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

2014 INTERIM REPORT

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

COMPANY SECRETARY

Chan King Sau *HKICPA*

AUTHORIZED REPRESENTATIVES

Low Po Ling *FCCA*
Chan King Sau *HKICPA*

MEMBERS OF THE AUDIT COMMITTEE

Lee Kong Wai Conway *(Chairman)*
Wong Kun Kau
Tam King Ching Kenny

MEMBERS OF THE REMUNERATION COMMITTEE

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

MEMBERS OF THE NOMINATION COMMITTEE

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

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

JERSEY PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Investor Services (Channel Islands) Limited

Ordinance House
31 Pier Road
St Helier
Jersey JE4 8PW

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

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

FINANCIAL HIGHLIGHTS

RMB' Million (unless otherwise specified)	**Six months ended 30 June 2014**	Six months ended 30 June 2013	% Change
Total Cement and Clinker Sales Volume (million tons)	**8.36**	8.38	(0.2%)
Cement Sales Volume (million tons)	**7.98**	8.16	(2.2%)
Revenue	**1,997.7**	1,967.4	1.5%
Gross Profit	**385.0**	347.0	11.0%
EBITDA	**635.6**	569.2	11.7%
Profit Adjusted for Foreign Exchange Difference	**181.8**	127.4	42.7%
Profit Attributable to Owners of the Company[1]	**160.2**	168.2	(4.8%)
Basic Earnings Per Share	**3.5 cents**	3.7 cents	(5.4%)
Interim Dividend	**Nil**	Nil	Nil
Gross Profit Margin	**19.3%**	17.6%	1.7 ppt
EBITDA Margin	**31.8%**	28.9%	2.9 ppt
Net Profit Margin	**8.1%**	8.7%	(0.6 ppt)

	30 June 2014	31 December 2013	% Change
Total Assets	**10,929.9**	10,664.7	2.5%
Net Debt[2]	**3,317.9**	3,406.8	(2.6%)
Net Gearing[3]	**64.6%**	67.0%	(2.4 ppt)
Net Assets Per Share	**114 cents**	112 cents	1.8%

Notes:

(1) *The decline is primarily due to an unrealised foreign exchange loss of RMB22 million (six months ended 30 June 2013: unrealised gain of RMB42 million) as a result of foreign exchange translation of the Group's USD Senior Notes.*

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

In the first six months of 2014, West China Cement Limited (the "Company") and its subsidiaries (collectively, the "Group") has seen a moderate recovery in its operations with a rebound in average selling prices (ASPs) for its cement products in Shaanxi Province. This recovery in pricing has been achieved against a backdrop of essentially flat sales volumes for the Group compared with the corresponding period in 2013, mainly due to a lack of new capacity expansion completed over the past 18 months. The higher ASPs have thus resulted in improvements to the Group's revenues and gross profit margins despite the flat volumes of cement sold.

There has, however, been a clear differentiation in the Group's fortunes between its operations in the Southern Shaanxi region and those in the Central Shaanxi region during the period under review. The Group's ASP recovery has been led by its production plants in its Southern Shaanxi core markets of Shangluo, Ankang and Hanzhong Districts, which account for just under half of the Group's capacity in Shaanxi Province. In this area, infrastructure demand has been strong and supply has been tight leading to very good ASP's and margins. Conversely, the Group's plants in the Weinan and Xi'an Districts in the Central Shaanxi region have faced further competitive pricing by producers and certain effects from the final batch of capacity additions in the province. This has resulted in weaker ASPs and lower margins for the Group's plants in Central Shaanxi. This situation is further analysed in the "Operating Environment" section below.

The Group's capacity as at 30 June 2014 has remained at 23.7 million tons with no new construction or acquisitions completed during the period under review. The Group currently has two further plants under construction and close to completion, the Xinjiang Yili Plant with an annual capacity of 1.5 million tons of cement located in Northwest Xinjiang Province, and the Guiyang Huaxi Plant with an annual capacity of 1.8 million tons of cement located in Guizhou Province. Kiln ignition and test production have commenced at both of these plants in July 2014 and full commissioning will commence towards the end of 2014, taking the Group's capacity to 27 million tons by year end.

Operating Environment

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

MANAGEMENT DISCUSSION AND ANALYSIS

Southern Shaanxi

The Group's Southern Shaanxi core markets of Shangluo, Ankang and Hanzhong have a stable supply side, relatively little new cement capacity built up over the past few years and long transportation distances from cement plants in Central Shaanxi and Northern Sichuan Provinces. In addition, measures to encourage the closure of inefficient and polluting capacity have remained a prime focus of central Government policy and have been particularly effective in this area. Over 2 million tons of clinker kiln and cement grinding capacity was closed down in 2013 by the Ministry of Industry and Information Technology ("MIIT"), including 700,000 tons in the Hanzhong District alone. Over the past few years, the Group has focused on Southern Shaanxi as a strategic core market, maintaining a position of market leadership and promoting a disciplined and efficient supply side. This strategic focus has allowed the Group to reap the rewards of higher margins in the area.

The demand side in Southern Shaanxi has seen a steady improvement over the past 12 months, led by infrastructure development in general, and railway construction in particular. The Xi'an to Chengdu High Speed Railway construction in Hanzhong District has progressed normally, with the Group supplying over 1 million tons of cement to this project during the past 18 months, with continued upward adjustments to pricing during the period under review. Also in Hanzhong, the Group has started supplying cement to the Hanzhong to Sichuan Border section of the Baoji to Hanzhong Highway, with further tendering for other sections due in August. In Ankang District, supply to the Ankang to Pingli highway has been steady with strong pricing, and in Shangluo District, supply to the Xi'an to Hefei Railway line has also been on track with the Group recording rising prices.

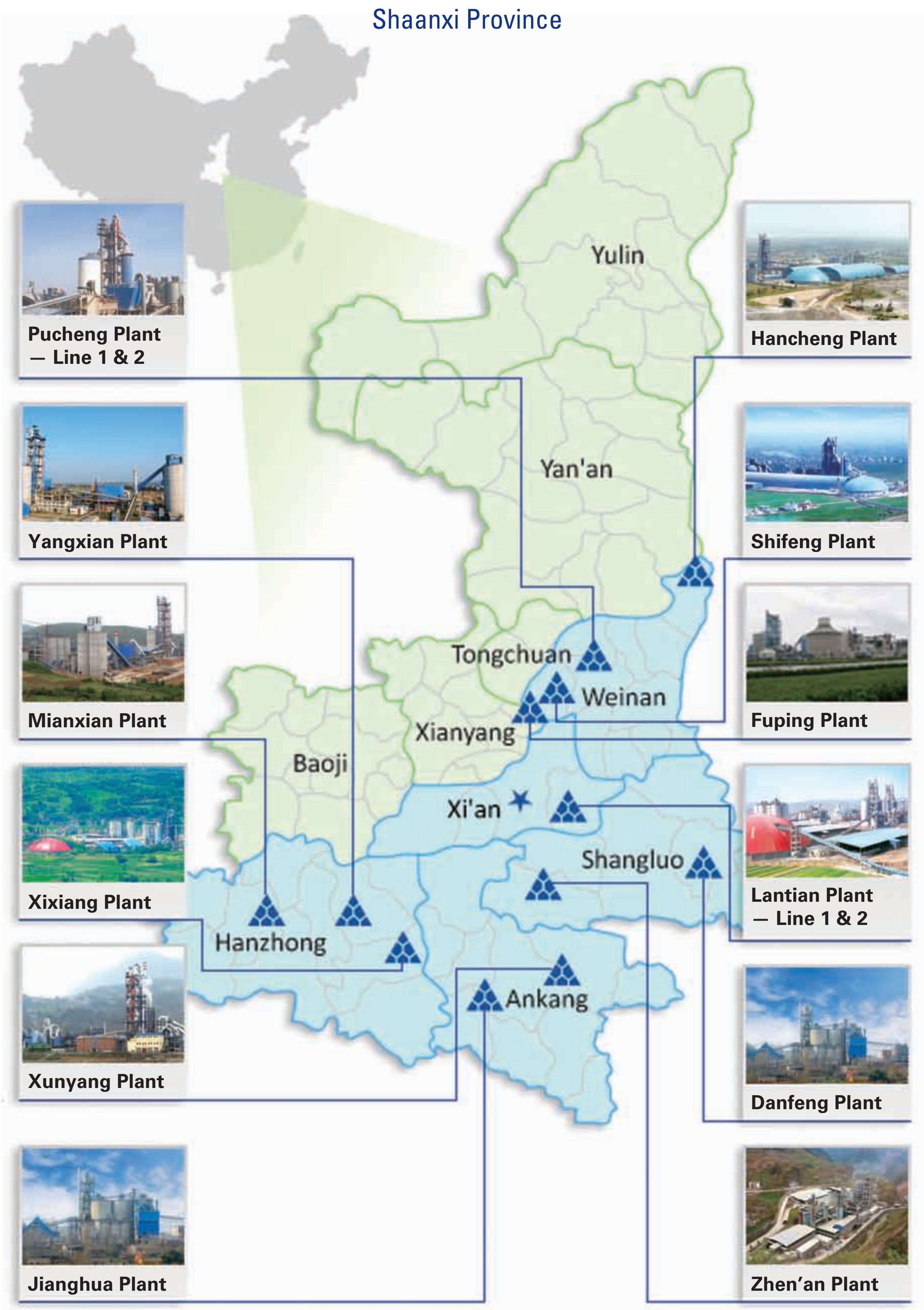
This general supply-demand situation has led to strong pricing for the Group's cement products in Southern Shaanxi. In the period under review, the Group has recorded cement ASPs in Southern Shaanxi of RMB257 per ton (excluding VAT), higher than the Group's ASP of RMB239 per ton, with capacity utilization running close to 80%.

Central Shaanxi

The situation in Central Shaanxi has been quite different. The bulk of the 30 million tons of new capacity that has been built in Shaanxi Province since 2010 is situated in the central Districts of Baoji, Xianyang and Tongchuan, an area adjacent to the Group's Weinan District core market. This phase of capacity construction has now been completed with the commissioning of one last plant in Weinan District in the first quarter of 2014, with no further capacity additions under construction or planned for the foreseeable future. However, the effects of this build out are still being reflected through lower cement ASPs in Xi'an and Central Shaanxi. These lower ASPs are thus a result of the market still needing to digest and assimilate the recent capacity expansion as well as competitive pricing policies by producers.

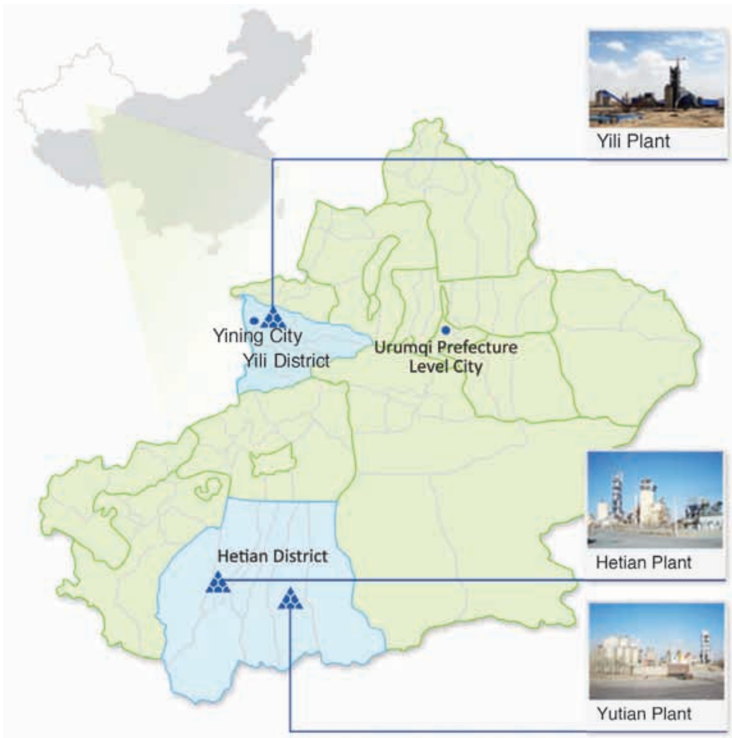
Whilst demand in central Shaanxi has not been particularly poor, there has been some effect from slowdowns in construction in the residential property market in the first half of 2014, and this has led to demand growth in this area being a little lower than in the corresponding period of 2013. Some of the slack has been taken up by continued infrastructure build out in the Xi'an Metropolitan Area — construction of Lines 3 and 4 of the Xi'an Metro have continued throughout the period under review, with concurrent significant rebuilding work on the eastern side of Xi'an. The Group has also continued to supply reasonable amounts of cement to smaller infrastructure projects, such as the Tongchuan to Xunyi and Weinan to Yushan Highways, amongst others, and the Xi'an to Xianyang Ring Road Project out of its Weinan District Plants. The Group has continued to see good volumes in the rural market where urbanization trends remain a strong underlying demand driver.

MANAGEMENT DISCUSSION AND ANALYSIS

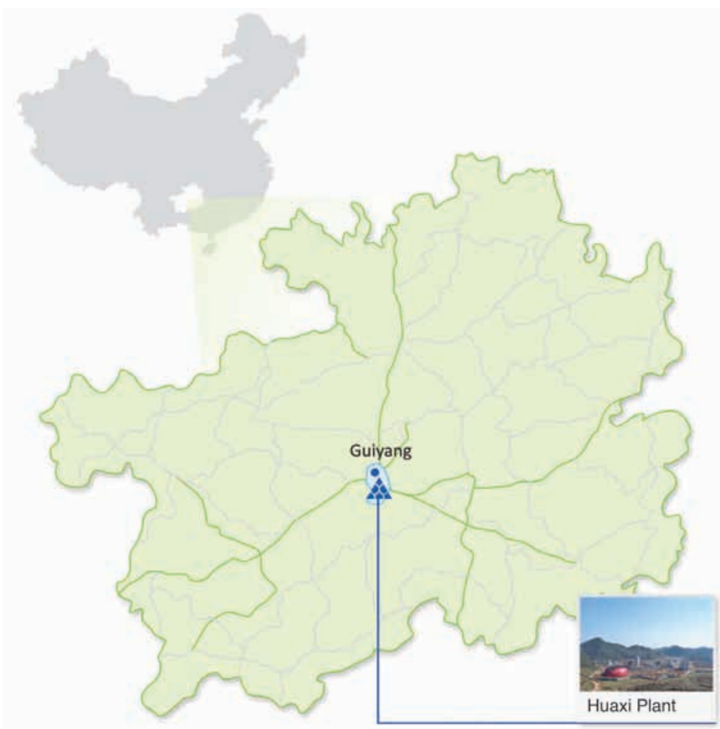


MANAGEMENT DISCUSSION AND ANALYSIS

Xinjiang Province



Guizhou Province



MANAGEMENT DISCUSSION AND ANALYSIS

As a result of the above factors, the Group's has had lower than average pricing for its cement products in Central Shaanxi. In the period under review, the Group has recorded cement ASPs in Central Shaanxi of RMB218 per ton (excluding VAT), lower than the Group's ASP of RMB239 per ton, with capacity utilization at approximately 70%, leading to more depressed margins in this area.

However, the Group expects to see movement in this situation over the second half of 2014 and into 2015, both in terms of the supply side situation and the demand side as a result of recent acceleration of approvals of urban development projects in Xi'an by the Shaanxi Province National Development and Reform Commission ("SPNDRC"). These factors are discussed in further length in the Prospects section below.

Taking the two regions together, the Group has been able to record a moderate improvement in ASPs and margins during the first six months of 2014, in spite of lower sales volumes and depressed pricing in the Central Shaanxi area. The Group has been able to benefit from its core market strategy in the South of Shaanxi province, an area that is now also benefiting from stronger infrastructure demand, to record ASPs and margins that are higher than average in Shaanxi Province. Whilst residential property demand growth in Shaanxi has slowed in the first half of 2014, the Group has still been able to benefit from its higher relative exposure to infrastructure and rural demand instead. The infrastructure recovery has again been reflected in the Group's cement sales mix, with approximately 50% of Group cement sales in the high-grade category. This compares favourably with 46% in 2013, 42% in the first half of 2013 and an average of less than 40% in 2012.

Xinjiang Province

Operations at the Group's plants in Southern Xinjiang have remained slow. Volumes have stayed low at under 450,000 tons of mostly low-grade cement, but similar to 2013, ASPs have remained at reasonable levels and higher than the Group's ASP. Whilst demand has remained low in this area, the low volumes can also be attributed to the long winter season in the first half of the year. The Group expects higher volumes to be sold in the second half of the year and some growth in volume over 2013 as a whole. In addition, the Group expects to see some contribution from the new Xinjiang Yili Plant in Northwest Xinjiang, which is expected to further boost volumes in Xinjang.

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 residual heat recovery systems installed at most of its production facilities. As at 30 June 2014, these systems are operational at 13 out of 17 production lines, with an installation rate of over 80% of total Group capacity. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce Co2 emissions by approximately 20,000 tons per million tons of cement production.

MANAGEMENT DISCUSSION AND ANALYSIS

Prior to the current reporting period, the Group had already completed the bulk of the work needed to meet new emission standards due to be introduced in 2014 and 2015, as stipulated in the publication of the State Council's Guideline Document 41 and the Clean Air Action Plan. De-nitration ("De-NOx") equipment had been installed at most of the Group's plants, and installation has been completed at one more, the Shangluo Zhen'an Plant, in the first half of 2014. The Group is currently installing De-NOx equipment at the Weinan Hancheng Plant, the last in Shaanxi Province, and the newly constructed Xinjiang Yili Plant. Installation at both of these plants will be completed by the end of this year. 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. Modifications of production lines to meet new particulate matter ("PM") emission standards have also been completed at the Weinan Pucheng Line I Plant and the Shangluo Zhen'an Plant during the period under review, and this work is now completed with all of the Group's plants upgraded to meet new PM emission standards.

In January of 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 new income stream for the Group. The facility makes use of the high temperature of the Lantian Plant cement kiln to incinerate waste sludge, with gasses and ashes generated from this incineration process absorbed and solidified, thus producing no secondary pollution. Phase I of the treatment facility has been undergoing test runs since March and the Group expects to treat approximately 5,000 tons of waste in 2014, generating a modest profit.

Expansion and Acquisitions

As at 30 June 2014, the Group has two plants nearing the end of construction and due for commissioning in the second half of 2014. 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. 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. Both of these plants have had their kilns ignited in July 2014, and have commenced test production with full production expected towards the end of 2014. The Group expects some contribution from both of these plants in the second half of 2014 and, once both are completed, the Group will have reached a capacity of 27 million tons.

The Group has no other on-going construction projects. The absence of any further expansion coupled with relatively modest capital expenditure needed to complete the two projects in Xinjiang and Guizhou Provinces respectively, has resulted in a sharp reduction in total capital expenditure for the Group as compared with previous financial years. The Group has incurred RMB335.6 million of investing cash flow for these projects in the first half of 2014, and expects approximately RMB500 million to be incurred for 2014 as a whole.

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. Over the past year, the Group has been carrying out a Sustainable Safety Development Project along with its strategic partner and shareholder Italcementi Group, benefiting from Italcementi's global safety expertise and experience. This project involves continuous training for both management and on-site employees, on-site inspections and audits and stringent safety reports along with on-going suggestions for safety improvements at all of the Group's plants.

During the year, charitable donations made by the Group amounted to RMB1 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 1.5% from RMB1,967.4 million for the six months ended 30 June 2013 to RMB1,997.7 million for the six months ended 30 June 2014. Cement sales volume fell marginally by 2.2%, from approximately 8.16 million tons to approximately 7.98 million during this period. Including clinker sales, total volume for the six months ended 30 June 2014 amounted to approximately 8.36 million tons, remaining steady compared to the 8.38 million tons sold in the corresponding period in 2013.

Overall cement prices have been higher than those seen in the six months ended 30 June 2013, and this has resulted in a rise in revenue on lower volume sales. Cement ASPs for the first six months of 2014 were RMB239 per ton as compared with RMB233 per ton in the corresponding period in 2013. Price trends throughout the period under review have followed the usual seasonal patterns of previous years, although at a slightly higher level. The reasons for this rise in ASPs are discussed in the "Operating Environment" section above.

Cost of Sales

Cost of sales fell by 0.5% from RMB1,620.5 million for the six months ended 30 June 2013 to RMB1,612.7 million for the six months ended 30 June 2014.

There were savings in coal costs as a result of general falls in coal prices in the PRC over the previous 12 months. The average cost per ton of coal decreased by approximately 10.0% from approximately RMB480 per ton for the six months ended 30 June 2013 to approximately RMB432 per ton for the six months ended 30 June 2014, with coal consumption volumes remaining fairly consistent to the corresponding period last year. This has resulted in a cost saving of approximately RMB5 per ton of cement produced. Total coal costs for the six months ended 30 June 2014 decreased by approximately 9.7% as compared with the corresponding period in 2013. However, the cost savings from lower coal prices have been partially offset by higher staff costs, depreciation costs and environmental protection costs.

There have been no significant changes in material costs and consumption during the period under review.

Electricity costs decreased by approximately 5.2% as compared with the corresponding period in 2013. Average electricity prices, after taking savings from the heat recycling systems into account, decreased to approximately RMB0.44 per kwh in the six months ended 30 June 2014 from approximately RMB0.47 per kwh in the corresponding period in 2013. Electricity consumption per ton of cement produced has remained fairly consistent and, along with the lower average electricity prices, has resulted in an electricity cost saving of approximately RMB1 per ton of cement produced.

Total depreciation costs for the six months ended 30 June 2014 were 6.1% higher as compared with the corresponding period in 2013. This was mainly due to capital investment, such as plant modifications and upgrades relating to more stringent emission standards and new heat recycling systems that do not have a direct bearing on volume or capacity increases.

MANAGEMENT DISCUSSION AND ANALYSIS

Staff costs, which accounted for 5.5% of total cost of sales for the six months ended 30 June 2014 (six months ended 30 June 2013: 4.0%), increased by approximately 33.8%, or approximately RMB21.5 million, as compared with the corresponding period in 2013. In addition to normal wage inflation factors, this sharp increase has also been due to two main factors. Firstly, performance-related wages have risen at the Group's plants in Southern Shaanxi as a result of their strong operational performance in the period under review. Secondly, the Group's Xinjiang Yutian plant has seen a significant rise in wage expenses due to a full period of recognition in the Group's accounts as compared with the corresponding period in 2013, when wage expenses were capitalized until the plant commenced operation in April. The higher staff costs have resulted in a cost increase of approximately RMB3 per ton of cement produced.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB38.0 million, or 11.0%, from RMB347.0 million for the six months ended 30 June 2013 to RMB385.0 million for the six months ended 30 June 2014. The rise in gross profit was mainly due to the increase in ASPs and decreases in cost of sales. Gross profit margins therefore increased from 17.6% for the six months ended 30 June 2013 to 19.3% in the period under review.

Administrative and Selling & Marketing Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. These expenses increased by 2.1% from RMB128.4 million for the six months ended 30 June 2013 to RMB131.1 million for the six months ended 30 June 2014. Selling & Marketing expenses conversely fell by 11.1% from RMB18.9 million to RMB16.8 million during the period under review 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 3.1% from RMB80.9 million for the six months ended 30 June 2013 to RMB83.4 million for the six months ended 30 June 2014. The ratio of VAT rebates over revenue was 4.0% for the six months ended 30 June 2014 (six months ended 30 June 2013: 3.7%). The rise in the VAT rebates over revenue ratio was largely due to the increases in ASPs. Higher ASPs result in higher output VAT, which in turn results in higher net VAT and rebates.

Other Gains and Losses, net

Other losses increased by RMB58.0 million from a RMB43.7 million gain for the six months ended 30 June 2013 to a RMB14.3 million loss for the six months ended 30 June 2014. The changes were primarily due to foreign exchange translation of the Senior Notes and bank borrowings during the year. During the period under review, there was an unrealized foreign exchange loss of RMB19.4 million as compared with an foreign exchange gain of RMB42.8 million for the six months ended 30 June 2013, as a result of the recent weakness of the RMB against the USD.

Interest Income

Interest income during the period under review was RMB2.4 million, which remained flat compared with the corresponding period in 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

Finance costs decreased by RMB13.7 million, or 12.4%, from RMB110.6 million for the six months ended 30 June 2013 to RMB96.9 million for the six months ended 30 June 2014. Gross finance costs, before adjusting for interest capitalization, decreased from RMB145.9 million for the six months ended 30 June 2013 to RMB143.6 million for the six months ended 30 June 2014. This was mainly due to interest savings as a result of repayment of local bank borrowings with proceeds from the Medium Term Note ("MTN") issued in the first half of 2013. Additionally, the decrease in finance costs was due to an increase in interest capitalized during the period under review. Interest capitalized as part of the costs of assets for the six months ended 30 June 2014 was RMB47.1 million, an increase of RMB11.4 million as compared with RMB35.7 million for the six months ended 30 June 2013.

Income Tax Expense

Income tax expenses increased by RMB3.4 million, or 7.4%, from RMB45.9 million for the six months ended 30 June 2013 to RMB49.3 million for the six months ended 30 June 2014. Current income tax expense increased by RMB15.3 million to RMB50.2 million, whereas deferred tax expenses decreased by RMB11.8 million, resulting in a tax credit of RMB0.9 million.

The increase in current tax expenses was mainly due to the increased profit contribution from the Group's Southern Shaanxi production plants, which have a higher effective tax rate as compared with those in Central Shaanxi. The decrease in deferred tax expense was due to a reduction in tax loss reversals. During the six months ended 30 June 2013, RMB9.8 million of deferred tax assets relating to unused tax losses were reversed and charged to the profit and loss, while only RMB3.9 million of unused tax losses were reversed to the profit and loss during the current period under review.

This has resulted in a marginal increase in the effective tax rate for the period under review to 23.3% (2013: 21.2%). 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 9 to the condensed consolidated financial statements below.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased by 4.8% from RMB168.2 million for the six months ended 30 June 2013 to RMB160.2 million for the six months ended 30 June 2014, despite improvements in the Group's operational performance. This is primarily due to the recognition of unrealized exchange losses of RMB19.4 million during the period under review as compared with unrealized exchange gains of RMB42.8 million for the six months ended 30 June 2013, resulting from the recent weakness of the RMB against the USD.

Basic earnings per share for the period under review decreased by RMB0.2 cents to RMB3.5 cents.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND LIQUIDITY POSITION

As at 30 June 2014, the Group's total assets increased by 2.5% to RMB10,929.9 million (31 December 2013: RMB10,664.7 million) while total equity grew by 1.0% to RMB5,138.1 million (31 December 2013: RMB5,085.3 million). During the period under review, the Company repurchased 29,860,000 ordinary shares of the Company at an average price of RMB0.74 (or HK$0.93) per share. These shares were subsequently cancelled on 16 May 2014.

As at 30 June 2014, the Group had cash and cash equivalents, as well as restricted bank deposits, amounting to RMB740.3 million (31 December 2013: RMB623.1 million). After deducting total borrowings, Senior Notes and MTN of RMB4,058.2 million (31 December 2013: RMB4,029.9 million), the Group had net debt of RMB3,317.9 million (31 December 2013: RMB3,406.8 million). 82.2% (31 December 2013: 62.9%) of borrowings are at a fixed interest rate. Please refer to notes 20, 21, 22 and 29 of the condensed consolidated financial statements below for the details of the borrowings, Senior Notes, MTN and the respective pledge of assets.

As at 30 June 2014, the Group's net gearing ratio, measured as net debt to equity, was 64.6% (31 December 2013: 67.0%).

Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern. As at 30 June 2014, the Group had net current liabilities of RMB404.8 million (31 December 2013: RMB402.6 million). This net amount includes bank borrowings of RMB651.1 million (31 December 2013: RMB709.4 million) classified as current liabilities. The Group intends to rollover part of these bank borrowings, as permitted under the existing facility terms, when they fall due.

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

CONTINGENT LIABILITIES

As at 30 June 2014, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the addition of property, plant and equipment, prepaid lease payments and mining rights, for the six months ended 30 June 2014 amounted to RMB413.3 million (30 June 2013: RMB251.8 million). Capital commitments as at 30 June 2014 amounted to RMB321.7 million (31 December 2013: RMB585.8 million), of which approximately RMB50 million to RMB100 million is planned for the remainder of 2014, RMB150 million to RMB200 million for 2015 and any remainder thereafter. Both capital expenditure and capital commitments were mainly related to the construction of new production facilities, installation of residual heat recovery systems, upgrading of existing production facilities and investment in subsidiaries. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2014, the Group employed a total of 5,168 (30 June 2013: 4,789) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2014, the employees benefit expenses were RMB150.0 million (30 June 2013: RMB120.0 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.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSALS

The Group had no material acquisitions or disposals during the six months ended 30 June 2014.

FOREIGN EXCHANGE RISK MANAGEMENT

During the six months ended 30 June 2014, 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.

PROSPECTS

The performance of the Group's operations during the first half of 2014 has underlined some key trends that have become increasingly apparent in the structure of the Shaanxi Province cement market in 2014.

Firstly, although the province has seen significant consolidation accompanying the capacity build out since 2010, cement pricing in Central Shaanxi during the first half of the year has remained volatile pointing to a market structure that still remains in flux with the possibility of further consolidation in the future. The Group has for a long time recognised that it is the supply side that is of primary importance in the Shaanxi Province market, but also believes that recent capacity additions will be needed to satisfy increased demand over the coming years, and to replace cement supply that will be reduced due to the application of stricter environmental standards.

Secondly, in the face of the volatility in the Central Shaanxi market, the strong performance of the Group in Southern Shaanxi has again highlighted the success of the Group's core market strategy in this area. This strategy has resulted in the Group enjoying a market leading position in the south, resulting in a tight and disciplined market, and shows the strength of the Group's assets and markets in this area. Although Southern Shaanxi represents a smaller market than Central Shaanxi, development and demand growth is strong and the Group's leading position here underlines its key role in the structure of Shaanxi's cement industry.

In light of the above trends, the Group sees the following developments in the industry over the remainder of 2014 and into 2015.

Supply

The significant build out of new capacity in Shaanxi Province that commenced in 2010 has now been completed, with the last of this build out commissioned in the first half of 2014 and no further capacity additions under construction or planned going forward. Furthermore, the Group is also awaiting details of the planed abolishment of PC32.5 grade cement as set out in the State Council Guideline Document 41 and the Clean Air Action Plan. Implementation plans are due to be announced in the second half of 2014, and this policy will lead to a significant reduction in cement supply once implemented. It is also evident that competitive pressure in Central Shaanxi could result in further consolidation, although the timing of this is uncertain.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group therefore recognizes that there may be continued volatility in pricing in the central area of the province over the second half of 2014. However, the Group is confident that the absence of any further incremental supply, coupled with possible supply reductions as a result of the planned abolition of PC32.5 grade cement and other environmental policies, and the possibility of further consolidation, will lead to an increasingly tight and disciplined supply side in Central Shaanxi moving into 2015. The Group's position in Southern Shaanxi is somewhat clearer with a tight market already in place in 2014.

Demand

Whilst demand growth in the first half of 2014 has been lower than the corresponding period in 2013, the province has still maintained positive growth rates. One of the main factors contributing to lower demand growth has been a slowdown in construction growth in the residential property market, especially in the Xi'an Metropolitan Area. This however has been balanced out by continued improvement in the infrastructure construction market, with ongoing stable levels of demand in the Group's rural markets. Whilst the direction of the residential property market is more difficult to predict, with risk of continued slow growth into the second half of 2014, the Group sees further pick up in the infrastructure market towards the end of 2014, with signs of a quite significant upturn in activity into 2015. This potential upturn is all the more probable following the July 2014 decision by the SPNDRC to accelerate the development of the "Xi-Xian (Xian and Xianyang) New Area" as part of the Silk Road Economic Belt Development policy.

In the Group's Southern Shaanxi markets, in addition to the ongoing supply to projects such as the Xi'an to Chengdu High Speed Railway, the Xi'an to Hefei Railway and the Ankang to Pingli Highway, the Group is expecting additional project starts and tender wins in the second half of the year. Examples of this include the Hanzhong to Pingkan Section of the Baoji to Hanzhong Highway, with tendering due at the end of August 2014 and the Group expecting to win 50% of these tenders to supply approximately 400,000 tons of cement; and the Ankang to Yangpingguan Freight Railway, a 325km project with significant bridge and tunnel construction mostly passing through the Group's core markets of Hanzhong and Ankang, with the Group expecting to win most of the tender sections. The Group has also seen increasing demand from the Hanjiang to Weihe River Water Transfer Project in 2014, another significant demand stimulus in the Group's Hanzhong core markets. The main potential risk to the Group's 2014 second half performance in Southern Shaanxi is the summer rainy season, which could affect sales volumes in the third quarter, but barring any adverse weather conditions, the Group expects continued good utilization rates and ASPs.

In Central Shaanxi, the Xi'an Metro System remains a centrepiece of urban renewal in the provincial capital and a significant demand driver for cement in the City, both for the Metro construction and ancillary urban redevelopment projects. Metro Lines 3 and 4 currently are under construction and Lines 5 and 6 are expected to commence construction in the first half of 2015. The recent announcements regarding acceleration of development of the Xi-Xian New Area has resulted in a number of other major projects being approved for construction. The Central Shaanxi Intercity Railway, with 10 new lines to be constructed, is due to see construction commence on the first two lines — the Xi'an to Tongchuan Line (via Fuping) and the Xi'an North Railway Station to Airport Line — in the first half of 2015. The Inner Mongolia to Jiangxi Railway, a major five year project with over 330km situated in Shaanxi Province, is expected to start tendering for cement in the second half of 2014 with construction commencing either at the end of 2014 or the beginning of 2015. Urbanisation projects in Central Shaanxi are also significant — the Xi'an Government currently has plans to demolish 41 slum areas in Xi'an over the next three years and construct over 78,000 housing units. The Group notes that much of the planned development described above is scheduled to commence at the beginning of 2015, and therefore, there may be continued volatility in pricing due to the supply factors described above in the second half of 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Areas — Xinjiang and Guizhou

The Group's operations in Hotan in Southern Xinjiang Province have registered single digit growth in the first half of 2014 as compared to the same period last year, but volumes have remained low due to slow infrastructure spending. The Group expects higher volumes in the second half of the year, due to seasonality and some pick-up in project development in the area. Projects such as the Yutian Ji Yin Hydro Project and the Hotan Airport Extension have commenced construction in the first half of 2014; and others such as the Moyu — Hetian Section Expansion of the 3012 National Road and the Pishan Akeqiao Hydro Project are due to commence in the second half of the year.

The Group's 1.5 million ton Yili Plant in Northwest Xinjiang is expected to contribute some sales volume in the second half of 2014, although this is expected to be relatively small as the plant ramps up production during the third quarter before the winter season starts in the fourth quarter. The plant is situated next to the Khorgas SEZ and bordering the Republic of Kazakhstan, an area that is an important component of the Silk Road Economic Belt Development Policy, with significant trade and transport connections to Central Asia.

The Group's new 1.8 million ton Guiyang Huaxi Plant is also expected to begin cement sales in the second half of 2014. The plant is very well located close to Guiyang City within the Gui-An ("Guiyang-Anshun") New Area, one of the two State level "New Areas" approved by the State Council in January 2014. Infrastructure construction and urbanisation have been key Government focuses in Guizhou Province, in order to promote economic catch up with the eastern seaboard and create a South Western urban hub in Guiyang. As with the Xi-Xian New Area in Shaanxi Province, development plans have been accelerated in 2014, resulting in strong cement demand and favourable pricing and margins in the area. The Group is looking to benefit from the construction of the Guiyang to Anshun Expressway, the Guiyang Ring Road Expressway, the Guiyang Loop High Speed Railway, the Guiyang to Xingyi Railway and the Guiyang to Anshun High Speed Railway amongst other projects that have commenced or are due to commence in 2014 and 2015. The Group expects to generate good margins and cash flow at the Guiyang Plant from the outset in 2014, and although new supply is expected to enter the Guizhou market over the next two years, the plant has an excellent location advantage in the Gui-An New Area.

Environmental Protection Solutions

The Group continues to focus on environmental protection solutions, both in terms of energy conservation and emission control and generation of new sources of revenue. Plant upgrades to meet new NOx and PM emission standards have been substantially completed in the first half of 2014, with any remaining upgrades to be completed in the second half of the year.

The Lantian Cement Plant Kiln Waste Sludge Treatment Facility, of which Phase I was completed in the first half of 2014, is expected to process approximately 5,000 tons of waste in 2014. The Group is currently working with its waste treatment customers to decide the timing of completion of Phase II of the facility, which once completed will have an annual capacity to treat 210,000 tons of waste. In the meantime, the Group is carrying out feasibility studies and initial preparation work for the installation of a similar facility in Fuping District. This facility is expected to treat Fuping's municipal waste.

Group Targets

Once the Xinjiang Yili and Guiyang Huaxi Plants are completed during the second half of 2014, the Group will have reached its targeted capacity of 27 million tons in Shaanxi, Xinjiang and Guizhou Provinces. For the remainder of 2014 and beyond, the Group will remain focused on increasing returns at its existing capacity in Shaanxi Province and anticipates an upturn in infrastructure led investment in the province. The Group will also continue its work in establishing itself in the Xinjiang market, where it will have over 4 millions tons of capacity both in the South and North of the province; and in ensuring a successful start to its operations in the buoyant Guizhou market with the newly completed Guiyang Huaxi Plant. Having completed the vast majority of plant upgrades to meet new emission standards, the Group will focus on its waste treatment as a future significant revenue source.

In addition to the focus on raising returns, the Group will continue to maintain lower levels of capital expenditure and a focus on the repayment of the Group's Senior Notes that mature in January 2016. The Group is fully aware that the cement industry is likely to be headed into a further phase of consolidation over the next few years. With this in mind, the Group is carefully monitoring the situation and positioning itself both operationally and financially to be in the best possible position to benefit from further industry movement.

DISCLOSURE OF INTEREST

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

(1) Interests in shares of the Company

As at 30 June 2014:

Name of Director	Capacity	Number of ordinary shares held as at 30 June 2014 Total *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2014
Zhang Jimin	Interest in a controlled corporation	1,756,469,900(L) *(Note 2)*	38.88%
Ma Zhaoyang	Interest in a controlled corporation	221,587,950 (L) *(Note 3)*	4.91%
Low Po Ling	Beneficial Owner	11,180,000 (L)	0.25%

Notes:

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

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

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

DISCLOSURE OF INTEREST

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

As at 30 June 2014:

Name of Director	Capacity	Number of underlying shares in respect of the share options granted under the Post-IPO Share Option Scheme	Approximate % of issued share capital of the Company as at 30 June 2014
Zhang Jimin	Beneficial Owner	7,700,000	0.170%
Tian Zhenjun	Beneficial Owner	9,150,000	0.203%
Wang Jianli	Beneficial Owner	6,500,000	0.144%
Low Po Ling	Beneficial Owner	5,600,000	0.124%
Ma Zhaoyang	Beneficial Owner	1,875,000	0.042%
Ma Weiping	Beneficial Owner	1,650,000	0.037%
Lee Kong Wai, Conway	Beneficial Owner	1,875,000	0.042%
Wong Kun Kau	Beneficial Owner	1,875,000	0.042%
Tam King Ching, Kenny	Beneficial Owner	1,875,000	0.042%

Save as disclosed above, as at 30 June 2014, none of the Directors, chief executives of the Company and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2014, the persons other than a Director or chief executive of the Company who had an interest or short position in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of ordinary shares of £0.002 each held as at 30 June 2014 *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2014
Asia Gain *(Note 2)*	Beneficial owner	1,756,469,900 (L)	38.88%
Cimfra (China) Limited ("Cimfra") *(Note 3)*	Beneficial owner	284,200,000 (L)	6.29%
Ciments Français SA ("Ciments") *(Note 3)*	Interest in a controlled corporation	284,200,000 (L)	6.29%
Italcementi S.p.A. ("Italcementi") *(Note 3)*	Interest in a controlled corporation	284,200,000 (L)	6.29%
Genesis Asset Managers, LLP	Beneficial owner	321,091,184 (L)	7.11%
Genesis Fund Managers, LLP	Beneficial owner	263,898,000 (L)	5.84%
AllianceBernstein L.P.	Beneficial owner	235,962,000 (L)	5.22%
FIL Limited	Beneficial owner	226,050,000 (L)	5.00%

DISCLOSURE OF INTEREST

Notes:

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

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

(3) Cimfra is beneficially and wholly-owned by Ciments, which is owned as to 83.16% by Italcementi.

Save as disclosed above, the Company has not been notified by any person who had interests or short position in the shares or underlying shares of the Company as at 30 June 2014 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under the section 336 of the SFO.

SHARE OPTION SCHEMES

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

Post-IPO Share Option Scheme

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

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

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

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

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

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

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

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

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

DISCLOSURE OF INTEREST

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

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

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

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

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

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

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

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

DISCLOSURE OF INTEREST

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

During the six months ended 30 June 2014:

				Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme				
Category and name of participant	Date of grant of share options *(Note)*	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2014	Granted during the period ended 30 June 2014	Exercised during the period ended 30 June 2014	Lapsed during the period ended 30 June 2014	Outstanding as at 30 June 2014
Directors								
Zhang Jimin	22 March 2013	1.25	22 March 2014 to 21 March 2023	4,000,000	—	—	—	4,000,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	—	3,700,000	—	—	3,700,000
Tian Zhenjun	23 March 2011	3.41	23 March 2012 to 22 March 2021	2,250,000	—	—	—	2,250,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	3,800,000	—	—	—	3,800,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	—	3,100,000	—	—	3,100,000
Wang Jianli	23 March 2011	3.41	23 March 2012 to 22 March 2021	1,500,000	—	—	—	1,500,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	2,500,000	—	—	—	2,500,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	—	2,500,000	—	—	2,500,000
Low Po Ling	22 March 2013	1.25	22 March 2014 to 21 March 2023	2,200,000	—	—	—	2,200,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	—	3,400,000	—	—	3,400,000
Ma Zhaoyang	23 March 2011	3.41	23 March 2012 to 22 March 2021	225,000	—	—	—	225,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	—	650,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	—	1,000,000	—	—	1,000,000
Ma Weiping	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	—	650,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	—	1,000,000	—	—	1,000,000
Lee Kong Wai, Conway	23 March 2011	3.41	23 March 2012 to 22 March 2021	225,000	—	—	—	225,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	—	650,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	—	1,000,000	—	—	1,000,000

DISCLOSURE OF INTEREST

Category and name of participant	Date of grant of share options *(Note)*	Exercise price (HKD)	Exercise period	Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme: Outstanding as at 1 January 2014	Granted during the period ended 30 June 2014	Exercised during the period ended 30 June 2014	Lapsed during the period ended 30 June 2014	Outstanding as at 30 June 2014
Wong Kun Kau	23 March 2011	3.41	23 March 2012 to 22 March 2021	225,000	—	—	—	225,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	—	650,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	—	1,000,000	—	—	1,000,000
Tam King Ching, Kenny	23 March 2011	3.41	23 March 2012 to 22 March 2021	225,000	—	—	—	225,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	650,000	—	—	—	650,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	—	1,000,000	—	—	1,000,000
Xu Delong	24 March 2014	0.91	24 March 2015 to 23 March 2024	—	1,000,000	—	—	1,000,000
Other employees (Group A)	23 March 2011	3.41	23 March 2012 to 22 March 2021	6,450,000	—	—	—	6,450,000
	22 March 2013	1.25	22 March 2014 to 21 March 2023	18,250,000	—	—	—	18,250,000
	24 March 2014	0.91	24 March 2015 to 23 March 2024	—	33,400,000	—	—	33,400,000
Other employees (Group B)	23 March 2011	3.41	23 March 2012 to 22 March 2021	2,200,000	—	—	—	2,200,000
Total				47,300,000	52,100,000	—	—	99,400,000

Note:

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2014 (2013: Nil).

CORPORATE GOVERNANCE PRACTICE

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

During the six months ended 30 June 2014, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code (the "Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written terms of reference in compliance with the Code, the primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management systems of the Group and to provide advice and comments to the Board, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Wong Kun Kau and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2014.

AUDITORS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2014 have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the auditors of the Company.

REMUNERATION COMMITTEE

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

NOMINATION COMMITTEE

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2014, the Company, between 8 April 2014 and 5 May 2014, repurchased 29,860,000 shares which were subsequently cancelled on 16 May 2014. As at 16 May 2014, the Company had 4,517,339,850 outstanding shares.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiries have been made with all the Directors, all the Directors confirmed and declared that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2014.

On behalf of the Board of Directors
Zhang Jimin
Chairman
15 August 2014

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF WEST CHINA CEMENT LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong

15 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue	4	**1,997,670**	1,967,439
Cost of sales		**(1,612,672)**	(1,620,483)
Gross profit		**384,998**	346,956
Other income	5	**83,390**	80,897
Selling and marketing expenses		**(16,759)**	(18,920)
Administrative expenses		**(131,052)**	(128,434)
Other gains and losses, net	6	**(14,345)**	43,739
Interest income	7	**2,377**	2,433
Finance costs	8	**(96,928)**	(110,609)
Profit before tax		**211,681**	216,062
Income tax expense	9	**(49,273)**	(45,872)
Profit and total comprehensive income for the period	10	**162,408**	170,190
Profit and total comprehensive income attributable to			
— Owners of the Company		**160,205**	168,187
— Non-controlling interests		**2,203**	2,003
		162,408	170,190
Earnings per share			
— Basic (RMB)	12	**0.035**	0.037
— Diluted (RMB)	12	**0.035**	0.037

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment	13	8,152,667	8,003,796
Prepaid lease payments	14	459,242	448,244
Mining rights	15	152,197	133,116
Other intangible assets		168,761	169,693
Deferred tax assets		17,531	18,587
		8,950,398	8,773,436
Current Assets			
Inventories		501,708	530,864
Trade and other receivables and prepayments	17	737,488	737,304
Restricted bank deposits		125,282	116,519
Bank balances and cash		614,998	506,586
		1,979,476	1,891,273
Total Assets		10,929,874	10,664,709
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	18	124,098	124,715
Share premium and reserves		4,970,705	4,919,449
Equity attributable to owners of the Company		5,094,803	5,044,164
Non-controlling interests		43,297	41,094
Total Equity		5,138,100	5,085,258

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current Liabilities			
Borrowings	20	**86,000**	6,000
Senior notes	21	**2,436,643**	2,407,455
Medium-term notes	22	**795,353**	794,189
Asset retirement obligation		**14,354**	13,763
Deferred tax liabilities		**17,283**	14,575
Deferred revenue		**57,828**	49,569
		3,407,461	3,285,551
Current Liabilities			
Borrowings	20	**651,088**	709,423
Trade and other payables	23	**1,605,986**	1,444,351
Senior notes	21	**76,910**	76,211
Medium-term notes	22	**12,200**	36,600
Income tax payable		**36,048**	21,870
Deferred revenue		**2,081**	5,445
		2,384,313	2,293,900
Total Liabilities		**5,791,774**	5,579,451
Total Equity and Liabilities		**10,929,874**	10,664,709
Net Current Liabilities		**(404,837)**	(402,627)
Total Assets less Current Liabilities		**8,545,561**	8,370,809

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Attributable to owners of the Company								
	Share capital RMB'000	**Share premium** RMB'000	**Equity reserve** RMB'000	**Share option reserve** RMB'000 (Note 19)	**Statutory reserve** RMB'000	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2014 (Audited)	**124,715**	**2,136,463**	**(305,868)**	**13,620**	**437,143**	**2,638,091**	**5,044,164**	**41,094**	**5,085,258**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**160,205**	**160,205**	**2,203**	**162,408**
Recognition of equity-settled share-based payments *(Note 19)*	**–**	**–**	**–**	**3,590**	**–**	**–**	**3,590**	**–**	**3,590**
Shares repurchased and cancelled *(Note 18)*	**(617)**	**(21,595)**	**–**	**–**	**–**	**–**	**(22,212)**	**–**	**(22,212)**
Dividend recognised as distribution *(Note 11)*	**–**	**–**	**–**	**–**	**–**	**(90,944)**	**(90,944)**	**–**	**(90,944)**
At 30 June 2014 (Unaudited)	**124,098**	**2,114,868**	**(305,868)**	**17,210**	**437,143**	**2,707,352**	**5,094,803**	**43,297**	**5,138,100**
At 1 January 2013 (Audited)	124,715	2,136,463	(302,264)	9,172	405,787	2,382,058	4,755,931	90,871	4,846,802
Profit and total comprehensive income for the period	–	–	–	–	–	168,187	168,187	2,003	170,190
Recognition of equity-settled share-based payments *(Note 19)*	–	–	–	912	–	–	912	–	912
Dividend recognised as distribution *(Note 11)*	–	–	–	–	–	(90,932)	(90,932)	–	(90,932)
At 30 June 2013 (Unaudited)	124,715	2,136,463	(302,264)	10,084	405,787	2,459,313	4,834,098	92,874	4,926,972

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**614,742**	297,126
INVESTING ACTIVITIES		
Interest received	**2,377**	2,433
Purchase of property, plant and equipment	**(323,387)**	(175,374)
Increase in prepaid lease payments	**–**	(214)
Purchase of other intangible assets	**(168)**	(80)
Proceeds from disposal of property, plant and equipment	**1,539**	16,283
Receipt of government grants	**7,600**	2,630
Withdrawal of restricted bank deposits	**101,650**	110,503
Placement of restricted bank deposits	**(110,413)**	(111,112)
Acquisition of a subsidiary, net of cash acquired	**(14,805)**	–
Payment for acquisition of subsidiaries in prior period	**–**	(37,406)
Net cash used in investing activities	**(335,607)**	(192,337)
FINANCING ACTIVITIES		
New borrowings raised	**361,088**	331,178
Repayment of borrowings	**(339,423)**	(960,092)
Net proceeds from issuance of medium-term notes	**–**	792,800
Interest paid	**(167,304)**	(140,637)
Dividend paid	**–**	(90,932)
Share repurchased	**(22,212)**	–
Net cash used in financing activities	**(167,851)**	(67,683)
Net increase in cash and cash equivalents	**111,284**	37,106
Cash and cash equivalents at 1 January	**506,586**	368,936
Effect of foreign exchange rate changes	**(2,872)**	(1,776)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**614,998**	404,266

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. GENERAL INFORMATION

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

The Company was incorporated on 16 October 2006 in Jersey under the Companies (Jersey) Law 1991. The address of the registered office is 47 Esplanade, St Helier, Jersey JE1 0BD and the principal place of business is No. 336 4th Shenzhou Road, Aerospace Industrial Base, Chang'an District, Xi'an, Shaanxi Province, PRC.

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

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

2. BASIS OF PREPARATION

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

As at 30 June 2014, the Company has net current liabilities of approximately RMB404,837,000. As at 30 June 2014, the Company has unutilised loan facilities totaling RMB124,927,000 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 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 the Company are of the view that the Company is able to operate within the level of its current capacity.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for share-based payment transactions, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretations and amendments to International Financial Reporting Standards ("IFRSs") issued by IASB that are relevant, among others, for the preparation of the Group's condensed consolidated financial statements, and the application of which has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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

The revenue represents the sale of cement products during the periods of six months ended 30 June 2014 and 2013. No single customer contributed 10% or more to the Group's revenue for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

5. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Tax refund *(note)*	**79,319**	73,658
Government grants	**4,071**	7,239
	83,390	80,897

Note: The tax refund mainly represents incentives in the form of value added tax refund approved by relevant government authorities as a result of utilising industrial waste as part of the production materials.

6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange (losses) gains *(note)*	**(19,363)**	42,834
Gain on disposal of property, plant and equipment	**349**	845
Donations	**(967)**	(591)
Stock take gains	**2,764**	–
Gain arising from derecognition of payables	**2,850**	712
Other gains (losses)	**22**	(61)
	(14,345)	43,739

Note: The amounts mainly relate to the translation of senior notes and bank borrowings from US$ to RMB.

7. INTEREST INCOME

Interest income represents interest received and receivable from bank deposits.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

8. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on bank loans wholly repayable within five years	**18,788**	29,459
Interest on other borrowings	**–**	3,988
Interest on senior notes	**99,251**	100,002
Interest on medium-term notes	**25,564**	12,466
	143,603	145,915
Less: amount capitalised	**(47,083)**	(35,692)
	96,520	110,223
Unwinding of discount related to asset retirement obligation	**408**	386
	96,928	110,609

The weighted average capitalisation rate on funds borrowed generally is 8.04% (six months ended 30 June 2013: 8.04%) per annum.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	**50,189**	34,936
Deferred tax	**(916)**	10,936
Income tax expense	**49,273**	45,872

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**294,472**	275,503
Amortisation of prepaid lease payments	**6,293**	6,044
Amortisation of mining rights (included in cost of sales)	**4,576**	4,230
Amortisation of other intangible assets (included in administrative expenses)	**1,100**	1,111
Total depreciation and amortisation	**306,441**	286,888

11. DIVIDEND

During the current interim period, a final dividend of RMB2.00 cents per share in respect of the year ended 31 December 2013 (six months ended 30 June 2013: RMB2.00 cents in respect of the year ended 31 December 2012) amounting to RMB90,944,000 (six months ended 30 June 2013: RMB90,932,000) was declared and approved by the shareholders in the annual general meeting.

The directors of the Company proposed no dividend in respect of the current interim period (six months ended 30 June 2013: Nil).

12. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**160,205**	168,187

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

12. EARNINGS PER SHARE (Cont'd)

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**4,539,734,850**	4,547,199,850

The calculation of diluted earnings per share for the periods of six months ended 30 June 2014 and 2013 did not take into account the share options of the Company (Note 19) because the exercise price or the exercise price after adjustment for the unvested share based payments of these share options was higher than the average market price of the Company's share during those periods, and hence their effect of exercise would be anti-dilutive.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB1,190,000 (six months ended 30 June 2013: RMB15,438,000) to third parties, resulting in a gain on disposal of RMB349,000 (six months ended 30 June 2013: a gain on disposal of RMB845,000).

In addition, during the current interim period, the Group purchased property, plant and equipment of approximately RMB43,304,000 (six months ended 30 June 2013: RMB24,428,000) from third parties including those acquired through business combination of RMB2,324,000 (Note 25), and incurred approximately RMB354,146,000 on the construction of its new product lines, power plant and property and buildings in the current interim period (six months ended 30 June 2013: RMB191,532,000). The borrowing costs capitalised as part of the construction in progress during the current interim period were amounting to RMB47,083,000 (six months ended 30 June 2013: RMB35,692,000) (Note 8).

14. PREPAID LEASE PAYMENTS

During the current interim period, the Group acquired prepaid lease payments of RMB18,176,000 (six months ended 30 June 2013: RMB214,000).

15. MINING RIGHTS

During the current interim period, the Group acquired mining rights of RMB23,656,000 through business combination (Note 25) (six months ended 30 June 2013:Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

16. IMPAIRMENT TESTING ON GOODWILL AND CUSTOMER RELATIONSHIPS

Goodwill and customer relationships are tested for impairment annually and when circumstances indicate the carrying value may be impaired. As at 30 June 2014, the Group considers the relationship between its market capitalisation and its book value, among other factors when reviewing indicators for impairment. Management also considers other indicators such as extended decline in construction and development activities as well as increased competition. Therefore, management performed an impairment test as of 30 June 2014 for the cash generating units ("CGUs"), consisting of goodwill and customer relationships, of which allocation is as disclosed in the Group's annual financial statements for the year ended 31 December 2013.

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. The growth rate of 5% (2013: 6%), and discount rate of 10.8% (year ended 31 December 2013: 13.5%) were applied. This growth rate is based on the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using zero growth rates. 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. As the result of the updated analysis, management did not identify an impairment for the above CGUs that the goodwill and customer relationships are allocated.

Sensitivity to changes in key assumptions

With regard to the assessment of value in use of the above CGUs, the estimated recoverable amounts are close to their carrying values. Consequently, any adverse changes to the key assumptions could result in a further impairment loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

17. TRADE RECEIVABLES

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables	**277,724**	189,752
Less: allowance for doubtful debts	**(7,351)**	(7,351)
	270,373	182,401
Bills receivable	**67,784**	149,988
	338,157	332,389

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

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 to 90 days	**224,657**	143,552
91 to 180 days	**22,503**	17,565
181 days to 1 year	**7,172**	6,911
1 to 2 years	**8,327**	3,129
Over 2 years	**7,714**	11,244
	270,373	182,401

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

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

Bills receivable are mainly aged within six months.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

18. SHARE CAPITAL

Ordinary shares of GBP0.02 each	Number of shares '000	Issued and fully paid RMB'000
As at 1 January 2014	4,547,200	124,715
Shares repurchased and cancelled	(29,860)	(617)
As at 30 June 2014 (Unaudited)	4,517,340	124,098
As at 30 June 2013 (Unaudited)	4,547,200	124,715

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

19. SHARE-BASED PAYMENTS

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

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. The fair values of the options using the Black-Scholes option pricing model were approximately HK$19,069,000 at the grant date. During the current interim period, 37,000,000 options of First Issuance were forfeited due to non-fulfillment of the non-market vesting conditions. 1,300,000 options were given up by the resigned employees, and no option was exercised. As at 30 June 2014, 9,600,000 options of First Issuance remain outstanding.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

19. SHARE-BASED PAYMENTS (Cont'd)

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 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. The fair values of the options using the Black-Scholes option pricing model were approximately HK$19,553,000 at the grant date. As of 30 June 2014, 34,000,000 options of Second Issuance remain outstanding.

Third Issuance

On 24 March 2014, the board of directors approved, within the pre-approved quantity limit under the same scheme, the issuance of 52,100,000 options to directors, senior management and staff with an exercise price of HK$0.91 per share (the "Third Issuance"). The closing price of the Company's shares immediately before 24 March 2014 was HK$0.91 per share. The options granted are exercisable within a period of ten years after the corresponding vesting periods of one to four years succeeding the date of grant, subject to the terms and conditions of the plan, the relevant PRC laws and regulations and any conditions of the grant as stipulated by the board of directors. During the current interim period, 1,000,000 options of Third Issuance were given up by a resigned director. As at 30 June 2014, 51,100,000 options of Third Issuance remain outstanding.

The total fair value of the Third Issuance was approximately HK$21,103,000, and was determined at the date of grant using the Black-Scholes option pricing model. The variables and assumptions used below in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions below may result in changes in the fair value of the options:

Grant date share price	HK$0.91
Exercise price	HK$0.91
Expected option life	5.5 years to 7.00 years
Expected volatility	54.46% to 55.36%
Dividend yield	1.98%
Risk-free interest rate	1.61% to 1.87%

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 RMB3,590,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: RMB912,000) in relation to share options granted by the Company.

20. BORROWINGS

During the current interim period, the Group received the proceeds of approximately RMB361,088,000 (six months ended 30 June 2013: RMB331,178,000) related to its renewed and newly obtained bank loans and made repayments amounting to approximately RMB339,423,000 (six months ended 30 June 2013: RMB960,092,000). The new loans are secured, carry annual interest rates range from 2.94% to 7.38% and repayable from 2014 to 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

21. SENIOR NOTES

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

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

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

As at 30 June 2014, interest payable amounting to RMB76,910,000 (31 December 2013: RMB76,211,000) are due for repayment within the next twelve months and are therefore classified as current liabilities.

As at 30 June 2014, the fair value of Senior Notes is RMB2,542,000,000 (31 December 2013: RMB2,518,020,000) represented the quoted price of the Senior Notes on the Singapore Exchange Securities Trading Limited.

22. MEDIUM-TERM NOTES

On 28 March 2013, Shaanxi Yaobai issued 6.1%, unsecured three-year medium-term notes with a principal amount of RMB800,000,000 (the "First Tranche of the Medium-term Notes") at 100% of the face value. The First Tranche of the Medium-term Notes was listed for trading and issued to investors in the national inter-bank market in the PRC. The medium-term notes have been registered with the National Association of Financial Market Institutional Investors of the PRC with an aggregate principal of RMB1,600,000,000. The medium-term notes, including the first tranche, can be used for the expansion of production facilities, the repayment part of the bank loans and general working capital of the Group.

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

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

As at 30 June 2014, interest payable amounting to RMB12,200,000 (31 December 2013: RMB36,600,000) are due for repayment within the next twelve months and are therefore classified as current liabilities.

As at 30 June 2014, the fair value of the First Tranche of the Medium-term Notes is RMB788,648,000 (31 December 2013: RMB817,280,000), represented the price of the First Tranche of the Medium-term Notes provided by the China Central Depository & Clearing Co. Ltd..

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

23. TRADE AND OTHER PAYABLES

An analysis of trade and other payables is as follows:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
0 to 90 days	**498,862**	543,786
91 to 180 days	**80,557**	78,258
181 days to 1 year	**77,815**	52,008
1 to 2 years	**27,699**	39,599
Over 2 years	**6,201**	8,853
Total trade payables	**691,134**	722,504
Payable for constructions and equipment purchase	**505,563**	437,734
Dividend payable	**90,944**	–
Others	**318,345**	284,113
	1,605,986	1,444,351

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

24. CAPITAL COMMITMENTS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Capital expenditure contracted for but not provided in respect of purchase of property, plant and equipment	**321,653**	585,831

25. BUSINESS COMBINATION

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

25. BUSINESS COMBINATION (Cont'd)

Assets and liabilities to be recognised at the date of acquisition (determined on a provisional basis)

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

The trade and other receivables acquired with gross contractual amount of RMB311,000 represents its fair value, of which in the opinion of the directors of the Company is expected to be recoverable within one year.

The fair value of the acquired property, plant and equipment and mining rights of RMB2,324,000 and RMB23,656,000, respectively, is provisional, awaiting the completion of final valuation. Deferred tax liabilities of RMB4,680,000 has been provided in relation to these fair value adjustments and they may be adjusted accordingly.

Goodwill arising on acquisition (determined on a provisional basis)

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

Net cash outflow arising on acquisition

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

25. BUSINESS COMBINATION (Cont'd)

As of 30 June 2014, the remaining balance of the consideration of RMB5,000,000 was unpaid and included in 'trade and other payables' on the condensed consolidated statement of financial position.

Had the acquisition been completed on 1 January 2014, the revenue of the Group for the six months ended 30 June 2014 would have been RMB1,997,730,000, and the profit for the period would have been RMB165,207,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that would actually would have been achieved had the acquisition been completed on 1 January 2014, nor is intended to be a projection of future results.

26. ACQUISITION OF ASSETS

On 1 January 2014, Shaanxi Yaobai, a wholly-owned subsidiary of the Company, purchased certain assets and assumed certain liabilities of a branch company of an independent third party, Shaanxi Danluo, for a cash consideration of RMB42,000,000. Shaanxi Yaobai recognised a receivable amounted to RMB2,932,000, representing its right to the return of previously-transferred cash consideration due to pre-acquisition loss. The said acquired assets are expected to improve the Group's cement production capacity.

Net assets acquired

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

26. ACQUISITION OF ASSETS (Cont'd)

Net cash outflow arising on acquisition

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

As of 30 June 2014, the consideration of RMB16,526,000 was offset against the trade receivables due from the seller and the remaining balance of RMB2,542,000 remained unpaid and included in 'trade and other payables' on the condensed consolidated statement of financial position.

27. MAJOR NON-CASH TRANSACTION

During the six months period ended 30 June 2013, the Group settled as net an amount due from a non-controlling shareholder of a subsidiary and payables to third parties for construction amounting to RMB44,471,000. Other than disclosed in Note 26, there was no major non-cash transaction during the current interim period.

28. 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:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**5,426**	4,811
Post-employment benefits	**82**	64
Share-based payments	**2,136**	755
	7,644	5,630

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

29. PLEDGE OF ASSETS

At the end of each 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:

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Restricted bank deposit	**109,460**	116,519
Prepaid lease payments	**26,228**	6,446
Property, plant and equipment	**1,362,491**	913,304
	1,498,179	1,036,269

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Other than disclosed in Notes 21 and 22, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value. The Group has no financial instruments measured at fair value subsequent to initial recognition.