西部水泥

WEST CHINA CEMENT LIMITED
中國西部水泥有限公司

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

(Stock Code: 2233)

2013 Interim Results Announcement

Financial highlights:

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

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

Notes:

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

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

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

The board of directors (the "Board") of West China Cement Limited (the "Company" together with its subsidiaries, the "Group") is pleased to announce the Group's interim results for the six months ended 30 June 2013 together with the comparative figures for the corresponding period of 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2013

		Six months ended 30 June	
	Notes	**2013**	2012
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*1*	**1,967,439**	1,590,121
Cost of sales		**(1,620,483)**	(1,288,198)
Gross profit		**346,956**	301,923
Selling and marketing expenses		**(18,920)**	(12,123)
Administrative expenses		**(128,434)**	(100,375)
Other income		**80,897**	80,148
Other gains (losses), net		**43,739**	(13,655)
Interest income		**2,433**	927
Finance costs		**(110,609)**	(70,068)
Profit before tax		**216,062**	186,777
Income tax expense	*2*	**(45,872)**	(36,477)
Profit and total comprehensive income for the period	*3*	**170,190**	150,300
Profit and total comprehensive income attributable to			
— Owners of the Company		**168,187**	148,454
— Non-controlling interests		**2,003**	1,846
		170,190	150,300
Earnings per share			
Basic earnings per share (RMB)	*5*	**0.037**	0.035
Diluted earnings per share (RMB)	*5*	**0.037**	0.035

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	**30 June 2013** **RMB'000** **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**7,790,377**	7,829,666
Prepaid lease payments		**453,963**	450,000
Mining rights		**135,019**	139,249
Other intangible assets		**170,795**	171,826
Deferred tax assets		**30,173**	36,755
		8,580,327	8,627,496
Current assets			
Inventories		**480,177**	468,602
Trade and other receivables and prepayments	6	**795,931**	683,973
Restricted bank deposits		**150,490**	149,881
Bank balances and cash		**404,266**	368,936
		1,830,864	1,671,392
Total assets		**10,411,191**	10,298,888
EQUITY			
Share capital		**124,715**	124,715
Share premium		**2,136,463**	2,136,463
Equity reserve		**(302,264)**	(302,264)
Statutory reserve		**405,787**	405,787
Share option reserve		**10,084**	9,172
Retained earnings		**2,459,313**	2,382,058
Equity attributable to owners of the Company		**4,834,098**	4,755,931
Non-controlling interests		**92,874**	90,871
Total equity		**4,926,972**	4,846,802

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

NOTES:

1. REVENUE AND SEGMENT INFORMATION

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

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

2. INCOME TAX EXPENSE

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

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

3. PROFIT FOR THE PERIOD

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

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

Note: Net foreign exchange gains amounting to RMB42,052,000 in the current interim period (six months ended 30 June 2012: net foreign exchange losses of RMB9,338,000) arose from US$ denominated Senior Notes (Note 9).

4. DIVIDEND

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

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

5. EARNINGS PER SHARE

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

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

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

The calculation of diluted earnings per share for the six-month periods ended 30 June 2013 and 2012 did not take into account the share options of the Company 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.

6. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

Bills receivable are mainly aged within six months.

7. TRADE PAYABLES

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

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

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

8. BORROWINGS

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

9. SENIOR NOTES

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

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

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

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

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

10. MEDIUM-TERM NOTES

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

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

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

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

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

11. PLEDGE OF ASSETS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

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

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

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

Operating Environment

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

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

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

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

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

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

Expansion and Acquisitions

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

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

Safety, Environment & Social Responsibility

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

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

During the first half of 2013, the Group has continued constructing residual heat recovery systems and one more of these is due to be installed and come into operation by the end of 2013. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce Co^2 emissions by approximately 20,000 tons per annum per million tons of cement production. As at 30 June 2013, residual heat recovery systems have been installed at 12 out of 16 production lines, and with a system for one more due to be completed in the second half of 2013, the Group expects to achieve a rate of over 80% of capacity with heat recovery systems installed by the end of the year.

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Cost of Sales

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

There were significant savings in coal costs as a result of general falls in coal prices in the PRC over the previous 12 months. The average cost per ton of coal decreased by approximately 18.1% from approximately RMB586 per ton for the six months ended 30 June 2012 to approximately RMB480 per ton for the six month ended 30 June 2013. However, the cost savings from lower coal prices have been partially offset by higher material, electricity, and depreciation costs.

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

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

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

Gross Profit and Gross Profit Margin

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

Administrative Expenses

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

Other Income

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

Other Gains and Losses — net

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

Interest Income

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

Finance Costs

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

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

Taxation

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

As a result of the higher deferred tax charges, the effective tax rate for the six months ended 30 June 2013 increased to 21.2% (2012: 19.5%). The effective tax rate of the Group is lower compared to the PRC national tax rate of 25% as most of the Group's operating entities enjoy various preferential tax rates, such as the preferential rate of 15% for qualifying entities under the Western Development Policy.

The detailed income tax expenses for the Group are outlined in Note 2 to the consolidated financial statements above.

Profit Attributable to the Owners of the Company

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

FINANCIAL AND LIQUIDITY POSITION

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

As at 30 June 2013, the Group had cash and cash equivalents, as well as restricted bank deposits, amounting to RMB554.8 million (31 December 2012: RMB518.8 million). After deducting total borrowings, MTN and Senior Notes of RMB4,008.7 million (31 December 2012: RMB3,869.2 million), the Group had net debt of RMB3,453.9 million (31 December 2012: RMB3,350.4 million). 15.3% (31 December 2012: 34.1%) of borrowings are at a fixed interest rate. Please refer to Notes 8, 9, 10 and 11 of the consolidated financial statements above for the details of the borrowings, Senior Notes, MTN and the respective pledge of assets.

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

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

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

CONTINGENT LIABILITIES

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

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure for the six months ended 30 June 2013 amounted to RMB251.8 million (2012: RMB426.8 million) and capital commitments as at 30 June 2013 amounted to RMB789.5 million (31 December 2012: 1,277.9 million). Both capital expenditure and capital commitments were mainly related to residual payments for the construction of new production facilities, installation of residual heat recovery systems, upgrading of existing production facilities and investment in subsidiaries. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group employed a total of 4,789 full time employees (2012: 4,198). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2013, the employees benefit expenses were RMB120.0 million (2012: RMB83.9 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

MATERIAL ACQUISITIONS AND DISPOSALS

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

FOREIGN EXCHANGE RISK MANAGEMENT

During the six months ended 30 June 2013, the Group's sales and purchases were all denominated in Renminbi. However, some of the Group's bank borrowings and the proceeds raised through the issuance of Senior Notes in January 2011 were denominated in foreign currency. Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and/or internationally, and the demand and supply of the Renminbi. The appreciation or devaluation of the Renminbi against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

PROSPECTS

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

In spite of the recent slowdowns in the national rates of economic growth in the PRC, the demand scenario in Shaanxi Province continues to be healthy. Shaanxi is a key development area for the PRC Government as part of the "Western Development Policy", and the construction of a number of infrastructure projects have resumed in the first half of 2013. The railway projects, described in the business review section, that have resumed in the first half of 2013 will generate increasing demand for cement as they approach peak construction periods in the second half of 2013 and in 2014. In addition, the Group expects other infrastructure projects, including further railway projects, expressways and hydro-power projects, to commence construction in 2013 and 2014. Urban demand in the Xi'an Metropolitan area is picking up and rural demand growth is expected to be driven by continuing urbanization trends over the next few years. Taken together, the Group expects an annual demand growth of up to 10% into the remaining years of the current 12th Five Year Plan.

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

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

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

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

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

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE PRACTICE

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

During the six months ended 30 June 2013, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code (the "Code") as set forth in Appendix 14 of the 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 term of reference in compliance with the Code, the primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management systems of the Group and to provide advice and comments to the Board, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Wong Kun Kau and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2013.

AUDITORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 2013.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.westchinacement.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). An interim report of the Company for the six months ended 30 June 2013 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 20 August 2013

As at the date of this announcement, the executive Directors are Mr. Zhang Jimin, Mr. Wang Jianli, Ms. Low Po Ling and Mr. Tian Zhenjun, the non-executive Directors are Mr. Ma Zhaoyang and Mr. Ma Weiping, and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Wong Kun Kau and Mr. Tam King Ching, Kenny.