the Group's plants in Ankang as well as the Xixiang, Yangxian and Mianxian Plants in Hanzhong Region. These new projects are likely to result in price tension in the Ankang region and a positive effect on ASPs for the Group in 2014. The Group's operations in the Shangluo Region are stable, with one third of the Xi'an to Hefei Railway completed and construction continuing normally.

In addition, the Southern Shaanxi Resettlement Project, which is in its fourth year of construction, is proceeding normally and the Group is supplying approximately 750,000 tons of cement annually for the construction of private and social housing. Other rural demand in the South of the province continues to grow at a stable rate, and this is being further accelerated by continued urbanization trends in the province.

Central Shaanxi

Whilst demand in Central Shaanxi Province is also looking positive for 2014, there remain some risks in this area in the near term with one final batch of capacity additions scheduled for the first half of 2014 which could lead to short term ASP volatility. The Group, however, does expect that this extra supply will be comfortably absorbed by infrastructure and metropolitan development demand in the Xi-Xian ("Xi'an-Xianyang") New Area over 2014. ASPs at the Group's Central Shaanxi plants have been relatively stable at the beginning of 2014, with an unwillingness by producers to compete too aggressively on pricing.

Demand in the Group's Central Shaanxi markets is being driven by continued industrial development, metropolitan development and urbanization trends in the Xi'an Metropolitan area, Xianyang and Weinan regions. Residential development in Xi'an has recovered in 2013 and appears to be stable for 2014, and increasing industrial and commercial development on the outskirts of the city has reinforced this growth.

The Xi'an Metro system has been the centrepiece of urban renewal and a major source of demand for cement in the city. Currently, Lines 3 & 4 are under construction and expected to be completed in 2017, with Lines 5 & 6 due to commence construction in the second half of 2014. In addition, the Central Shaanxi Inter-City Rail System, with six lines planned and a total length of over 1200Km, is due to commence with the construction of the Xi'an to Tongchuan Line scheduled for the second half of 2014, and three further lines due to commence construction in 2015. The Xi-Xian New Area, which was approved by the State Council as a state level New Area in January 2014, will be an important medium term growth driver for cement in Central Shaanxi. This area is set to be the core region of the Guanzhong Tianshui Economic Zone, with a planned 57% rise in population by 2020 and planned construction of ten industrial parks and five "Ecological Cities".

Other Areas — Xinjiang and Guizhou

The Group also expects some improvement in volumes and its operations in the Hotan District of Southern Xinjiang Province. Infrastructure spending and development has not been the main focus of the PRC Government in Xinjiang in 2013, but regional development is expected to become an increasing focus in 2014. A number of new projects are set to start in 2014 in the Hotan area, including the Yutian Ji Yin Hydro Project, the Hotan Airport Terminal Extension and the Moyu-Hotan Highway expansion, and targets for fixed asset investment growth in the Hotan Region has been set at 26% for 2014. In the north of Xinjiang Province, the Group expects its 1.5 million ton Yili Plant to be commissioned in the second half of 2014, although contribution is expected to be small in 2014 as the plant ramps up production. The plant has a location advantage next to the Khorgas SEZ and the Group expects strong demand from infrastructure projects such as the Yili River Diversion Hydro Project and urbanization and industrialization in the Khorgas SEZ as well as possible future sales to the nearby Republic of Kazahkstan.

In Guizhou Province, the Group also expects its 1.8 million ton Guiyang Huaxi Plant to be commissioned in the second half of 2014. The plant is strategically located close to Guiyang City and within the Gui-An ("Guiyang-Anshun") New Area, one of two State level "New Areas" approved by the State Council in January 2014. The Plant is expected to benefit from infrastructure development and urbanisation in the region. Planned infrastructure projects in the area include highways such as the Guiyang to Anshun Expressway and the Guiyang Ring Road Expressway; railways such as the Guiyang Loop High-speed Railway, the Guiyang to Xingyi Railway and the Guiyang Airport to Anshun High Speed Railway. In addition to this transportation infrastructure, five new cities are to be constructed in the area.

Environmental Protection Solutions

There will be a continued focus by the Group on environmental protection solutions into 2014, both in terms of generating new sources of revenue as well as saving energy and lowering emissions.

New Revenue Stream — Waste Treatment

In January 2014, the Group announced the completion 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 potentially significant new income stream for the Group. Using the Lantian Plant's cement kiln to burn waste sludge at minimal incremental cost with no additional energy consumption or secondary pollution, the Facility has been established under the auspices of the Shaanxi Provincial and Municipal Environmental Protection Administrative Department to co-treat industrial waste produced by the new manufacturing plant of Samsung (China) Semiconductor Corporation ("Samsung") in Shaanxi Province. Phase II is expected to be completed in 2014 and the Facility will have a capacity to treat a total of 210,000 tons of waste from industrial customers in the Xi-Xian New Area as well as municipal waste from Xi'an. The Group expects that at full capacity, the Facility can generate approximately RMB100 million of profitability for the Group per year. With the increasing need for environmentally friendly waste disposal solutions generated by on-going urbanization in Shaanxi Province, this business line is set to be a significant earnings stream for the Group beyond 2014 as similar facilities are rolled out to the Group's other cement production lines with a capacity of over 2500 tons per day over the next few years.

New Emission Standards — NOx and PM

Whilst most of the required De-NOx and PM reduction equipment has been installed or modified in 2012 and 2013, the Group expects to substantially complete this work in 2014, well ahead of the expected dates for implementation of new emission standards in the PRC.

Group Targets

The Group continues to target a cement capacity of 27 million tons by the end of 2015 and this capacity will be reached at the end of 2014 when the Xinjiang Yili and Guiyang Huaxi Plants are completed. At the same time, the Group will focus in 2014 on completing the installation of NOx and PM reduction equipment, as well as the roll out of the Waste Sludge Treatment Facility at the Lantian Plant whilst planning for further rollouts of similar equipment at other plants in the next two to three years. These investments though represent a sharp slowdown in capacity expenditure for the Group as compared with previous years, and the Group's main focus in 2014 and 2015 will be on conserving cash in preparation for repayment of the USD Senior notes in January 2016.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 18.3% from RMB3,524.1 million for the year ended 31 December 2012 to RMB4,167.8 million for the year ended 31 December 2013. Cement sales volume grew by 23.1% from approximately 14.3 million tons for the year ended 31 December 2012 to approximately 17.6 million tons for the year under review. Total cement and clinker sales volume for the year ended 31 December 2013 amounted to approximately 18.2 million tons (2012: 15.0 million tons, excluding capitalized sales volume of approximately 0.6 million tons derived from the Danfeng Line 2 Plant in 2012, whose sales were recognized in the Group's income statements with effect from January 2013). Whilst the Group did not expand capacity during the year, sales volumes have grown as compared to 2012 due to acquisitions and capacity expansion completed in 2012. New production facilities that have contributed to these increases in sales volume 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 been lower than those seen in the year ended 31 December 2012. Whilst pricing in the first half of the year was at levels fairly consistent to those seen in the previous year, there was more volatility in the second half of the year. ASPs fell in the third quarter low season, followed by a recovery in the fourth quarter as demand picked up into the end of year. Cement ASPs for 2013 were RMB228 per ton as compared with RMB238 per ton in 2012. The reasons for this decline and the background to the volatility in cement prices are discussed in the "Operating Environment" section above.

Cost of Sales

Cost of sales increased by 20.7% from RMB2,848.9 million for the year ended 31 December 2012 to RMB3,438.5 million for the year ended 31 December 2013. The increase in cost of sales has been slightly lower than the 23.1% growth in sales volume, mainly due to cost savings as a result of lower coal prices.

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 16.7% from approximately RMB551 per ton for the year ended 31 December 2012 to approximately RMB459 per ton for the year ended 31 December 2013. This has resulted in the total coal costs for the year ended 31 December 2013 remaining at similar levels to those of the previous year, despite the higher sales and production volumes. However, the cost savings from lower coal prices have been partially offset by higher material costs.

Material costs increased by approximately 24.2%, a rate higher than the increase in sales volumes. This was due mainly to higher material consumption as a result of an increased proportion of high-grade cement production. 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 49% of total volume in 2013, compared with only 42% in 2012.

Electricity costs increased by approximately 17.1% as compared with those in 2012. Changes in electricity cost per ton of cement produced or unit electricity costs were marginal. Unit electricity costs were higher in the first half of the year, but improved in the second half with improved production efficiency and electricity generation from the heat recycling system. Average electricity prices, after taking savings from the heat recycling systems into account, decreased from approximately RMB0.47 per kwh in the year ended 31 December 2012 to approximately RMB0.45 per kwh in the year ended 31 December 2013. This was partially offset by increases of approximately 2.5kwh to 3.0kwh of electricity consumption per ton of cement produced in the year under review, due to the increased proportion of high-grade cement production.

Total depreciation costs for the year ended 31 December 2013 were 20.6% higher as compared with 2012. This is largely in line with the increase in volume.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB54.1 million, or 8.0%, from RMB675.2 million for the year ended 31 December 2012 to RMB729.3 million for the year ended 31 December 2013. The rises in gross profit were mainly due to the increases in revenue and sales volumes as compared with 2012. Gross profit margins decreased from 19.2% for the year ended 31 December 2012 to 17.5% for the year ended 31 December 2013. The decline in gross profit margins was largely due to the decline in ASPs.

Administrative Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. These expenses increased by 20.7% from RMB202.1 million for the year ended 31 December 2012 to RMB243.9 million for the year ended 31 December 2013. This was mainly due to the increase in the number of production facilities in Shaanxi and Xinjiang Provinces as compared with the previous year.

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 by approximately 9.1% from RMB155.8 million for the year ended 31 December 2012 to RMB169.9 million for the year ended 31 December 2013. The ratio of VAT rebates over revenue was 3.6% for the year ended 31 December 2013 (2012: 4.0%). The decline in the VAT rebates over revenue ratio was largely due to the decline in ASPs. Lower ASPs result in lower output VAT, which in turn results in lower net VAT and rebates. There has also been some effect from the shift to higher-grade cement products, which do not qualify for VAT rebates.

Other Gains and Losses, net

Other gains increased by RMB66.2 million from RMB0.5 million for the year ended 31 December 2012 to RMB66.7 million for the year ended 31 December 2013. The increases were primarily due to the increase in unrealized exchange gains of RMB72.8 million arising from foreign exchange translation of the Senior Notes during the year.

Interest Income

Interest income increased by RMB2.9 million from RMB1.9 million for the year ended 31 December 2012 to RMB4.8 million for the year ended 31 December 2013. The increase was primarily due to the bank deposit interest income arising from higher cash balances following the issue of the MTN in March 2013.

Finance Costs

Finance costs increased by RMB77.1 million or 55.1% from RMB140.0 million for the year ended 31 December 2012 to RMB217.1 million for the year ended 31 December 2013. The increase in finance costs was primarily due to a decrease in interest capitalised during the year under review. The interest capitalised as part of the costs of assets for the year ended 31 December 2013 was RMB70.3 million, representing a decrease of RMB74.4 million as compared with RMB144.7 million for the year ended 31 December 2012. The rate of interest capitalisation has decreased from 50.9% of total interest in 2012 to 24.5% in 2013 due to a significant reduction in capital expenditure and construction in progress during the year under review.

Taxation

Income tax expenses increased by RMB6.7 million or 7.8% from RMB86.1 million for the year ended 31 December 2012 to RMB92.8 million for the year ended 31 December 2013. The increase was mainly due to deferred tax charges of RMB23.1 million for the year ended 31 December 2013, as compared with deferred tax charges of RMB11.8 million in the prior year. The deferred tax mainly relates to a reversal of unused tax losses previously recognized as deferred tax assets.

As a result of the higher deferred tax charges, the effective tax rate for the year ended 31 December 2013 increased to 19.5% (2012: 18.8%). 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 13 to the consolidated financial statements below.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company increased by 3.7% from RMB364.9 million for the year ended 31 December 2012 to RMB378.3 million for the year ended 31 December 2013. Basic earnings per share remained flat as compared with the prior year at RMB0.083. There is still some effect on the EPS figure as a result of the increase in weighted average number of shares following the June 2012 new share issue to the Italcementi Group, although this is the last reporting period in which this effect is felt.

FINANCIAL AND LIQUIDITY POSITION

As at 31 December 2013, the Group's total assets increased by 3.6% to RMB10,664.7 million (2012: RMB10,298.9 million) while total equity grew by 4.9% to RMB5,085.3 million (2012: RMB4,846.8 million).

As at 31 December 2013, the Group had cash and cash equivalents, as well as restricted bank deposits, amounting to RMB623.1 million (2012: RMB518.8 million). After deducting total borrowings, Senior Notes and MTN of RMB4,029.9 million (2012: RMB3,869.2 million), the Group had net debt of RMB3,406.8 million (2012: RMB3,350.4 million). 62.9% (2012: 34.1%) 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 2013, the Group's net gearing ratio, measured as net debt to equity, was 67.0% (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 31 December 2013, the Group had net current liabilities of RMB402.6 million (31 December 2012: RMB1,098.3 million). This net amount includes bank borrowings of RMB709.4 million (31 December 2012: RMB1,178.2 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. The sharp 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.

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

CONTINGENT LIABILITIES

As at 31 December 2013, 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 2013 amounted to RMB737.5 million (2012: RMB849.2 million). Capital commitments as at 31 December 2013 amounted to RMB585.8 million (2012: RMB1,277.9 million), of which approximately RMB100 million to RMB145 million is planned for 2014, RMB300 million to RMB320 million for 2015 and the remainder for 2015 afterwards. 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group employed a total of 5,013 full time employees (2012: 4,724). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2013, the employees benefit expenses were RMB238.1 million (2012: RMB189.0 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 significant material acquisitions or disposals during the year ended 31 December 2013.

FOREIGN EXCHANGE RISK MANAGEMENT

During the year ended 31 December 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 senior notes issued by the Company 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.

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 2013, 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 Listing Rules.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the directors of the Company of the 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 2013.

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 2013, 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
Mr. 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 30 to 34 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 2013, the roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined in writing.

The Chairman of the Board is Mr. Zhang Jimin and the Chief Executive Officer is Mr. Tian Zhenjun. The positions of Chairman and Chief Executive Officer are 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.

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 2013, 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 2013 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
Mr. Ma Weiping	–	2/2
Independent Non-Executive Directors		
Mr. Lee Kong Wai Conway	6	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 2013, 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 2013 ("2013 AGM") during the year ended 31 December 2013:

Directors	Number of Board meetings attended	2013 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	4/5	0/1
Mr. Ma Zhaoyang	5/5	1/1
Mr. Ma Weiping	4/5	1/1
Mr. Lee Kong Wai Conway	5/5	1/1
Mr. Wong Kun Kau	5/5	1/1
Mr. Tam King Ching Kenny	5/5	1/1

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 audit responsibilities. 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 audited consolidated financial statements for the year ended 31 December 2013.

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;

— 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 2013.

Directors	Number of Audit Committee meetings attended
Mr. Lee Kong Wai Conway	10/10
Mr. Wong Kun Kau	10/10
Mr. Tam King Ching Kenny	10/10

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 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 2013.

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.

No meeting of the Nomination Committee was held during the year ended 31 December 2013.

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 2013, 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 47 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 47 of this annual report.

The remuneration paid to Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2013 is as follows:

	2013 RMB'000
Audit services	1,500
Non-audit services	390
Total	1,890

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 2012 Annual Results and our 2013 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.

- 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

The Company has four executive Directors, two non-executive Directors and four independent non-executive Directors. Their biographical details are set out below:

Executive Directors

Mr. Zhang Jimin — Chairman

Mr. Zhang, aged 59, 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.

Mr. Tian Zhenjun — Chief Executive Officer

Mr. Tian, aged 53, is an executive Director of the Company. He is also the Chief Executive Officer of the Company and is responsible for the Group's overall administrative, human resources and operational management. Mr. Tian is a director of a number of the Group's subsidiaries including Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai and Hetian Yaobai.

Mr. Tian received an undergraduate degree in accountancy from Shaanxi Finance & Economy College in December 2001. From August 1988 to August 1998, Mr. Tian served as the accounting manager of the Pucheng County Coal Mine, a local state-owned enterprise. He joined Shaanxi Yaobai in September 1998 and has held several positions in our Group, including general accountant, director of the finance department, assistant general manager and sales manager. Mr. Tian became a certified accountant in the PRC in October 1994.

Mr. Wang Jianli — Deputy Chief Executive Officer
Mr. Wang, aged 50, 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.

Ms. Low Po Ling — Deputy Chief Executive Officer & IR Director
Ms. Low, aged 38, is an executive Director of the Company. She is also a deputy chief executive officer of the Group and Investor Relations Director. She is responsible mainly for the Group's strategic development, merger and acquisition advisory and capital market and investor relations.

Ms. Low has over 10 years experience in the accounting and finance industries and has worked in Malaysia, Singapore and the United Kingdom. Before joining our Group, Ms. Low was an associate director of Goldenway Capital and Chang'an Capital. The former is a corporate finance advisory and investment company in Beijing and the latter is a private equity investment company in Beijing. Previously, she was an associate consultant of PricewaterhouseCoopers Consulting SdnBhd in Kuala Lumpur Malaysia; a senior auditor of BDO International in Singapore; a consultant of BDO London and a corporate finance executive with PKF (UK) LLP in London.

Ms. Low has been a member of the Association of Chartered Certified Accountants (ACCA) since 2000 and became a fellow member in 2003. She has considerable corporate finance experience and has participated in numerous successful equity and debt fund raisings and initial public offering projects.

Non-executive Directors

Mr. Ma Zhaoyang — Non-executive Director
Mr. Ma, aged 45, 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, and an independent non-executive director of Xi'an Kaiyuan Holding Group Co., Ltd., a company listed on the Shenzhen Stock Exchange which is principally engaged in department store retail businesses and where he has assumed an advisory role since May 2006.

Directors and Senior Management

Mr. Ma Weiping — Non-executive Director

Mr. Ma, aged 52, was appointed as a non-executive Director of the Company in June 2012. 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, Mr. Ma served as a senior process engineer and project manager for Holcim in Michigan, United States. From 2002 to 2005, Mr. 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, Mr. Ma was also a chief representative and managing director of Fuping Cement, a company wholly owned by Italcementi Group. Mr. Ma currently cooperates with Italcementi Group in South-East Asia.

Mr. 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. Mr. Ma also obtained a Master of Business Administration in Integration Management from Michigan State University in 2002.

Independent non-executive Directors

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

Mr. Lee, aged 59, 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 and Yashili International Holdings Limited, companies listed on the main board of the HKSE, since July 2010, November 2010, March 2011, November 2011, November 2012 and November 2013, 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 53, 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 and Lifestyle Properties Development Limited, companies listed on the main board of the HKSE, since May 2012 and September 2013, respectively.

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

Mr. Tam, aged 64, 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.

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 Institute of Chartered Accountants of Ontario, Canada. Mr. Tam is a member of the Restructuring and Insolvency Faculty Executive Committee, the Small and Medium Practitioners Leadership Panel 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.

Mr. Xu Delong — Independent non-executive Director

Mr. Xu Delong, aged 62, was appointed as an independent non-executive director and a member of the nomination committee of the Company on 14 March 2014. In reliance on his abundant experience in building and engineering, he is mainly responsible for providing advice in respect of technical knowledge, overall strategic planning and operation of the Company's business. Mr. Xu received a doctorate's degree in Metallurgy Engineering from Northeastern University in Shenyang, PRC, in 1996 and has over 30 years of academic experience in building and engineering. He has been the executive director and president of Shaanxi Institute of Recycling Economy and Engineering (陝西循環經濟工程技術院) since October 2009.

Mr. Xu has served as the vice president of Chinese Federation of Building Materials since 2013, a member of the standing committee of the Department of Biochemical Engineering at Institute of Chemical Metallurgy since 2006, the deputy director of both Chinese Ceramic Society and Chinese Society of Particuology since 2005, an executive director of the Chinese Society of Metal since 2001, and served as an executive of the Research and Promotion Centre of Precalcining Technology for Dry-process Cement Rotary Klins in 1997 and the president of the Xi'an University of Architecture and Technology from March 1998 to July 2013. Mr. Xu is also a member of the American Institute of Chemical Engineers and an honorable member of the British Cement Association. Currently, he also serves as a representative of the Twelfth National People's Congress and a member of the ninth Standing Committee of All-China Federation of Returned Overseas Chinese as well as the Chairman of the Federation of Returned Overseas Chinese in Shaanxi province.

Over the past decades, Mr. Xu has focused on the research in the disciplines of ceramic engineering, powder engineering and recycling economy and in the technology reengineering for synergized power conservation in the cement industry, powder materials and engineering, re-utilization of industrial solid wastes, development and utilization of hard-to separate minerals and producing oil from dry coal distillation and participated in a series of key scientific projects in the Sixth, Seventh, Eighth and Ninth Five-year Plans, projects funded by National Foundation of Nature and Science and the National "863" Plan projects.

In recognition of his scientific achievements, Mr. Xu was awarded with a second prize of National Technology Progress in 1996, a prize for Promotion of National Scientific Achievement in 1997, a second prize for National Education Achievement in 2009, a first prize of Provincial Technology Progress and Achievement in 2007 and the Henry Fok Foundation Scholarship Award for Science and Technology in 1994 as well as honorable titles of National Advanced Workers in 2005 and National Outstanding Specialized and Professional Talent in 2009.

SENIOR MANAGEMENT

Yaobai Group

Mr. Li Wenyu — Deputy Chief Executive Officer

Mr. Li, aged 53, is mainly responsible for sales and marketing of our products. He is also a director of Shaanxi Yaobai and Longqiao Yaobai. Mr. Li received professional training in business operations from Northwest University of China in March 2003. Mr. Li served as the director of supply and marketing division of PuchengShangwang Construction Material Co., Ltd. from February 1993 to October 1997 and has been involved in the building materials industry for many years. In 1997, Mr. Li joined Shaanxi Yaobai and has held several positions in the Group including head officer of general logistics department, sales manager, general manager and chief sales officer.

Mr. Chen Zhixin — Chief Administrative Officer

Mr. Chen, aged 53, is also a director of a number of the Group's subsidiaries including Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai, Xiushan Yaobai and Jianghua Yaobai. Mr. Chen received an undergraduate degree in commanding communications from the PLA Commanding Communications Academy in July 2000. From February 1978 to December 2002, Mr. Chen worked for the army of the PRC. From December 2002 to September 2005, he worked as vice general manager of the Shaanxi West Cyber Information Co. Ltd. Mr. Chen joined Shaanxi Yaobai in September 2005 and has held several positions in our Group including assistant to the general manager of Shaanxi Yaobai, vice general manager of Shaanxi Yaobai, general manager of a branch office of Shaanxi Yaobai and general manager of Ankang Yaobai.

Mr. Wang Jiujun — Chief Operating Officer

Mr. Wang, aged 40, has replaced Mr. Li Yongji as chief operating officer since April 2013, who is mainly responsible for finance, operating and risk 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 Yaobai Group in March 1998 and held several positions including accountant, general accountant, finance manager, deputy manager and general manager of subsidiaries.

Mr. Chu Yufeng — Chief Audit Officer

Mr. Chu, aged 36, has replaced Mr. Yang Junqi as chief audit officer since October 2013, who is mainly responsible for auditing 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 36, 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 2013.

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 104 to 107 of this Annual Report. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2013.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income on page 48.

The Board has recommended the payment of a final dividend of RMB0.02 per share for the year ended 31 December 2013.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 30 May 2014 (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 30 May 2014 (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 27 May 2014 (Tuesday). The register of members of the Company will be closed from 28 May 2014 (Wednesday) to 30 May 2014 (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 5 June 2014 (Thursday). The register of members of the Company will be closed from 6 June 2014 (Friday) to 9 June 2014 (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 30 May 2014 (Friday), the final dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 9 June 2014 (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.

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 109 and the consolidated statement of changes in equity on page 51, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, 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 RMB2,771.2 million.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2013 amounted to RMB8.3 million (2012: RMB2.7 million).

PROPERTY, PLANT AND EQUIPMENT

Details of movement of property, plant and equipment of the Group, during the year ended 31 December 2013 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 37 to the consolidated financial statements, respectively.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed shares during the year ended 31 December 2013. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company during the year ended 31 December 2013.

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 2013, total sales attributable to the top five customers of the Group were less than 11% of total sales of the Group.

For the financial year ended 31 December 2013, total purchase attributable to the largest supplier accounted for approximately 7% of the total purchase of the Group and total purchases attributable to the top five suppliers of the Group were approximately 23% 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' Report

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)*
Mr. Wang Jianli
Ms. Low Po Ling

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

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

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 30 to 35 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 2013 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 HKD1,250 per month.

Particular of the Group's retirement benefit schemes for its employees in Mainland China are set out in note 38 to the consolidated financial statements.

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 2013 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 transaction as disclosed in note 38 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 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 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 2013:

Name of Director	Number of ordinary shares held as at 31 December 2013 Capacity	Total *(Note 1)*	Approximate % of issued share capital of the Company as at 31 December 2013
Zhang Jimin	Interest of a controlled corporate	1,756,469,900 (L) *(Note 2)*	38.63%
Ma Zhaoyang	Interest of a controlled corporate	221,587,950 (L) *(Note 3)*	4.87%
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.

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

As at 31 December 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 31 December 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 31 December 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 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 2013, 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' INTEREST IN SECURITIES

As at 31 December 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:

		As at 31 December 2013	
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)	38.63%
Zhang Jimin *(Note 2)*	Interest of a controlled corporation	1,756,469,900 (L)	38.63%
Cimfra (China) Limited ("Cimfra") *(Note 3)*	Beneficial owner	284,200,000 (L)	6.25%
Ciments Français SA ("Ciments") *(Note 3)*	Interest of a controlled corporation	284,200,000 (L)	6.25%
Italcementi S.p.A. ("Italcementi") *(Note 3)*	Interest of 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%

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 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.

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 2013.

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 31 December 2011. 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.

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.

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

During the year ended 31 December 2013:

				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	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2013	Granted during the year ended 31 December 2013	Exercised during the year ended 31 December 2013	Lapsed during the year ended 31 December 2013	Outstanding as at 31 December 2013
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 employee (Group A)	23 March 2011	3.41	23 March 2012 to 22 March 2021	9,000,000	–	–	2,550,000	6,450,000
	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	–	4,100,000	47,300,000

Note:

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

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 2013 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

18 March 2014

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 48 to 109, which comprise the consolidated statement of financial position as at 31 December 2013, 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 2013, 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

18 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Revenue	7	**4,167,843**	3,524,117
Cost of sales		**(3,438,503)**	(2,848,920)
Gross profit		**729,340**	675,197
Other income	8	**169,928**	155,833
Selling and marketing expenses		**(34,718)**	(32,754)
Administrative expenses		**(243,862)**	(202,117)
Other gains and losses, net	9	**66,651**	490
Interest income	10	**4,817**	1,928
Finance costs	11	**(217,074)**	(139,993)
Profit before tax	12	**475,082**	458,584
Income tax expense	13	**(92,812)**	(86,058)
Profit and total comprehensive income for the year		**382,270**	372,526
Attributable to:			
— Owners of the Company		**378,321**	364,881
— Non-controlling interests		**3,949**	7,645
		382,270	372,526
Earnings per			
— Basic (RMB)	15	**0.083**	0.083
— Diluted (RMB)	15	**0.083**	0.083

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**8,003,796**	7,829,666
Prepaid lease payments	19	**448,244**	450,000
Mining rights	20	**133,116**	139,249
Other intangible assets	21	**169,693**	171,826
Deferred tax assets	23	**18,587**	36,755
		8,773,436	8,627,496
Current assets			
Inventories	24	**530,864**	468,602
Trade and other receivables and prepayments	25	**737,304**	683,973
Restricted bank deposits	26	**116,519**	149,881
Bank balances and cash	26	**506,586**	368,936
		1,891,273	1,671,392
Total assets		**10,664,709**	10,298,888
EQUITY			
Share capital	27	**124,715**	124,715
Share premium		**2,136,463**	2,136,463
Equity reserve	28	**(305,868)**	(302,264)
Statutory reserve	28	**437,143**	405,787
Share option reserve		**13,620**	9,172
Retained earnings		**2,638,091**	2,382,058
Equity attributable to owners of the Company		**5,044,164**	4,755,931
Non-controlling interests		**41,094**	90,871
Total equity		**5,085,258**	4,846,802

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	29	**6,000**	144,000
Senior notes	30	**2,407,455**	2,468,506
Medium-term notes	31	**794,189**	–
Asset retirement obligation	32	**13,763**	12,991
Deferred tax liabilities	23	**14,575**	9,636
Deferred revenue	33	**49,569**	51,971
		3,285,551	2,687,104
Current liabilities			
Trade and other payables	34	**1,444,351**	1,484,434
Senior notes	30	**76,211**	78,544
Medium-term notes	31	**36,600**	–
Income tax payable		**21,870**	23,812
Deferred revenue	33	**5,445**	–
Borrowings	29	**709,423**	1,178,192
		2,293,900	2,764,982
Total liabilities		**5,579,451**	5,452,086
Total equity and liabilities		**10,664,709**	10,298,888
Net current liabilities		**(402,627)**	(1,093,590)
Total assets less current liabilities		**8,370,809**	7,533,906

The consolidated financial statements on pages 48 to 109 were approved and authorised for issue by the Board of Directors on 18 March 2014 and are signed on its behalf by:

ZHANG JIMIN
DIRECTOR

TIAN ZHENJUN
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	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 2012	119,119	1,855,760	(333,180)	4,812	376,274	2,046,690	4,069,475	109,066	4,178,541
Profit and total comprehensive income for the year	–	–	–	–	–	364,881	364,881	7,645	372,526
Profit appropriations	–	–	–	–	29,513	(29,513)	–	–	–
Acquisition of additional interests in a subsidiary *(Note 28(c))*	–	–	30,916	–	–	–	30,916	(80,916)	(50,000)
Acquisition of subsidiaries *(Note 35)*	5,596	341,128	–	–	–	–	346,724	55,076	401,800
Recognition of equity-settled share-based payments *(Note 37)*	–	–	–	4,360	–	–	4,360	–	4,360
Dividend recognised as distribution *(Note 14)*	–	(60,425)	–	–	–	–	(60,425)	–	(60,425)
At 31 December 2012	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**
Profit appropriations	**–**	**–**	**–**	**–**	**31,356**	**(31,356)**	**–**	**–**	**–**
Acquisition of additional interests in a subsidiary *(Note 28(d))*	**–**	**–**	**(3,604)**	**–**	**–**	**–**	**(3,604)**	**(55,076)**	**(58,680)**
Capital contribution from non-controlling shareholders of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,350**	**1,350**
Recognition of equity-settled share-based payments *(Note 37)*	**–**	**–**	**–**	**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**

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**475,082**	458,584
Adjustments for:			
Finance costs		**217,074**	139,993
Interest income		**(4,817)**	(1,928)
Unrealised exchange gains		**(73,383)**	(6,012)
Depreciation of property, plant and equipment		**551,404**	440,824
(Gain) loss on disposal of property, plant and equipment		**(372)**	996
Amortisation of prepaid lease payments		**12,712**	10,155
Amortisation of mining rights		**7,827**	10,647
Amortisation of other intangible assets		**2,213**	2,184
(Reversal for allowance) allowance for doubtful debts		**2,909**	424
Government grants credited to income		**(4,835)**	(4,555)
Share option expenses		**4,448**	4,360
Operating cash flows before movements in working capital		**1,190,262**	1,055,672
Increase in inventories		**(62,262)**	(13,657)
(Increase) decrease in trade and other receivables and prepayments		**(57,285)**	122,380
(Decrease) increase in trade and other payables		**(81,476)**	287,097
Cash generated from operations		**989,239**	1,451,492
Income tax paid		**(71,060)**	(73,370)
Net cash from operating activities		**918,179**	1,378,122

	NOTES	2013 RMB'000	2012 RMB'000
INVESTING ACTIVITIES			
Interest received		**4,817**	1,928
Purchase of property, plant and equipment		**(578,521)**	(563,136)
Addition of prepaid lease payments		**(713)**	(36,715)
Purchase of mining rights		**(1,694)**	(7,044)
Purchase of other intangible assets		**(80)**	(52)
Proceeds from disposal of property, plant and equipment		**9,907**	5,920
Government grants received for acquisition of property, plant and equipment		**7,878**	12,154
Advances to subsidiaries before the acquisition date	35	**–**	(617,142)
Payment for acquisition of subsidiaries in prior period	35	**(37,406)**	(83,556)
Withdrawal of restricted bank deposits		**355,684**	6,906
Placement of restricted bank deposits		**(322,322)**	(120,261)
Net cash used in investing activities		**(562,450)**	(1,400,998)
FINANCING ACTIVITIES			
New borrowings raised		**748,601**	1,458,872
Net proceeds from issuance of medium-term notes		**792,800**	–
Repayment of borrowings		**(1,355,370)**	(1,200,360)
Dividends paid		**(90,932)**	(60,425)
Acquisition of additional interests in a subsidiary	28	**(58,680)**	(50,000)
Capital contributions from non-controlling shareholders of subsidiary		**1,350**	–
Interest paid		**(255,239)**	(283,981)
Net cash used in financing activities		**(217,470)**	(135,894)
Net increase(decrease) in cash and cash equivalents		**138,259**	(158,770)
Cash and cash equivalents at 1 January		**368,936**	529,612
Effect of foreign exchange rate changes		**(609)**	(1,906)
Cash and cash equivalents at 31 December, represented by bank balances and cash		**506,586**	368,936

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 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 are listed on the Main Board of the Stock Exchange of Hong Kong Limited ("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 CONSOLIDATED FINANCIAL INFORMATION

As at 31 December 2013, the Group has net current liabilities of RMB402,627,000, and has unutilised loan facilities totalling RMB340,000,000 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 on its demand further three-year medium-term notes of RMB800,000,000 by March 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 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 circumstances, the directors of 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. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In the current year, 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") which have been effective.

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle;
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities;
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;
IFRS 10	Consolidated Financial Statements;
IFRS 11	Joint Arrangements;
IFRS 12	Disclosure of Interests in Other Entities;
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; and
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine.

In addition, the Group has early adopted the amendments to IAS 36 Impairment of Financial Assets: Recoverable Amount Disclosures for Non-Financial Assets in advance of it effective date.

Except as described below, the application and early adoption of the new or revised IFRSs in the current year has had no material effect on the amounts reported and disclosures set out in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

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

In the current year, the Group has applied for the first time IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures* together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. The Group had not entered into any arrangement with other parties where two or more parties have joint control during the current or prior periods, and hence the adoption of IFRS 11 during the current year had has no impact to the Group's consolidated financial statements. The application of IFRS 12 will result in more disclosures in the consolidated financial statements for the year ended 31 December 2013.

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 Interpretation 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, with additional guidance provided in IFRS 10, 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.

The Directors has made an assessment as at 1 January 2013 as to whether the initial application of IFRS 10 has resulted in a change of control over the existing 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 by virtue of its ability 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, and 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. Accordingly, the Directors concluded that the adoption of IFRS 10 has had no material impact of the Group's consolidated financial statements for the current or prior years because the Group's control over the existing subsidiaries remained unchanged in accordance with the new definition of control under IFRS 10.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

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 and their corresponding income tax, if presented, 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. 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 presentation of items of other comprehensive income has been modified to reflect the changes.

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

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

IFRIC 20 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 stripping costs which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") and classified as tangible or intangible according to the nature of the existing asset of which it forms part when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 *Inventories*. 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 consolidated financial statements for the current or prior periods.

New and revised IFRSs in issue but not yet effective

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

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016

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.

4. SIGNIFICANT ACCOUNTING POLICIES

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 Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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.

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

Basis of consolidation *(Cont'd)*

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.

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.

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

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 is 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. 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 is allocated to the individual identifiable assets and 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and presents amounts 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.

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

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.

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.

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

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.

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 and interests 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.

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

Taxation *(Cont'd)*

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.

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
Property and plant	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.

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

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

Mining assets amongst others, include the following:

(a) Stripping costs

Stripping costs incurred during the development of a limestone mine are capitalised into property, plant and equipment. Stripping costs incurred during the production phase 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 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 tangible or intangible according to the nature of the existing asset 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 amortised 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.

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.

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.

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.

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

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.

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.

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

Financial instruments *(Cont'd)*

Financial assets *(Cont'd)*

Impairment of loans and receivables (Cont'd)

Trade receivables 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 60–90 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. The carrying amount of trade receivables and other receivables 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.

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 Group are recognised at the proceeds received, net of direct issue costs.

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 in its entirety, 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.

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. 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 options reserve.

When share options are exercised, the amount previously recognised in share options 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 options 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 to sell 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

	2013 **RMB'000**	2012 RMB'000
Financial assets		
— Loans and receivables (including cash and cash equivalents)	**1,158,207**	830,431
Financial liabilities		
— Amortised cost	**5,288,748**	5,037,358

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.

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	
	31/12/2013 RMB'000	31/12/2012 RMB'000	**31/12/2013 RMB'000**	31/12/2012 RMB'000
United States Dollar ("US$")				
— Bank balances and cash	**–**	–	**4,715**	10,230
— Senior notes	**2,483,666**	2,547,050	**–**	–
— Medium-term notes	**–**	–	**–**	–
— Borrowings	**99,423**	96,192	**–**	–
Other foreign currency (including Hong Kong Dollar, Great Britain Pound and Singapore Dollar)				
— Bank balances and cash	**–**	–	**1,982**	3,898

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$, there will be a decrease in the post-tax profit for the year of RMB128,173,000 (2012: RMB130,929,000) and there would be an equal but opposite impact on the post-tax profit for the year for a 5% strengthen of RMB against US$.

(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 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 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.

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.

5. FINANCIAL INSTRUMENTS *(Cont'd)*

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

Market risks *(Cont'd)*

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

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 2013 would be decreased/increased by approximately RMB1,103,000 (2012: decreased/increased by RMB3,695,000).

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 counter parties 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.

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 effective 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	–	1,246,066	12,804	–	1,258,870	1,258,870
Borrowings (principal and interest)						
— variable rates	1.50–6.60	265,626	–	–	265,626	259,423
— fixed rates	6.00	464,751	–	–	464,751	450,000
— non-interest bearing	–	–	–	6,000	6,000	6,000
Senior notes	8.04	182,907	182,907	2,530,214	2,896,028	2,483,666
Medium-term notes	6.26	48,800	48,800	848,800	946,400	830,789
		2,208,150	244,511	3,385,014	5,837,675	5,288,748

	Weighted average effective 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 2012						
Trade and other payables	–	1,154,523	13,593	–	1,168,116	1,168,116
Borrowings (principal and interest)						
— variable rates	2.30–7.22	789,069	111,024	–	900,093	871,192
— fixed rates	5.6-15	414,699	49,041	–	463,740	445,000
— non-interest bearing	–	2,000	–	4,000	6,000	6,000
Senior notes	8.04	188,565	188,565	2,797,048	3,174,178	2,547,050
		2,548,856	362,223	2,801,048	5,712,127	5,037,358

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.

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 2013, the aggregate carrying amount of trade and other receivables is approximately RMB601,237,000 (2012: RMB483,936,000). Details of movements of allowance for doubtful debts are disclosed in Note 25.

Impairment 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. There was no write-down of inventories in 2013 and 2012.

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 to sell and its value in use. The recoverable amount of the relevant assets has been determined on the basis of their value in use as fair value less cost of disposal is expected to be lower. 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 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.

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

Impairments *(Cont'd)*

Impairment of goodwill and customer relationship

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 amount of goodwill and customer relationship are as disclosed in Note 22.

Impairment of non-financial assets

During the year ended 31 December 2013, 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 no impairment loss both in 2013 and 2012. The carrying amount of property, plant and equipment is as disclosed in Note 18.

Where the actual cash flows are significantly less than expected, a material impairment loss may arise, which would be recognised in profit or loss for the period in which such an impairment takes place.

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 2013, deferred tax asset of RMB18,587,000 (2012: RMB36,755,000) 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 material 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.

Operating licences

The Group's licences to operate at each of mines expire at various dates from December 2013 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 RMB623,347,000 (2012: RMB645,119,000), and mining rights of approximately RMB133,116,000 (2012: RMB139,249,000) and the Group's operating results would be adversely affected if any licences could not be renewed.

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

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.

Fair value measurement and valuation processes

Other than disclosures made in Notes 30 and 31, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value. The Group has no financial instruments measured at fair value subsequent to initial recognition.

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 reviews the results of individual plants to make decisions about 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 in western China.

The revenue represents the sale of cement products during each of the years ended 31 December 2013 and 2012. No single customer contributed 10% or more to the Group's revenue for both 2013 and 2012.

8. OTHER INCOME

	2013 RMB'000	2012 RMB'000
Tax refund *(note (a))*	**151,481**	139,213
Government grant	**18,251**	16,588
Others	**196**	32
	169,928	155,833

(a) 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.

9. OTHER GAINS AND LOSSES, NET

	2013 RMB'000	2012 RMB'000
Net foreign exchange gains *(note (a))*	**72,774**	4,106
Gain (loss) on disposal of property, plant and equipment	**372**	(996)
Donations	**(8,296)**	(2,669)
Allowance for doubtful debts	**(5,594)**	(1,628)
Reversal of allowance for doubtful debts	**2,685**	1,204
Others	**4,710**	473
	66,651	490

(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 2013 and 2012.

10. INTEREST INCOME

Interest income represents interest received and receivable from bank deposits.

11. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on bank loans wholly repayable within five years	**47,547**	75,458
Interest on other borrowings	**4,360**	6,662
Interest on senior notes	**196,708**	201,863
Interest on medium-term notes	**37,989**	–
	286,604	283,983
Less: amount capitalised	**(70,302)**	(144,666)
	216,302	139,317
Unwinding of discount *(Note 32)*	**772**	676
	217,074	139,993

The weighted average capitalisation rate on funds borrowed generally is 8.25% (2012: 8.20%) per annum.

12. PROFIT BEFORE TAX

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

	2013 RMB'000	2012 RMB'000
Depreciation of property, plant and equipment	**551,404**	440,824
Amortisation of prepaid lease payments	**12,712**	10,155
Amortisation of mining rights (included in cost of sales)	**7,827**	10,647
Amortisation of other intangible assets (included in administrative expenses)	**2,213**	2,184
Total depreciation and amortisation	**574,156**	463,810
Auditors' remuneration	**1,865**	1,626
Allowance for doubtful debts	**(5,594)**	(1,628)
Reversal of allowance for doubtful debts	**2,685**	1,204
Wages and salaries (include directors' emoluments)	**216,498**	166,126
Share option expenses	**4,448**	4,360
Defined contribution retirement plan expenses	**17,129**	18,497
Total staff cost	**238,075**	188,983
Cost of inventories recognised as expenses	**2,657,463**	2,461,636
(Gain) loss on disposal of property, plant and equipment	**(372)**	996

13. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
Current tax	**69,705**	74,245
Deferred tax *(Note 23)*	**23,107**	11,813
Income tax expense	**92,812**	86,058

Pursuant to the rules and regulations of Jersey and the British Virgin Islands, 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 2013 and 2012 based on existing legislations, interpretations and practices.

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).

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

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

	2013 RMB'000	2012 RMB'000
Profit before tax	**475,082**	458,584
Tax at domestic income tax rate of 25% (2012: 25%)	**118,770**	114,646
Tax effects of:		
Expenses not deductible for tax purpose	**5,690**	3,593
Tax exemption and reduced tax rate *(note (a))*	**(42,392)**	(47,519)
Tax credit *(note (b))*	**(210)**	(354)
Change in tax rate for deferred tax assets recognised	**2,621**	9,496
Withholding tax on distributed profits of PRC subsidiaries and interest income on intra-group loans *(note (c))*	**6,590**	7,077
Tax losses not recognised as deferred tax assets	**–**	62
Utilisation of tax losses previously not recognised as deferred tax assets	**(587)**	(943)
Expiration of tax losses previously recognised as deferred tax assets	**2,330**	–
Tax expense for the year	**92,812**	86,058

(a) Pursuant to the new notice related to Western Development Policy from 1 January 2011 to 31 December 2020 ("New 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, namely Yaobai Special Cement Group Co.,Ltd. ("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 New Notices both in 2012 and 2013.

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

The Group's subsidiary, Luxin Building Materials Co.,Ltd. ("Luxin") was established in Hetian, Xinjiang Uygur Autonomous Region ("Xinjiang"). Pursuant to the relevant laws and regulations of Xinjiang, it was entitled to exemption of income tax from year of 2008 to 2012 approved by State Tax Bureau of Xinjiang, and the tax rate rises to 25% since 2013.

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

(a) *(Cont'd)*

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

	2013	2012
Shaanxi Yaobai	15%	15%
Lantian Yaobai	15%	15%
Ankang Yaobai	15%	15%
Hanzhong Yaobai	15%	15%
Luxin	25%	0%
Longqiao Yaobai	15%	15%
Shifeng Cement	15%	15%
Fuping Cement	15%	15%
Hancheng Yaobai Yangshanzhuang	15%	15%
Hetian Yaobai (commenced operation on 2013)	0%	–

No tax reductions and exemptions were granted to the 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 5% tax rate under the EIT Law, and interest income in respect of intra-group loans in the Group at 7% tax rate based on the New Double Taxation Arrangement between Hong Kong and Mainland China.

14. DIVIDEND

	2013 RMB'000	2012 RMB'000
Dividends recognised as distribution during the year:		
2012 final of RMB2.00 cents (2012: 2011 final dividend of RMB1.42 cents) per share	90,932	60,425

The dividends of 2011 final were paid out from the Company's share premium, which were in compliance with the Articles of Association adopted by the Company and Companies (Jersey) Law 1991, as amended.

Subsequent to the end of the report period, a final dividend of RMB2.00 cents per share in respect of the year ended 31 December 2013 (2012: final dividend of RMB2.00 cents per share in respect of the year ended 31 December 2012) in total of approximately RMB90,944,000 (2012: RMB90,932,000) 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 2013 and 2012.

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:

	2013 RMB'000	2012 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**378,321**	364,881

Number of shares	2013 '000	2012 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share	**4,547,200**	4,415,611

The calculation of diluted earnings per share did not take into account the share options of the Company for the year ended 31 December 2013 and 2012 (Note 37) 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, and hence their effect of exercise would be anti-dilutive.

16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

2013	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Share options scheme accrued RMB'000	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	1,519	2,361
Tian Zhenjun	–	1,006	12	2,288	3,306
Non-executive directors					
Ma Zhaoyang	319	–	–	276	595
Ma Weiping	319	–	–	114	433
Independent non-executive directors					
Lee Kong Wai Conway	319	–	–	276	595
Wong Kun Kau	319	–	–	276	595
Tam King Ching Kenny	319	–	–	276	595
	1,595	4,094	41	6,111	11,841

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

2012	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Share options scheme accrued RMB'000	Total RMB'000
Executive directors					
Zhang Jimin	–	1,200	–	–	1,200
Low Po Ling	–	720	2	–	722
Wang Jianli	–	817	23	528	1,368
Tian Zhenjun	–	1,006	12	793	1,811
Non-executive directors					
Ma Zhaoyang	244	–	–	79	323
Ma Weiping	132	–	–	–	132
Independent non-executive directors					
Lee Kong Wai Conway	244	–	–	79	323
Wong Kun Kau	244	–	–	79	323
Tam King Ching Kenny	244	–	–	79	323
	1,108	3,743	37	1,637	6,525

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.

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

Mr. Ma Weiping was appointed as non-executive director on 18 June 2012.

17. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three were directors and the chief executive of the Company whose emoluments are included in the disclosures in Note 16 above. The emoluments of the remaining two individuals were as follows:

	2013 RMB'000	2012 RMB'000
Basic salaries and allowances	**1,878**	1,601
Pension costs — defined contribution plans	**24**	22
Share options expenses	**1,738**	528
	3,640	2,151

The above employees' emoluments were within the following bands:

	Number of employees	
	2013	2012
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$3,000,000	**1**	–

18. PROPERTY, PLANT AND EQUIPMENT

	Property and plant 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 2012	2,053,594	54,238	172,846	2,790,482	636,188	1,458,456	7,165,804
Additions	17,869	947	3,346	20,187	1,010	762,127	805,486
Acquisition of subsidiaries *(Note 35)*	232,426	9,452	624	740,260	19,055	118,083	1,119,900
Transfers	484,482	–	4,160	436,281	89,416	(1,014,339)	–
Disposals	–	(3,065)	(958)	(4,777)	–	–	(8,800)
At 31 December 2012	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**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2012	220,412	10,410	30,047	483,680	69,235	–	813,784
Depreciation charge	123,568	8,563	18,475	258,903	31,315	–	440,824
Disposals	–	(782)	(183)	(919)	–	–	(1,884)
At 31 December 2012	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**
CARRYING VALUES							
At 31 December 2013	**2,693,244**	**37,243**	**121,055**	**3,243,388**	**623,347**	**1,285,519**	**8,003,796**
At 31 December 2012	2,444,391	43,381	131,679	3,240,769	645,119	1,324,327	7,829,666

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

19. PREPAID LEASE PAYMENTS

	2013 **RMB'000**	2012 RMB'000
Current asset *(Note 25)*	**11,637**	21,880
Non-current asset	**448,244**	450,000
	459,881	471,880

	RMB'000
COST	
Balance at 1 January 2012	323,316
Addition	36,715
Acquisition of subsidiaries *(Note 35)*	134,418
Balance at 31 December 2012	494,449
Addition	713
Balance at 31 December 2013	495,162
AMORTISATION	
Balance at 1 January 2012	12,414
Charge for the year	10,155
Balance at 31 December 2012	22,569
Charge for the year	12,712
Balance at 31 December 2013	35,281
CARRYING AMOUNT	
As at 31 December 2013	459,881
As at 31 December 2012	471,880

Prepaid lease payments of the Group are medium-term leases in the People's Republic of China. The balances are amortised over their unexpired terms as at 31 December 2013, ranging between 36 years to 50 years.

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 RMB43,794,000 (2012: RMB43,195,000) at 31 December 2013. The Directors 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 2012	144,121
Addition	7,044
Acquisition of a subsidiaries *(Note 35(a))*	11,189
Balance at 31 December 2012	162,354
Addition	1,694
Balance at 31 December 2013	164,048
AMORTISATION	
Balance at 1 January 2012	12,458
Charge for the year	10,647
Balance at 31 December 2012	23,105
Charge for the year	7,827
Balance at 31 December 2013	30,932
CARRYING AMOUNT	
As at 31 December 2013	133,116
As at 31 December 2012	139,249

Mining rights are granted from the respective Land and Resource Bureaus. The useful lives of the mining rights range from 8 years to 55 years.

21. 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
Acquisition of subsidiaries *(Note 35)*	63,130	–	535	63,665
Addition	–	–	52	52
At 31 December 2012	157,537	20,610	907	179,054
Addition	–	–	80	80
At 31 December 2013	157,537	20,610	987	179,134
Accumulated amortisation				
At 1 January 2012	–	4,889	155	5,044
Charge for the year	–	2,015	169	2,184
At 31 December 2012	–	6,904	324	7,228
Charge for the year	–	2,015	198	2,213
At 31 December 2013	–	8,919	522	9,441
Carrying amount				
At 31 December 2013	157,537	11,691	465	169,693
At 31 December 2012	157,537	13,706	583	171,826

The customer relationships amounting to RMB20,610,000 are non-contractual customer relationships acquired through the acquisition of a subsidiary, Shangluo Yaobai Xiushan Cement Co.,Ltd. ("Xiushan Yaobai") in December 2009. In the few years prior to the acquisition, Xiushan Yaobai has provided cement service for some large companies. Management estimates the Group will keep their business relationship with some or all of the existing customers in the future. It is believed by the management that the customer relationships will bring in net future cash flows to the Group, and is thus identified as an intangible asset. They are amortised over a period of 10 years, which the directors of the Company believe is the period over which the Group can retain the customers.

22. IMPAIRMENT TESTING ON GOODWILL AND CUSTOMER RELATIONSHIPS

For the purposes of impairment testing, goodwill and customer relationships set out in Note 21 have been allocated to four individual cash generating units (CGUs). The carrying amounts of goodwill and customer relationship allocated to these units are as follows:

The management regularly determines if there is impairment of any of its CGUs containing goodwill.

	Goodwill		Customer relationships	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cement plant-Xiushan Yaobai	**45,274**	45,274	**11,691**	13,706
Cement plant-Luxin	**49,133**	49,133	**–**	–
Cement plant-Shifeng	**55,872**	55,872	**–**	–
Cement plant-Fuping	**7,258**	7,258	**–**	–
	157,537	157,537	**11,691**	13,706

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

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 with growth rate of 6% (2012: 6%), and discount rate of 14.03% (2012: 15.27%). 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. The 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. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the above CGUs to exceed their recoverable amounts.

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:

	2013	2012
	RMB'000	RMB'000
Deferred tax assets	**18,587**	36,755
Deferred tax liabilities	**(14,575)**	(9,636)
	4,012	27,119

23. DEFERRED INCOME TAX *(Cont'd)*

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

	Allowance for doubtful debts and accruals RMB'000	Deferred income RMB'000	Tax losses RMB'000	Assets booked at fair value on acquisition RMB'000	Total RMB'000
At 1 January 2012	4,996	10,643	9,262	(10,964)	13,937
Credited (charge) to profit or loss	(4,104)	(2,606)	(6,578)	1,475	(11,813)
Acquisition of subsidiaries	9,682	–	32,057	(16,744)	24,995
At 31 December 2012	10,574	8,037	34,741	(26,233)	27,119
Credited (charge) 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**

At the end of the reporting period, the Group has unused tax losses of RMB103,433,000 (2012: RMB224,317,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB103,433,000 (2012: RMB221,969,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMBNil (2012: RMB2,348,000) due to the unpredictability of future profit streams. The tax losses unrecognised for deferred income tax assets that will expire as follows:

	2013 RMB'000	2012 RMB'000
Expire in 2014	**–**	–
Expire in 2015	**–**	–
Expire in 2016	**–**	2,100
Expire in 2017	**–**	248
	–	2,348

Deferred taxation was not provided for in the consolidated financial statements of the Group for the year ended 31 December 2013 and 2012 in respect of the undistributed profits of relevant PRC subsidiaries, as the Directors confirmed that the balance of retained earnings as at 31 December 2013 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 RMB2,398,830,000 (2012: RMB2,014,394,000).

24. INVENTORIES

	2013 RMB'000	2012 RMB'000
Raw materials and consumables	**315,925**	295,493
Work in progress	**131,721**	101,685
Finished goods	**83,218**	71,424
	530,864	468,602

25. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2013 RMB'000	2012 RMB'000
Trade receivables	**189,752**	139,626
Less: Allowance for doubtful debts	**(7,351)**	(6,985)
	182,401	132,641
Bills receivable	**149,988**	65,322
VAT recoverable	**136,917**	143,941
VAT refund receivable	**22,489**	24,819
Other receivables	**39,696**	35,351
Less: Allowance for doubtful debts	**(2,543)**	–
	37,153	35,351
Amount due from previous shareholders of subsidiaries	**42,984**	37,391
Amount due from non-controlling shareholder of a subsidiary	**29,305**	44,471
Prepayments for purchase of raw materials	**124,430**	178,157
Prepaid lease payments *(Note 19)*	**11,637**	21,880
	737,304	683,973

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.

	2013 RMB'000	2012 RMB'000
0 to 90 days	**143,552**	66,189
91 to 180 days	**17,565**	6,153
181 to 360 days	**6,911**	7,673
361 to 720 days	**3,129**	44,364
Over 720 days	**11,244**	8,262
	182,401	132,641

Bills receivable are mainly aged within six months.

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 twice a year. RMB106,648,000 (2012: RMB44,856,000) of the trade receivables that are neither past due nor impaired have the best credit scoring 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 RMB75,753,000 (2012: RMB87,785,000) which are past due as at the reporting date 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:

	2013 **RMB'000**	2012 RMB'000
0 to 90 days	**36,904**	21,333
91 to 180 days	**17,565**	6,153
Over 180 days	**21,284**	60,299
	75,753	87,785

Allowance for doubtful debts has been made for estimated irrecoverable amounts from the sale of goods. Movement in the allowance for doubtful debts:

	2013 **RMB'000**	2012 RMB'000
At 1 January	**6,985**	6,561
Recognised in profit or loss	**5,594**	1,628
Reversed	**(2,685)**	(1,204)
At 31 December	**9,894**	6,985

The allowance for doubtful debts represent individually impaired trade receivables with an aggregate balance of approximately RMB9,894,000 (2012: RMB6,985,000) which have financial difficulties. No other allowance has been determined by reference to past default experience.

26. BANK BALANCE AND CASH/RESTRICTED BANK DEPOSITS

	2013 RMB'000	2012 RMB'000
Restricted bank deposits		
— dominated in RMB	**116,519**	149,881
Bank balances and cash		
— dominated in RMB	**497,109**	354,808
— dominated in US$	**4,715**	10,230
— dominated in other currency	**4,762**	3,898
	506,586	368,936

Bank balances and cash and restricted bank deposits carry interest at market rates of 0.35% (2012: 0.42%) per annum.

Restricted bank deposits represent bank deposits of RMB16,519,000, RMBNil and RMB100,000,000 (2012: RMB29,881,000, RMB20,000,000 and RMB100,000,000) set aside as securities for the trade facilities, bills payable and bank loans, respectively (Note 41). The Group used the trade facilities in projects bidding process which were required by contractors.

27. SHARE CAPITAL

	Number of shares '000	Share capital GBP'000
Authorised		
Ordinary shares of GBP0.002 each at 31 December 2012 and 2013	10,000,000	20,000

	Number of shares	Share capital	
			Shown in the consolidated financial statements
	'000	GBP'000	RMB'000
Ordinary shares of GBP0.002 each as at 1 January 2012	4,263,000	8,526	119,119
Acquisition of subsidiaries *(Note 35)*	284,200	568	5,596
Ordinary shares of GBP0.002 each as at 31 December 2012	4,547,200	9,094	124,715
Ordinary shares of GBP0.002 each as at 1 January 2013 and 31 December 2013	**4,547,200**	**9,094**	**124,715**

28. OTHER 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 to acquire the remaining 20% equity interests in Ankang Yaobai 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 taxation 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

	2013 RMB'000	2012 RMB'000
Secured bank loans		
— denominated in RMB	**610,000**	1,130,000
— denominated in US$	**99,423**	96,192
	709,423	1,226,192
Unsecured other loans	**6,000**	96,000
	715,423	1,322,192
Carrying amount repayable as follows:		
Within one year	**709,423**	1,178,192
More than one year but not more than two years	**3,000**	140,000
More than two years but not more than five years	**3,000**	4,000
	715,423	1,322,192
Less: Amount due for settlement within one year and shown under current liabilities	**709,423**	1,178,192
Amount due after one year	**6,000**	144,000

	2013 RMB'000	2012 RMB'000
Bank loans:		
The analysis of the terms of the bank loans were as follows:		
Fixed rate borrowings		
— within one year	**450,000**	355,000
Variable rate borrowings		
— within one year	**259,423**	771,192
— more than one year but not more than two years	**–**	100,000
	709,423	1,226,192

29. BORROWINGS *(Cont'd)*

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

	2013	2012
Effective interest rate per annum:		
Fixed rate borrowings	**6.00%**	5.6% to 7.872%
Variable rate borrowings	**1.504% to 6.663%**	2.304% to 7.216%

Other borrowings:
Other borrowings are all lent by third parties, unsecured and denominated in RMB. As at 31 December 2013 and 2012, amount of RMB6,000,000 borrowings are interest free.

	2013 RMB'000	2012 RMB'000
Within one year	**–**	52,000
More than one year but not more than two years	**3,000**	40,000
More than two years but not more than five years	**3,000**	4,000
	6,000	96,000

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

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 adjustment for transaction costs.

30. SENIOR NOTES *(Cont'd)*

The Senior Notes recognised in the consolidated statement of financial position were calculated as follows:

	2013 RMB'000	2012 RMB'000
Carrying amount at 1 January	**2,547,050**	2,540,771
Interest expenses	**196,708**	201,863
Interest paid	**(186,709)**	(189,572)
Exchange gains	**(73,383)**	(6,012)
Carrying amount at 31 December	**2,483,666**	2,547,050
Less: Non-current portion	**(2,407,455)**	(2,468,506)
Current portion	**76,211**	78,544

The fair value of Senior Notes is RMB2,518,020,000 at 31 December 2013 (31 December 2012: RMB2,404,204,000). It represents the market price of the Senior Notes at the end of the reporting period.

31. 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 of 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 adjustment for transaction costs.

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

	2013 RMB'000
Carrying amount at 1 January	**–**
Net proceeds	**792,800**
Interest expenses	**37,989**
Carrying amount at 31 December	**830,789**
Less: Non-current portion	**(794,189)**
Current portion	**36,600**

31. MEDIUM-TERM NOTES *(Cont'd)*

The fair value of the First Tranche of the Medium-term Notes is RMB817,280,000 at 31 December 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.

32. ASSET RETIREMENT OBLIGATION

	2013 RMB'000	2012 RMB'000
1 January	**12,991**	10,446
Acquisition of subsidiaries *(Note 35)*	**–**	1,869
Unwinding of discount	**772**	676
31 December	**13,763**	12,991

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. 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 REVENUE

	2013 RMB'000	2012 RMB'000
Deferred revenue for purchase of equipment *(note (a))*	**45,014**	41,971
Deferred revenue for construction of properties *(note (b))*	**10,000**	10,000
	55,014	51,971
Analysed for reporting purposes as:		
Current liabilities	**5,445**	–
Non-current liabilities	**49,569**	51,971
	55,014	51,971

(a) Deferred revenue represents government grants to the Group's subsidiaries for the purchase of domestic equipment. The balance will be amortised based on the remaining useful life of the equipment of 5-12 years.

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

34. TRADE AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	**722,504**	661,956
Amount due to non-controlling shareholder of a subsidiary	**981**	–
Payables for constructions and equipment purchase	**437,734**	351,488
Advance from customers	**107,917**	222,984
Other tax liabilities	**55,128**	43,397
Payroll and welfare payable	**22,436**	38,796
Accrued expenses	**–**	6,025
Acquisition consideration payable to previous shareholders of subsidiaries *(Note 35(a) & (c))*	**14,600**	52,006
Advance from previous shareholder of a subsidiary	**8,755**	20,383
Other payables	**74,296**	82,283
Interest payable	**–**	5,116
	1,444,351	1,484,434

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

	2013 RMB'000	2012 RMB'000
0 to 90 days	**543,786**	497,534
91 to 180 days	**78,258**	84,493
181 to 360 days	**52,008**	51,354
361 to 720 days	**39,599**	27,080
Over 720 days	**8,853**	1,495
	722,504	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 timeframe.

35. ACQUISITION OF SUBSIDIARIES

(a) On 29 March 2012, the Group acquired a 65% interest in the Shifeng Cement Co.,Ltd. (實豐水泥有限公司, "Shifeng Cement") from independent third parties for a consideration of RMB106,206,000. Shifeng Cement is principally engaged in cement manufacturing and was acquired with the primary objective of improving the Group's market position. This acquisition has been accounted for using the acquisition method. The assets and liabilities recognised at the date of acquisition are as follows:

	Fair value RMB'000
Cash and cash equivalents	154
Trade and other receivables	37,308
Inventories	11,559
Property, plant and equipment	576,177
Prepaid lease payments	30,154
Mining rights	11,189
Deferred tax assets	7,434
Trade and other payables	(4,469)
Asset retirement obligation	(1,869)
Amount due to the Group *(note 1)*	(590,200)
	77,437
Goodwill arising on acquisition:	
Consideration *(note 2)*	106,206
Non-controlling interests	27,103
Less: Net assets acquired	(77,437)
Goodwill	55,872
Net cash outflow arising on acquisition	
Consideration paid in cash	73,800
Less: Cash and cash equivalents acquired	(154)
Cash outflow on acquisition	73,646

Acquisition-related costs amounting to RMB80,000 have been excluded from the consideration transferred and have been recognised as an expense in 2012, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The non-controlling interest is measured at the proportionate share of net assets acquired.

Note 1: The Group has provided funds of approximately RMB590,200,000 to Shifeng Cement before the acquisition date for the repayment of a) amounts due to the previous owners of approximately RMB454,758,000, and b) external payables of RMB135,442,000.

Note 2: Subsequent to the acquisition date, the Group reached a separate arrangement with the previous owners of Shifeng Cement to pay the balance of the consideration of approximately RMB32,406,000 on a date to be mutually agreed later, which was included in other payables as of 31 December 2012. The Company has paid out all the remaining balance of RMB32,406,000 in 2013.

35. ACQUISITION OF SUBSIDIARIES *(Cont'd)*

(a) *(Cont'd)*

Goodwill arising on acquisition of Shifeng Cement allows the Group to extend its market presence with respect to cement operation and the anticipated future operating synergies from the combination.

The trade and other receivables acquired with a fair value of RMB37,308,000 had gross contractual amounts of RMB37,308,000. None of the trade and other receivables has been impaired and it is expected that the full contractual amount can be collected.

Included in the profit for the year 2012 is RMB32,661,000 attributable to the additional business generated by Shifeng Cement. Revenue for the year of 2012 includes RMB328,517,000 in respect of Shifeng Cement.

Had the acquisition been completed on 1 January 2012, the revenue of the Group for the year ended 31 December 2012 would have been RMB3,568,220,000, and the profit for the year would have been RMB339,298,000. The proforma 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 2012, nor is intended to be a projection of future results.

(b) On 26 June 2012, the Group acquired a 100% interest in the Fuping Cement Co.,Ltd. (富平水泥有限公司, "Fuping Cement") from a non-controlling shareholder of Shifeng Cement for a consideration satisfied by the issuance of 284,200,000 ordinary shares of the Company. Fuping Cement is principally engaged in cement manufacturing and was acquired with the primary objective of improving the Group's market position. This acquisition has been accounted for using the acquisition method. The net assets recognised at the date of acquisition are as follows:

	Fair value RMB'000
Cash and cash equivalents	10,088
Trade and other receivables	89,840
Inventories	61,460
Investment in an associate — 35% interest in Shifeng Cement	27,103
Property, plant and equipment	451,739
Prepaid lease payments	61,588
Other intangible assets	535
Deferred tax assets	17,561
Trade and other payables	(87,768)
Borrowings	(292,680)
	339,466
Goodwill arising on acquisition:	
284,200,000 ordinary shares issued, at fair value	346,724
Less: Net assets acquired	(339,466)
Goodwill	7,258
Net cash inflow arising on acquisition	
Cash and cash equivalents acquired	10,088
Cash inflow on acquisition	10,088

35. ACQUISITION OF SUBSIDIARIES *(Cont'd)*

(b) *(Cont'd)*

The Company issued 284,200,000 ordinary shares as consideration for the 100% interest in Fuping Cement. The fair value of the shares is the published price of the shares of the Company at the acquisition date, which was HKD1.50 each, equivalent to approximately RMB1.22 each. The fair value of the consideration given is therefore approximately HKD426,300,000, or equivalent to approximately RMB346,724,000.

Acquisition-related costs amounting to RMB3,917,000 have been excluded from the consideration transferred and have been recognised as an expense in 2012, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The trade and other receivables acquired with a fair value of RMB89,840,000 had gross contractual amounts of RMB92,374,000.

Included in the profit for the year 2012 is RMB30,703,000 attributable to the additional business generated by Fuping Cement. Revenue for the year 2012 includes RMB212,873,000 in respect of Fuping Cement.

Had the acquisition been completed on 1 January 2012, the revenue of the Group for the year ended 31 December 2012 would have been RMB3,696,277,000, and the profit for the year would have been RMB415,447,000. The proforma 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 2012, nor is intended to be a projection of future results.

Subsequent to the Group's acquisition of 100% interest in Fuping Cement from the non-controlling shareholder of Shifeng Cement on 26 June 2012, the Group holds, together with its 65% interest of Shifeng Cement acquired on 29 March 2012, a 100% interest in Shifeng Cement. The acquisition of 35% interest in Shifeng Cement is accounted for as equity transaction.

35. ACQUISITION OF SUBSIDIARIES *(Cont'd)*

(c) On 13 September 2012, the Group acquired 80% equity interest in Guizhou Linshan Cement Co.,Ltd. (貴州麟山水泥有限責任公司, "Guizhou Linshan"), from an independent third party for a cash consideration of RMB220,305,000.

As at the date of acquisition, Guizhou Linshan has not yet commenced operation and its cement production line was still under construction. The underlying set of assets acquired is not capable of being conducted and managed as a business to generate revenue. As such, the Group determined that the acquisition of Guizhou Linshan does not constitute a business combination for accounting purpose. The following table summarises the fair value of Guizhou Linshan's assets and liabilities acquired at the date of acquisition:

	RMB'000
Property, plant and equipment	91,984
Prepaid lease payment	42,676
Prepayments and other receivables	8
Amounts due from non-controlling shareholder of a subsidiary *(note 1)*	44,471
Cash and cash equivalents	180,707
Other payables	(54,465)
Amounts due to the Group *(note 2)*	(30,000)
	275,381
Non-controlling interests	(55,076)
Consideration	220,305
Net cash outflow arising from acquisition	
Cash consideration paid *(note 3)*	(200,705)
Less: Cash and cash equivalents acquired	180,707
	(19,998)

Note 1: Under the acquisition, RMB44,471,000 was paid by Guizhou Linshan on behalf of the non-controlling shareholder for purchasing certain assets.

Note 2: The Group has provided funds of RMB30,000,000 to Guizhou Linshan Cement before the acquisition date for the financing of construction in progress.

Note 3: Subsequent to the acquisition date, the Group reached a separate arrangement with the previous owners of Guizhou Linshan Cement to pay the balance of the consideration of approximately RMB19,600,000 on a date to be mutually agreed later, which was included in other payables as of 31 December 2012. During the year 2013, the Company paid RMB5,000,000 to the previous owners of Guizhou Linshan, and the remaining balance of the consideration of RMB14,600,000 was included in other payables as of 31 December.

The non-controlling interests are measured at the non-controlling interests' proportionate share of the net assets acquired.

As in Note 28(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.

36. CAPITAL COMMITMENTS

	2013 RMB'000	2012 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**585,831**	1,277,947

37. 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.

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 ("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.

3,800,000 options of Post-IPO Share Option Scheme were forfeited due to non-fulfillment of the non-market vesting conditions in 2013. 300,000 options of First Issuance lapsed in 2013 (2012: 1,000,000 options), as given up by the resigned employees. No options are exercised in both 2013 and 2012. As of 31 December 2013, 13,300,000 options remain outstanding.

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 immediately before 22 March 2013 was HK$1.25 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 director of the Company.

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

Fair value of the share options

The total fair value of the First and Second Issuance was approximately HK$19,069,000 and HK$19,553,000 respectively at the grant dates, and the above fair values were determined using the Black-Scholes option pricing model. 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:

	First Issuance	Second Issuance
Grant date share price	HK$3.41	HK$1.24
Exercise price	HK$3.41	HK$1.25
Expected option life	1.5 years to 6.5 years	5.5 years to 7 years
Expected volatility	44%	56.67% to 59.13%
Dividend yield	0.55%	1.58%
Risk-free interest rate	0.43% to 2.05%	0.60% to 0.81%

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.

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 RMB4,448,000 for the year ended 31 December 2013 (2012: RMB4,360,000) in relation to share options granted by the Company.

38. RETIREMENT BENEFITS PLANS

The employees of the Group's subsidiaries 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. In addition, the Group participate in the Mandatory Provident Fund Scheme for its employees in Hong Kong. The Group and its employees in Hong Kong contribute 5% of the Hong Kong employees' monthly salary to the scheme. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

The total expense recognised in the profit or loss of RMB17,129,000 (2012: RMB18,497,000) represents contributions paid or payable under the retirement benefit scheme.

39. MAJOR NON-CASH TRANSACTION

During the current period, the Group settled as net an amount due from a non-controlling shareholder of a subsidiary of RMB44,471,000 (Note 25) and payables to third parties for construction (31 December 2012: RMBNil), pursuant to an agreement entered into by the Group, the non-controlling shareholder of a subsidiary, and the third parties.

40. RELATED PARTY DISCLOSURES

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:

	2013 RMB'000	2012 RMB'000
Salaries and other short-term employee benefits	**9,602**	8,246
Post-employment benefits	**130**	104
Share-based payments	**9,523**	2,638
	19,255	10,988

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:

	2013 RMB'000	2012 RMB'000
Restricted bank deposit *(Note 26)*	**116,519**	149,881
Prepaid lease payments	**6,446**	203,801
Property, plant and equipment	**913,304**	2,400,168
	1,036,269	2,753,850

On 25 January 2011, the Company issued senior notes of US$400,000,000. The Senior Notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of the subsidiaries *(Note 30)*.

42. EVENT AFTER THE REPORTING PERIOD

On 1 January 2014, Shaanxi Yaobai entered into an agreement with an independent third party, Shaanxi Danluo Cement Company Limited ("Danluo Cement"), to purchase certain assets of Danluo Cement for a total consideration of RMB42,000,000. The newly acquired assets are expected to improve Shaanxi Yaobai's cement production capacity. The purchase was completed on 1 January 2014.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's 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 2013	2012	Principal activities
Directly held						
West China Cement Co.,Ltd.	Ordinary	British Virgin Islands	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
Shannxi 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
Ankang Yaobai 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

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 2013	2012	Principal activities
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
Hancheng Yangshanzhuang Hualong Transportation Co.,Ltd. 韓城市陽山庄華龍運輸有限公司	Ordinary	Shaanxi, PRC	RMB1,000,000	**100%**	100%	Transportation
Weinan PuchengYaobai. Cement Co.,Ltd. 渭南蒲城堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB200,000,000	**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% *(Note 35)*	Production and sale of cement
Fuping Cement Co.,Ltd.. 富平水泥有限公司	Ordinary	Shaanxi, PRC	RMB597,000,000	**100%**	100% *(Note 35)*	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% *(Note 28)***	100% *(Note 35)*	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
Xi'an Yaobai Environmental Technology Engineering Co.,Ltd. 西安堯柏環保科技工程有限公司	Ordinary	Shaanxi, PRC	RMB30,000,000	**100%**	100%	Waste Sludge treatment
Xi'an Yaobai Hongyi Cement Admixture Co.,Ltd. 西安市堯柏宏藝水泥外加劑有限公司	Ordinary	Shaanxi, PRC	RMB3,000,000	**55%**	55%	Production sale of cement admixture

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

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

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 material 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	
		2013	2012	2013	2012	2013	2012
				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%	4,049	7,645	39,844	35,795
Guizhou Linshan. Cement Co.,Ltd. 貴州麟山水泥有限公司 *(Note 35(c))*	Guizhou, PRC	–	20%	–	–	–	55,076
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%	–	(100)	–	1,250	–
Total						41,094	90,871

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

Hancheng Yaobai Yangshanzhuang	2013 RMB'000	2012 RMB'000
Current assets	95,492	71,161
Non-current assets	470,059	509,344
Current liabilities	366,332	401,530
Non-current liabilities	–	–
Equity attributable to owners of the Company	159,375	143,180
Non-controlling interests	39,844	35,795

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

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Cont'd)*

Hancheng Yaobai Yangshanzhuang *(Cont'd)*	**2013 RMB'000**	2012 RMB'000
Revenue	**277,962**	278,090
Expenses	**257,718**	239,867
Profit for the year	**20,244**	38,223
Profit attributable to owners of the Company	**16,195**	30,578
Profit attributable to non-controlling interests	**4,049**	7,645
Profit for the year	**20,244**	38,223
Net cash inflow from operating activities	**1,278**	1,550
Net cash outflow from investing activities	**(1,150)**	(1,263)
Net cash inflow	**128**	287

Guizhou Linshan

As at 31 December 2013, Guizhou Linshan has not yet commenced operation and its cement production line was still under construction.

	2013 RMB'000	2012 RMB'000
Current assets	**2,276**	179,222
Non-current assets	**331,264**	185,032
Current liabilities	**100,159**	130,873
Equity attributable to owners of the Company	**233,381**	178,305
Non-controlling interests	**–**	55,076
Net cash outflow from investing activities	**178,988**	46,170
Net cash inflow (outflow) from financing activities	**179,787**	(133,198)
Net cash inflow (outflow)	**799**	(179,368)

44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2013 RMB'000	2012 RMB'000
ASSETS		
Non-current assets		
Unlisted investments in subsidiaries	**1,668,449**	1,664,646
Amount due from subsidiaries	**3,714,712**	3,564,385
	5,383,161	5,229,031
Current assets		
Dividend receivable from a subsidiary	**17,000**	109,000
Cash and cash equivalents	**3,775**	12,573
	20,775	121,573
Total assets	**5,403,936**	5,350,604
EQUITY		
Share capital	**124,715**	124,715
Share premium	**2,136,463**	2,136,463
Share option reserve	**13,620**	9,172
Retained earnings	**634,783**	526,847
Total equity	**2,909,581**	2,797,197
LIABILITIES		
Non-current liabilities		
Senior notes *(Note 30)*	**2,407,455**	2,468,506
Current liabilities		
Senior notes *(Note 30)*	**76,211**	78,544
Other payables	**10,689**	6,357
	86,900	84,901
Total liabilities	**2,494,355**	2,553,407
Total equity and liabilities	**5,403,936**	5,350,604
Net current assets	**(66,125)**	36,672
Total assets less current liabilities	**5,317,036**	5,265,703

44. INFORMATION ABOUT THE STATEMENT OF 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 2012	119,119	1,855,760	4,812	18,965	1,998,656
Profit and total comprehensive income for the year	–	–	–	507,882	507,882
Acquisition of subsidiaries *(Note 35(b))*	5,596	341,128	–	–	346,724
Recognition of equity-settled share-based payment *(Note 37)*	–	–	4,360	–	4,360
Dividend recognised as distribution *(Note 14)*	–	(60,425)	–	–	(60,425)
At 31 December 2012	**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 37)*	**–**	**–**	**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**

At 31 December 2013, 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 RMB2,771,246,000 (2012: RMB2,663,310,000).

Group Financial Summary

RESULTS

	For the year ended 31 December				
	2009 RMB'000 (note 1)	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Revenue	1,516,766	2,960,781	3,190,479	3,524,117	**4,167,843**
Profit before tax	375,147	1,057,604	763,289	458,584	**475,082**
Income tax expense	(44,687)	(124,337)	(102,888)	(86,058)	**(92,812)**
Profit for the year	330,460	933,267	660,401	372,526	**382,270**
Attributable to:					
Owners of the Company	330,460	925,143	662,128	364,881	**378,321**
Non-controlling interests	–	8,124	(1,727)	7,645	**3,949**
	330,460	933,267	660,401	372,526	**382,270**

ASSETS AND LIABILITIES

	At 31 December				
	2009 RMB'000 (note 1)	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Total assets	3,673,579	5,545,674	8,420,684	10,298,888	**10,664,709**
Total liabilities	(2,378,353)	(1,971,658)	(4,242,143)	(5,452,086)	**(5,579,451)**
	1,295,226	3,574,016	4,178,541	4,846,802	**5,085,258**
Equity attributable to:					
Owners of the Company	1,270,226	3,540,892	4,069,475	4,755,931	**5,044,164**
Non-controlling interests	25,000	33,124	109,066	90,871	**41,094**
	1,295,226	3,574,016	4,178,541	4,846,802	**5,085,258**

Note:

1. The figures for the year ended 31 December 2009 have been extracted from the prospectus of the Company dated 10 August 2010.