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)

2014 Interim Results Announcement

Financial highlights:

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

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

Notes:

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

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

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

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 2014 together with the comparative figures for the corresponding period of 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
	Notes	**2014**	2013
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*1*	**1,997,670**	1,967,439
Cost of sales		**(1,612,672)**	(1,620,483)
Gross profit		**384,998**	346,956
Other income		**83,390**	80,897
Selling and marketing expenses		**(16,759)**	(18,920)
Administrative expenses		**(131,052)**	(128,434)
Other gains and losses, net		**(14,345)**	43,739
Interest income		**2,377**	2,433
Finance costs		**(96,928)**	(110,609)
Profit before tax		**211,681**	216,062
Income tax expense	*2*	**(49,273)**	(45,872)
Profit and total comprehensive income for the period	*3*	**162,408**	170,190
Profit and total comprehensive income attributable to			
— Owners of the Company		**160,205**	168,187
— Non-controlling interests		**2,203**	2,003
		162,408	170,190
Earnings per share			
— Basic (RMB)	*5*	**0.035**	0.037
— Diluted (RMB)	*5*	**0.035**	0.037

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	**30 June 2014** *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment		**8,152,667**	8,003,796
Prepaid lease payments		**459,242**	448,244
Mining rights		**152,197**	133,116
Other intangible assets		**168,761**	169,693
Deferred tax assets		**17,531**	18,587
		8,950,398	8,773,436
Current Assets			
Inventories		**501,708**	530,864
Trade and other receivables and prepayments	*6*	**737,488**	737,304
Restricted bank deposits		**125,282**	116,519
Bank balances and cash		**614,998**	506,586
		1,979,476	1,891,273
Total Assets		**10,929,874**	10,664,709
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		**124,098**	124,715
Share premium and reserves		**4,970,705**	4,919,449
Equity attributable to owners of the Company		**5,094,803**	5,044,164
Non-controlling interests		**43,297**	41,094
Total Equity		**5,138,100**	5,085,258

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Non-current Liabilities			
Borrowings	*8*	**86,000**	6,000
Senior notes	*9*	**2,436,643**	2,407,455
Medium-term notes	*10*	**795,353**	794,189
Asset retirement obligation		**14,354**	13,763
Deferred tax liabilities		**17,283**	14,575
Deferred revenue		**57,828**	49,569
		3,407,461	3,285,551
Current Liabilities			
Borrowings	*8*	**651,088**	709,423
Trade and other payables	*7*	**1,605,986**	1,444,351
Senior notes	*9*	**76,910**	76,211
Medium-term notes	*10*	**12,200**	36,600
Income tax payable		**36,048**	21,870
Deferred revenue		**2,081**	5,445
		2,384,313	2,293,900
Total Liabilities		**5,791,774**	5,579,451
Total Equity and Liabilities		**10,929,874**	10,664,709
Net Current Liabilities		**(404,837)**	(402,627)
Total Assets less Current Liabilities		**8,545,561**	8,370,809

NOTES:

1. REVENUE AND SEGMENT INFORMATION

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

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

2. INCOME TAX EXPENSE

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

3. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

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

4. DIVIDEND

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

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

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

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

The calculation of diluted earnings per share for the periods of six months ended 30 June 2014 and 2013 did not take into account the share options of the Company 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 RECEIVABLES

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

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

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

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

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

Bills receivable are mainly aged within six months.

7. TRADE AND OTHER PAYABLES

An analysis of trade and other payables is as follows:

	30 June 2014 *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
0 to 90 days	**498,862**	543,786
91 to 180 days	**80,557**	78,258
181 days to 1 year	**77,815**	52,008
1 to 2 years	**27,699**	39,599
Over 2 years	**6,201**	8,853
Total trade payables	**691,134**	722,504
Payable for constructions and equipment purchase	**505,563**	437,734
Dividend payable	**90,944**	–
Others	**318,345**	287,113
	1,605,986	1,444,351

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

8. BORROWINGS

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

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.

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

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

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 part of the bank loans and general working capital of the Group.

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

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

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

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

Operating Environment

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

Southern Shaanxi

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

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

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

Central Shaanxi

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

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

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

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

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

Xinjiang Province

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

Energy Conservation & Environmental Protection Solutions

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

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

Prior to the current reporting period, the Group had already completed the bulk of the work needed to meet new emission standards due to be introduced in 2014 and 2015, as stipulated in the publication of the State Council's Guideline Document 41 and the Clean Air Action Plan. De-nitration ("De-NOx") equipment had been installed at most of the Group's plants, and installation has been completed at one more, the Shangluo Zhen'an Plant, in the first half of 2014. The Group is currently installing De-NOx equipment at the Weinan Hancheng Plant, the last in Shaanxi Province, and the newly constructed Xinjiang Yili Plant. Installation at both of these plants will be completed by the end of this year. This equipment reduces nitrous oxide emissions by approximately 60% per ton of clinker produced, bringing NOx emissions to within the new standards stipulated by the Ministry of Environmental Protection. Modifications of production lines to meet new particulate matter ("PM") emission standards have also been completed at the Weinan Pucheng Line I Plant and the Shangluo Zhen'an Plant during the period under review, and this work is now completed with all of the Group's plants upgraded to meet new PM emission standards.

In January of 2014, the Group announced the completion of Phase I of the Lantian Cement Kiln Waste Sludge Treatment Facility, an important milestone in the Group's environmental protection solutions efforts and the beginnings of a new income stream for the Group. The facility makes use of the high temperature of the Lantian Plant cement kiln to incinerate waste sludge, with gasses and ashes generated from this incineration process absorbed and solidified, thus producing no secondary pollution. Phase I of the treatment facility has been undergoing test runs since March and the Group expects to treat approximately 5,000 tons of waste in 2014, generating a modest profit.

Expansion and Acquisitions

As at 30 June 2014, the Group has two plants nearing the end of construction and due for commissioning in the second half of 2014. The Yili Project, located in Yining County in the Ili Kazakh Autonomous Prefecture in North west Xinjiang Province and adjacent to the Khorgas Special Economic Zone ("SEZ"), is a brownfield project with a planned capacity of 1.5 million tons. The Guiyang Huaxi Project, another brownfield site with a planned capacity of 1.8 million tons, is excellently located in close proximity to Guiyang City centre, the capital of Guizhou Province. The brownfield site of this project was acquired at a relatively low acquisition cost in 2012 during a sharp downturn in the Guizhou cement market. Both of these plants have had their kilns ignited in July 2014, and have commenced test production with full production expected towards the end of 2014. The Group expects some contribution from both of these plants in the second half of 2014 and, once both are completed, the Group will have reached a capacity of 27 million tons.

The Group has no other on-going construction projects. The absence of any further expansion coupled with relatively modest capital expenditure needed to complete the two projects in Xinjiang and Guizhou Provinces respectively, has resulted in a sharp reduction in total capital expenditure for the Group as compared with previous financial years. The Group has incurred RMB267 million of investing cash flow for these projects in the first half of 2014, and expects approximately RMB500 million to be incurred for 2014 as a whole.

Safety and Social Responsibility

The Group's safety and environmental protection department continuously monitors and reviews safety procedures and continues to adhere to the best industry safety standards and practices. Over the past year, the Group has been carrying out a Sustainable Safety Development Project along with its strategic partner and shareholder Italcementi Group, benefiting from Italcementi's global safety expertise and experience. This project involves continuous training for both management and on-site employees, on-site inspections and audits and stringent safety reports along with on-going suggestions for safety improvements at all of the Group's plants.

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

FINANCIAL REVIEW

Revenue

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

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

Cost of Sales

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

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

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

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

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

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

Gross Profit and Gross Profit Margin

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

Administrative and Selling & Marketing Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. These expenses increased by 2.1% from RMB128.4 million for the six months ended 30 June 2013 to RMB131.1 million for the six months ended 30 June 2014. Selling & Marketing expenses conversely fell by 11.1% from RMB18.9 million to RMB16.8 million during the period under review as compared with the previous year.

Other Income

Other income comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as a production input, and government grants. Other income increased by approximately 3.1% from RMB80.9 million for the six months ended 30 June 2013 to RMB83.4 million for the six months ended 30 June 2014. The ratio of VAT rebates over revenue was 4.0% for the six months ended 30 June 2014 (six months ended 30 June 2013: 3.7%). The rise in the VAT rebates over revenue ratio was largely due to the increases in ASPs. Higher ASPs result in higher output VAT, which in turn results in higher net VAT and rebates.

Other Gains and Losses, net

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

Interest Income

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

Finance Costs

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

Income Tax Expense

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

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

This has resulted in a marginal increase in the effective tax rate for the period under review to 23.3% (2013: 21.2%). The effective tax rate of the Group is lower compared to the PRC national tax rate of 25% as most of the Group's operating entities enjoy various preferential tax rates, such as the preferential rate of 15% for qualifying entities under the Western Development Policy.

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

Profit Attributable to the Owners of the Company

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

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

FINANCIAL AND LIQUIDITY POSITION

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

As at 30 June 2014, the Group had cash and cash equivalents, as well as restricted bank deposits, amounting to RMB740.3 million (31 December 2013: RMB623.1 million). After deducting total borrowings, Senior Notes and MTN of RMB4,058.2 million (31 December 2013: RMB4,029.9 million), the Group had net debt of RMB3,317.9 million (31 December 2013: RMB3,406.8 million). 82.2% (31 December 2013: 62.9%) of borrowings are at a fixed interest rate. Please refer to notes 8, 9, 10 and 11 of the condensed consolidated financial statements above for the details of the borrowings, Senior Notes, MTN and the respective pledge of assets.

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

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

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

CONTINGENT LIABILITIES

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

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

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

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2014, the Group employed a total of 5,168 (30 June 2013: 4,789) full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2014, the employees benefit expenses were RMB150.0 million (30 June 2013: RMB120.0 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

MATERIAL ACQUISITION AND DISPOSALS

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

FOREIGN EXCHANGE RISK MANAGEMENT

During the six months ended 30 June 2014, the Group's sales and purchases were all denominated in Renminbi. However, some of the Group's bank borrowings and the proceeds raised through the Senior Notes issued by the Company in January 2011 were denominated in foreign currency. Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and/or internationally, and the demand and supply of the Renminbi. The appreciation or devaluation of the Renminbi against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

PROSPECTS

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

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

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

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

Supply

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

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

Demand

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

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

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

Other Areas — Xinjiang and Guizhou

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

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

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

Environmental Protection Solutions

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

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

Group Targets

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

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

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE PRACTICE

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

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written 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 2014.

AUDITORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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 2014 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, 15 August 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 and Mr. Tam King Ching, Kenny.