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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 ANNUAL RESULTS ANNOUNCEMENT

Financial highlights:

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

Notes:

(1) There is no change in the basic earnings per share despite the increase in profit attributable to owners of the Company due to the increase in the weighted average number of shares as compared with 2012 following the issuance of new shares to the Italcementi Group as part of the purchase consideration for the Fuping Cement Plant in June 2012.

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

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

The board of directors (the "Board") of West China Cement Limited (the "Company") is pleased to announce its annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 together with the comparative figures for the corresponding year of 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	**2013** **RMB'000**	2012 *RMB'000*
Revenue	*3*	**4,167,843**	3,524,117
Cost of sales		**(3,438,503)**	(2,848,920)
Gross profit		**729,340**	675,197
Other income	*4*	**169,928**	155,833
Selling and marketing expenses		**(34,718)**	(32,754)
Administrative expenses		**(243,862)**	(202,117)
Other gains and losses, net	*5*	**66,651**	490
Interest income	*6*	**4,817**	1,928
Finance costs	*7*	**(217,074)**	(139,993)
Profit before tax	*8*	**475,082**	458,584
Income tax expense	*9*	**(92,812)**	(86,058)
Profit and total comprehensive income for the year		**382,270**	372,526
Attributable to:			
— Owners of the Company		**378,321**	364,881
— Non-controlling interests		**3,949**	7,645
		382,270	372,526
Earnings per			
— Basic (RMB)	*11*	**0.083**	0.083
— Diluted (RMB)	*11*	**0.083**	0.083

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**8,003,796**	7,829,666
Prepaid lease payments		**448,244**	450,000
Mining rights		**133,116**	139,249
Other intangible assets		**169,693**	171,826
Deferred tax assets		**18,587**	36,755
		8,773,436	8,627,496
Current assets			
Inventories		**530,864**	468,602
Trade and other receivables and prepayments	*12*	**737,304**	683,973
Restricted bank deposits		**116,519**	149,881
Bank balances and cash		**506,586**	368,936
		1,891,273	1,671,392
Total assets		**10,664,709**	10,298,888
EQUITY			
Share capital		**124,715**	124,715
Share premium		**2,136,463**	2,136,463
Equity reserve		**(305,868)**	(302,264)
Statutory reserve		**437,143**	405,787
Share option reserve		**13,620**	9,172
Retained earnings		**2,638,091**	2,382,058
Equity attributable to owners of the Company		**5,044,164**	4,755,931
Non-controlling interests		**41,094**	90,871
Total equity		**5,085,258**	4,846,802

	NOTES	2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**6,000**	144,000
Senior notes	*14*	**2,407,455**	2,468,506
Medium-term notes	*15*	**794,189**	–
Asset retirement obligation		**13,763**	12,991
Deferred tax liabilities		**14,575**	9,636
Deferred revenue		**49,569**	51,971
		3,285,551	2,687,104
Current liabilities			
Trade and other payables	*16*	**1,444,351**	1,484,434
Senior notes	*14*	**76,211**	78,544
Medium-term notes	*15*	**36,600**	–
Income tax payable		**21,870**	23,812
Deferred revenue		**5,445**	–
Borrowings	*13*	**709,423**	1,178,192
		2,293,900	2,764,982
Total liabilities		**5,579,451**	5,452,086
Total equity and liabilities		**10,664,709**	10,298,888
Net current liabilities		**(402,627)**	(1,093,590)
Total assets less current liabilities		**8,370,809**	7,533,906

NOTES:

(All amounts in RMB thousands unless otherwise stated)

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL INFORMATION

As at 31 December 2013, the Group has net current liabilities of RMB402,627,000, and has unutilised loan facilities totalling RMB340,000,000 readily available for drawdown within the next twelve months. In addition, the Company's indirect wholly-owned subsidiary incorporated in the PRC, Yaobai Special Cement Group Co., Ltd. ("Shaanxi Yaobai") is able to issue on its demand further three-year medium-term notes of RMB800,000,000 by March 2015 for the purpose of, among others, expansion of production facilities, repayment of part of the bank loans and to supplement general working capital across the Group. Based on the Company's forecasts and projections of business performance, taking account of operating as well as capital expenditure and availability of borrowing facilities, the directors of Company are of the view that the Company is able to operate within the level of its current capacity.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

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

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

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

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") — *Continued*

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

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

Impact of the application of IFRS 10

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

The Directors has made an assessment as at 1 January 2013 as to whether the initial application of IFRS 10 has resulted in a change of control over the existing subsidiaries of the Company. Previously, the Directors concluded that the Group has control over the existing subsidiaries because the Group has power to govern the financial and operating policies of these subsidiaries so as to obtain benefits from their activities by virtue of its ability to cast majority votes at the board of directors meeting. Additionally, the Group has the power over these entities including but not limited to power to appoint, reassign, and remove the key management personnel such as executive director of an entity, who has ability to direct relevant activities of that entity which include primarily the sale and purchase, working capital, investments and financing activities. Accordingly, the Directors concluded that the adoption of IFRS 10 has had no material impact of the Group's consolidated financial statements for the current or prior years because the Group's control over the existing subsidiaries remained unchanged in accordance with the new definition of control under IFRS 10.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income and their corresponding income tax, if presented, to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") — *Continued*

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

IFRIC 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the interpretation, the stripping costs which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") and classified as tangible or intangible according to the nature of the existing asset of which it forms part when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 *Inventories*. In the previous years, the Group's accounting treatment for the stripping costs is consistent with the requirements under IFRIC 20.

Accordingly, the adoption of IFRIC 20 has had no material impact on the Group's consolidated financial statements for the current or prior periods.

New and revised IFRSs in issue but not yet effective

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

4. OTHER INCOME

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

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

5. OTHER GAINS AND LOSSES, NET

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

(a) The amounts mainly relate to the translation of the senior notes and bank borrowings from US$ to RMB for each of the years ended 31 December 2013 and 2012.

6. INTEREST INCOME

Interest income represents interest received and receivable from bank deposits.

7. FINANCE COSTS

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

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

8. PROFIT BEFORE TAX

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

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

9. INCOME TAX EXPENSE

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

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

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for each of the years ended 31 December 2013 and 2012 based on existing legislations, interpretations and practices.

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

9. INCOME TAX EXPENSE — *Continued*

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

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

(a) Pursuant to the new notice related to Western Development Policy from 1 January 2011 to 31 December 2020 ("New Notice"), an enterprise is entitled to the preferential EIT rate of 15%, if its principal business engages in projects listed in the Catalogue for Industries, Products and Technologies Currently and Particularly Encouraged by the State for Development as their principal business and the revenue from the principal operations accounts for over 70% of their total revenue of the enterprise. The operations of certain subsidiaries, namely Yaobai Special Cement Group Co., Ltd. ("Shaanxi Yaobai"), Xi'an Lantian Yaobai Cement Co., Ltd. ("Lantian Yaobai"), Ankang Yaobai Cement Co., Ltd. ("Ankang Yaobai"), Hanzhong Yaobai Cement Co., Ltd. ("Hanzhong Yaobai"), Shifeng Cement Co., Ltd. ("Shifeng Cement"), Fuping Cement Co.,Ltd.("Fuping Cement"), Hancheng Yaobai Yangshanzhuang Cement Co., Ltd. ("Hancheng Yaobai Yangshanzhuang"), and Longqiao Yaobai Cement Co., Ltd. ("Longqiao Yaobai") have met the requirements of the New Notices both in 2012 and 2013.

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

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

9. INCOME TAX EXPENSE — *Continued*

(a) — *Continued*

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

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

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

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

(c) Withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward at 5% tax rate under the EIT Law, and interest income in respect of intra-group loans in the Group at 7% tax rate based on the New Double Taxation Arrangement between Hong Kong and Mainland China.

10. DIVIDEND

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

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

Subsequent to the end of the report period, a final dividend of RMB2.00 cents per share in respect of the year ended 31 December 2013 (2012: final dividend of RMB2.00 cents per share in respect of the year ended 31 December 2012) in total of approximately RMB90,944,000 (2012: RMB90,932,000) has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

No interim dividend has been proposed in 2013 and 2012.

11. EARNINGS PER SHARE

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

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

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

The calculation of diluted earnings per share did not take into account the share options of the Company for the year ended 31 December 2013 and 2012 because the exercise price or the exercise price after adjustment for the unvested share based payments of these share options was higher than the average market price of the Company's share during those years, and hence their effect of exercise would be anti-dilutive.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — *Continued*

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

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

Bills receivable are mainly aged within six months.

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. RMB106,648,000 (2012: RMB44,856,000) of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB75,753,000 (2012: RMB87,785,000) which are past due as at the reporting date for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

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

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

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

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

13. BORROWINGS

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

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

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

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

13. BORROWINGS — *Continued*

Other borrowings:

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

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

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

Details of pledge of assets for the Group's secured bank borrowings are set out in Note 17.

14. 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.

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

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

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

15. 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.

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

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

The fair value of the First Tranche of the Medium-term Notes is RMB817,280,000 at 31 December 2013. It represents the price of the First Tranche of the Medium-term Notes provided by the China Central Depository & Clearing Co. Ltd. at the end of the reporting period.

16. TRADE AND OTHER PAYABLES

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

16. TRADE AND OTHER PAYABLES — *Continued*

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

	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**543,786**	497,534
91 to 180 days	**78,258**	84,493
181 to 360 days	**52,008**	51,354
361 to 720 days	**39,599**	27,080
Over 720 days	**8,853**	1,495
	722,504	661,956

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

17. ASSETS PLEDGED FOR SECURITY

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

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

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

18. EVENT AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

OVERVIEW

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

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

In addition to this slowdown in capital expenditure, the Group has also taken advantage of the opening up of the domestic PRC bond market to reorganize its debt structure. In March 2013, the Group became one of the first private companies in the PRC to obtain a quota to issue a Medium-Term Note (the "MTN"), with the first tranche of RMB800 million, issued on 28 March 2013. The proceeds of this debt issue have been used to provide working capital and repay a significant amount of the Group's short-term bank loans. This financing activity has led to a sharp decrease in the Group's current liabilities in 2013 as compared to the previous year and has allowed the Group to borrow at interest rates lower than those available from the domestic banks. Access to the domestic MTN market enables the Group to reduce its average cost of funding, and provides further funding and refinancing options in the future without further exposure to the currency risk associated with off-shore borrowing instruments.

OPERATING ENVIRONMENT

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

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

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

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

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

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

ENERGY CONSERVATION & ENVIRONMENTAL PROTECTION SOLUTIONS

Energy conservation and emission controls have become increasingly important in the cement industry in China. The Group continues to work towards the best of industry standards and further development of environmental protection solutions. All of the Group's production facilities employ NSP technology. The plants are situated in close proximity to their respective limestone quarries and, at many of the plants, limestone conveyor belt systems are used in order to minimize emissions from transportation. The Group has also been the first cement producer in Shaanxi Province to use desulfurized gypsum and construction waste as raw material inputs into some of its cement products, and regularly recycles fly ash from power plants as well as slag from iron & steel plants as inputs into some of its cement products.

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

In anticipation of the implementation in 2014 and 2015 of more stringent nitrogen oxide ("NOx") and particulate matter ("PM") emission standards, as described in the 2013 publication of the State Council's Guideline Document 41 and Clean Air Action Plan, the Group has installed the required emission reduction equipment in 2012 and 2013. Denitration ("De-NOx") equipment has been installed at most of the Group's Shaanxi Plants, with one more plant, the Shangluo Zhen'an Plant, to be completed in 2014. This equipment reduces nitrous oxide emissions by approximately 60% per ton of clinker produced, bringing NOx emissions to within the new standards stipulated by the Ministry of Environmental Protection. As at 31 January 2014, the Group has completed the modification of 3 of its production lines to meet the new PM emission standards that are to be implemented from July 2015 for existing cement plants in China. Similar modifications at two more plants are due to be completed in the first half of 2014, with the remainder not requiring modification as they already meet PM emission standards.

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

EXPANSION AND ACQUISITIONS

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

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

The absence of any further expansion in Shaanxi Province coupled with a relatively modest expansion program of 3 million tons in Xinjiang and Guizhou Provinces, has resulted in a sharp reduction in capital expenditure for the Group as compared with the previous three financial years. The Group has incurred RMB581 million of investing cash flow for these projects plus its environmental facilities and other plant improvements, and expects approximately RMB500 million to be incurred in 2014. It is expected that these two projects will take the group to its 2015 targeted capacity of 27 million tons once completed.

SAFETY AND SOCIAL RESPONSIBILITY

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

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

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 18.3% from RMB3,524.1 million for the year ended 31 December 2012 to RMB4,167.8 million for the year ended 31 December 2013. Cement sales volume grew by 23.1% from approximately 14.3 million tons for the year ended 31 December 2012 to approximately 17.6 million tons for the year under review. Total cement and clinker sales volume for the year ended 31 December 2013 amounted to approximately 18.2 million tons (2012: 15.0 million tons, excluding capitalized sales volume of approximately 0.6 million tons derived from the Danfeng Line 2 Plant in 2012, whose sales were recognized in the Group's income statements with effect from January 2013). Whilst the Group did not expand capacity during the year, sales volumes have grown as compared to 2012 due to acquisitions and capacity expansion completed in 2012. New production facilities that have contributed to these increases in sales volume include:

- Weinan Shifeng Plant — acquired in April and June 2012

- Weinan Fuping Plant — acquired in June 2012

- Shangluo Danfeng Line 2 — construction completed in April 2012; commenced operation in January 2013

- Xinjiang Yutian Plant — construction completed in August 2012, commenced operation in April 2013

Overall cement prices have been lower than those seen in the year ended 31 December 2012. Whilst pricing in the first half of the year was at levels fairly consistent to those seen in the previous year, there was more volatility in the second half of the year. ASPs fell in the third quarter low season, followed by a recovery in the fourth quarter as demand picked up into the end of year. Cement ASPs for 2013 were RMB228 per ton as compared with RMB238 per ton in 2012. The reasons for this decline and the background to the volatility in cement prices are discussed in the "Operating Environment" section above.

Cost of Sales

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

There were significant savings in coal costs as a result of general falls in coal prices in the PRC over the previous 12 months. The average cost per ton of coal decreased by approximately 16.7% from approximately RMB551 per ton for the year ended 31 December 2012 to approximately RMB459 per ton for the year ended 31 December 2013. This has resulted in the total coal costs for the year ended 31 December 2013 remaining at similar levels to those of the previous year, despite the higher sales and production volumes. However, the cost savings from lower coal prices have been partially offset by higher material costs.

Material costs increased by approximately 24.2%, a rate higher than the increase in sales volumes. This was due mainly to higher material consumption as a result of an increased proportion of high-grade cement production. High-grade cement uses a larger amount of limestone and other materials per ton of cement produced, and these high-grade cement volumes accounted for 49% of total volume in 2013, compared with only 42% in 2012.

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

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

Gross Profit and Gross Profit Margin

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

Administrative Expenses

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

Other Income

Other income comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as a production input, and government grants. Other income increased by approximately 9.1% from RMB155.8 million for the year ended 31 December 2012 to RMB169.9 million for the year ended 31 December 2013. The ratio of VAT rebates over revenue was 3.6% for the year ended 31 December 2013 (2012: 4.0%). The decline in the VAT rebates over revenue ratio was largely due to the decline in ASPs. Lower ASPs result in lower output VAT, which in turn results in lower net VAT and rebates. There has also been some effect from the shift to higher-grade cement products, which do not qualify for VAT rebates.

Other Gains and Losses, net

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

Interest Income

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

Finance Costs

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

Taxation

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

As a result of the higher deferred tax charges, the effective tax rate for the year ended 31 December 2013 increased to 19.5% (2012: 18.8%). The effective tax rate of the Group is lower compared to the PRC national tax rate of 25% as most of the Group's operating entities enjoy various preferential tax rates, such as the preferential rate of 15% for qualifying entities under the Western Development Policy.

The detailed income tax expenses for the Group are outlined in note 9 to the consolidated financial statements above.

Profit Attributable to the Owners of the Company

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

FINANCIAL AND LIQUIDITY POSITION

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

As at 31 December 2013, the Group had cash and cash equivalents, as well as restricted bank deposits, amounting to RMB623.1 million (2012: RMB518.8 million). After deducting total borrowings, Senior Notes and MTN of RMB4,029.9 million (2012: RMB3,869.2 million), the Group had net debt of RMB3,406.8 million (2012: RMB3,350.4 million). 62.9% (2012: 34.1%) of borrowings are at a fixed interest rate. Please refer to notes 13, 14, 15 and 17 of the consolidated financial statements above for the details of the borrowings, Senior Notes, MTN and the respective pledge of assets.

As at 31 December 2013, the Group's net gearing ratio, measured as net debt to equity, was 67.0% (2012: 69.1%).

Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern. As at 31 December 2013, the Group had net current liabilities of RMB402.6 million (31 December 2012: RMB1,098.3 million). This net amount includes bank borrowings of RMB709.4 million (31 December 2012: RMB1,178.2) classified as current liabilities. The Group intends to rollover part of these bank borrowings, as permitted under the existing facility terms, when they fall due. The sharp decrease in net current liabilities was a result of the repayment of some of the Group's short term bank borrowings using part of the proceeds from the RMB800 million 3-year MTN issued in March 2013.

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

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the addition of property, plant and equipment, prepaid lease payments and mining rights, for the year ended 31 December 2013 amounted to RMB737.5 million (2012: RMB849.2 million). Capital commitments as at 31 December 2013 amounted to RMB585.8 million (2012: RMB1,277.9 million), of which approximately RMB100 million to RMB145 million is planned for 2014, RMB300 million to RMB320 million for 2015 and the remainder for 2015 afterwards. Both capital expenditure and capital commitments were mainly related to the construction of new production facilities, installation of residual heat recovery systems, upgrading of existing production facilities and investment in subsidiaries. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group employed a total of 5,013 full time employees (2012: 4,724). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2013, the employees benefit expenses were RMB238.1 million (2012: RMB189.0 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

MATERIAL ACQUISITION AND DISPOSALS

The Group had no significant material acquisitions or disposals during the year ended 31 December 2013.

FOREIGN EXCHANGE RISK MANAGEMENT

During the year ended 31 December 2013, the Group's sales and purchases were all denominated in Renminbi. However, some of the Group's bank borrowings and the proceeds raised through the senior notes issued by the Company in January 2011 were denominated in foreign currency. Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and/or internationally, and the demand and supply of the Renminbi. The appreciation or devaluation of the Renminbi against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

PROSPECTS

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

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

Southern Shaanxi

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

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

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

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

Central Shaanxi

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

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

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

Other Areas — Xinjiang and Guizhou

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

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

Environmental Protection Solutions

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

New Revenue Stream — Waste Treatment

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

New Emission Standards — NOx and PM

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

Group Targets

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

DIVIDENDS

At the Board meeting held on 18 March 2014 (Tuesday), the Directors proposed to recommend the payment of a final dividend of RMB0.02 per ordinary share for the year ended 31 December 2013. Details of the dividends for the year ended 31 December 2013 are set forth in note 10 to the consolidated financial statements above.

The final dividend of RMB0.02 per ordinary share is subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 30 May 2014 (Friday), and will be paid to the shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 9 June 2014.

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 30 May 2014 (Friday). A notice convening the annual general meeting will be despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to be eligible for attending and voting at the forthcoming annual general meeting of the Company to be held at 30 May 2014 (Friday), all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shop 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 27 May 2014 (Tuesday). The register of members of the Company will be closed from 28 May 2014 (Wednesday) to 30 May 2014 (Friday), both days inclusive, during which period no transfer of shares will be registered.

In order to determine who are entitled to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shop 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 5 June 2014 (Thursday). The register of members of the Company will be closed from 6 June 2014 (Friday) to 9 June 2014 (Monday), both days inclusive, during which period no transfer of shares will be registered. Subject to shareholder's approval of the proposed final dividend at the annual general meeting to be held on 30 May 2014 (Friday), the final dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 9 June 2014 (Monday).

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2013, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") as set forth in Appendix 14 of the Listing Rules.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the directors of the Company of the Listed Issuers (the "Model Code") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors. Specific enquiries have been made with all the Directors and each of them has confirmed and declared that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2013.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Wong Kun Kau and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2013.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual 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 annual report of the Company for the year ended 31 December 2013 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and will be made available on the abovementioned websites in due course.

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

Hong Kong, 18 March 2014

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, Mr. Tam King Ching, Kenny and Mr. Xu Delong.