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)

2010 Interim Results Announcement

Financial highlights:

- West China Cement Limited was successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the "HKSE") on August 23, 2010 raising total net proceeds of approximately HK$1,280 million from the issue of 823,120,000 shares in the global offering.
- Revenue increased by approximately 110.5% from approximately RMB574.7 million for the six months ended June 30, 2009 to approximately RMB1,209.6 million for the six months ended June 30, 2010, as a result of the Group's robust expansion which in turn resulted in increase in sales volume.
- Gross profit increased by approximately 107.6% from approximately RMB227.7 million for the six months ended June 30, 2009 to approximately RMB472.6 million for the six months ended June 30, 2010. Gross profit margin for the reporting period remained stable at approximately 39.1% (Six months ended June 30, 2009: approximately 39.6%).
- Profit attributable to the equity holders of the Company increased by approximately 159.1% from approximately RMB140.0 million for the six months ended June 30, 2009 to approximately RMB362.8 million for the six months ended June 30, 2010. This profit attributable to the equity holders for the reporting period is approximately 18.2% above the estimated profit of approximately RMB307.0 million as disclosed in the Prospectus.
- Earnings per share increased by approximately 175% from RMB0.04 per share to RMB0.11 per share, reflecting strong revenue and profit growth.
- Gearing, measured as total borrowings to total assets, improved significantly from approximately 44.9% as at December 31, 2009 to approximately 36.2% as at June 30, 2010, mainly attributable to the increase in total assets by approximately RMB553.1 million to approximately RMB4,226.7 million and repayment of borrowings.
- Return on Capital Employed (Operating profit/Net Assets) of approximately 28.7% for the six months ended June 30, 2010 (2009: approximately 20.4%).

The board of directors (the "Board") of West China Cement Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (collectively, the "Group") for the period of six months ended June 30, 2010 together with the comparative figures for the corresponding period of 2009 as follows:

CONSOLIDATED INTERIM BALANCE SHEET

As at June 30, 2010

(All amounts in RMB thousands unless otherwise stated)

	Note	As at **June 30, 2010**	As at December 31, 2009
ASSETS			
Non-current assets			
Property, plant and equipment		**3,246,631**	2,611,502
Land use rights		**178,442**	124,571
Mining rights		**56,249**	46,373
Other intangible assets		**64,069**	65,104
Deferred income tax assets		**17,124**	13,540
		3,562,515	2,861,090
Current assets			
Inventories		**145,722**	128,979
Trade and other receivables and prepayments	2	**411,260**	317,670
Cash and cash equivalents		**97,790**	346,258
Restricted cash		**9,420**	19,582
		664,192	812,489
Total assets		**4,226,707**	3,673,579
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**98,634**	97,623
Share premium		**687,922**	672,775
Share options reserve		**754**	5,439
Reverse acquisition reserve		**(341,304)**	(341,304)
Statutory reserve		**118,140**	118,140
Retained earnings		**1,080,365**	717,553
		1,644,511	1,270,226
Non-controlling interests		**28,603**	25,000
Total equity		**1,673,114**	1,295,226

	Note	As at June 30, 2010	As at December 31, 2009
LIABILITIES			
Non-current liabilities			
Borrowings	4	**717,397**	360,058
Provisions for other liabilities and charges		**8,206**	6,265
Deferred income tax liabilities		**8,959**	8,079
Other liabilities		**119,404**	117,049
		853,966	491,451
Current liabilities			
Trade and other payables	3	**850,001**	559,395
Current income tax liabilities		**37,853**	38,639
Borrowings	4	**811,773**	1,288,868
		1,699,627	1,886,902
Total liabilities		**2,553,593**	2,378,353
Total equity and liabilities		**4,226,707**	3,673,579
Net current liabilities		**(1,035,435)**	(1,074,413)
Total assets less current liabilities		**2,527,080**	1,786,677

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2010

(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended June 30, 2010	2009 (unaudited)
Revenue	5	**1,209,622**	574,716
Cost of sales	6	**(737,045)**	(347,039)
Gross profit		**472,577**	227,677
Selling and marketing expenses	6	**(9,244)**	(7,249)
Administrative expenses	6	**(39,948)**	(26,077)
Other income		**56,243**	30,489
Other (losses)/gains - net		**(79)**	381
Operating profit		**479,549**	225,221
Finance income		**3,236**	657
Finance costs		**(63,934)**	(69,364)
Finance costs - net		**(60,698)**	(68,707)
Profit before income tax		**418,851**	156,514
Income tax expense	7	**(52,436)**	(16,472)
Profit for the period		**366,415**	140,042
Other comprehensive income		**–**	–
Total comprehensive income for the period		**366,415**	140,042
Attributable to			
– Equity holders of the Company		**362,812**	140,042
– Non-controlling interests		**3,603**	–
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
Basic earnings per share	8(a)	**0.11**	0.04
Diluted earnings per share	8(b)	**0.11**	0.04
Dividends		**–**	–

NOTES:

(All amounts in RMB thousands unless otherwise stated)

1 Basis of preparation

The consolidated interim financial statements of the Company has been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments at fair value through profit or loss.

The preparation of the consolidated interim financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the directors of the Company (the "Directors") to exercise its judgment in the process of applying the Group's accounting policies.

Going concern basis

As at June 30, 2010, the Group's current liabilities exceeded its current assets by approximately RMB1,035,435,000. The Group's current liabilities mainly included bank borrowings, trade and other payables and advances from customers. The Directors have prepared cash flow projections for the period from July 1, 2010 to September 30, 2011 and have assessed the compliance of loan covenants. The Directors are of the opinion that, having taken into consideration of the expected cash flows, available financial resources of the Group and the net proceeds from the global offering, the Group has sufficient financial resources to meet its liabilities as and when they fall due in the foreseeable future. On the above basis, the Directors believe that the Group will continue as going concern and consequently have prepared the consolidated interim financial statements on a going concern basis.

Changes in accounting policies and disclosures

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2009, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2010.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group.

- IFRIC 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after July 1, 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- 'Additional exemptions for first-time adopters' (Amendment to IFRS1) is effective for annual periods beginning on or after January 1, 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

- IAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after July 1, 2009. That is not currently applicable to the Group, as it has no hedging.

- IFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after January 1, 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.

- First improvements to International Financial Reporting Standards (2008) were issued in May 2008 by the IASB. The improvement related to IFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after July 1, 2009. This is not currently applicable to the Group, as it has no non-current assets held for sales and discontinued operations.

- Second improvements to International Financial Reporting Standards (2009) were issued in April 2009 by IASB. All improvements are effective in the financial year of 2010.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning January 1, 2010 and have not been early adopted:

- IFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption. The Group has not yet decided when to adopt IFRS 9.

- IAS 24 (Revised) 'Related party disclosures' supersedes IAS 24 'Related party disclosures' issued in 2003. The revised IAS 24 is required to be applied from January 1, 2011. Earlier application, for either the entire standard or the government-related entity, is permitted. The Group will apply the revised IAS 24 from January 1, 2011.

- Under 'Classification of rights issues' (Amendment to IAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after February 1, 2010. Earlier application is permitted.

- Amendments to IFRIC 14 'Prepayments of a minimum funding requirement' corrects an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after July 1, 2010. Earlier application is permitted.

- 'Limited exemption from comparative IFRS 7 disclosures for first-time adopters' (Amendment to IFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to IFRS 7 in relation to relief from presenting comparative information that ended before December 31, 2009 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after July 1, 2010. Early adoption is permitted. This is not relevant to the Group, as it is an existing IFRS preparer.

- Third improvements to International Financial Reporting Standards (2010) were issued in May 2010 by IASB. All improvements are effective in the financial year of 2011.

2. Trade and other receivables and prepayments

	As at	
	June 30, 2010	December 31, 2009
Bills receivable	**11,087**	5,370
Trade receivables (Note (a))	**137,688**	95,676
Less: provision for impairment of receivables (Note (c))	**(4,881)**	(4,881)
	143,894	96,165
Other receivables (Note (b))	**55,797**	54,975
Holding deposit for a potential acquisition (Note (d))	**100,000**	100,000
Less: provision for impairment of receivables (Note (c))	**(370)**	(370)
	155,427	154,605
Prepayments	**111,939**	66,900
Trade and other receivables and prepayments-net	**411,260**	317,670

The carrying amounts of trade and other receivables and prepayments approximate to their fair values.

Note (a)

Trade receivables are all due from third parties. The ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	As at	
	June 30, 2010	December 31, 2009
Within 90 days	**110,234**	64,220
Over 90 days and within 180 days	**5,914**	9,198
Over 180 days and within 360 days	**14,678**	6,947
Over 360 days and within 720 days	**3,721**	11,365
Over 720 days	**3,141**	3,946
	137,688	95,676

The average credit period taken on sale of goods is between 60-90 days. No interest is charged on the trade receivables. Provision for impairment of trade receivables has been made for estimated irrecoverable amounts from the sale of goods. This provision has been determined by reference to past default experience.

As at June 30, 2010, trade receivables of RMB4,881,000 were impaired (December 31, 2009: RMB4,881,000).

As at June 30, 2010, the trade receivables that were neither past due nor impaired were RMB95,891,000 (December 31, 2009: RMB59,296,000).

The ageing analysis of trade receivables overdue but not impaired is as follows:

	As at	
	June 30, 2010	December 31, 2009
Overdue for 1 to 90 days	**16,356**	12,731
Overdue for 91 to 180 days	**15,889**	6,723
Overdue for 181 to 360 days	**3,178**	12,045
Overdue for 361 to 720 days	**1,493**	–
	36,916	31,499

Note (b)

Details of other receivables are as follows:

	As at	
	June 30, 2010	December 31, 2009
Value-added tax, government incentive and income tax receivable	**54,664**	17,839
Receivable from minority equity holder of a subsidiary	**–**	30,000
Others	**1,133**	7,136
	55,797	54,975

Note (c)

Movements in impairment of trade receivables are as follows:

	Six months ended June 30,	
	2010	2009 (unaudited)
At beginning and end of the period	**(4,881)**	(3,465)

Movements in impairment of other receivables are as follows:

	Six months ended June 30,	
	2010	2009 (unaudited)
At beginning and end of the period	**(370)**	(414)

Impairment provision for trade and other receivables is charged to administrative expenses in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering of additional cash.

On October 31, 2009, 陝西堯柏特種水泥有限公司(Shaanxi Yaobai Special Cement Co., Ltd.) ("Shaanxi Yaobai") entered into a non-binding memorandum of understanding (the "MOU") for the proposed acquisition of 100% of the registered capital of 安康江華水泥有限公司(Ankang Jianghua Cement Co., Ltd.) (the "Target") (the "Proposed Acquisition"). The MOU was effective until December 31, 2009. As the deposit for the Proposed Acquisition, Shaanxi Yaobai made a payment of RMB 100 million without interest to the third party to secure exclusivity.

As no formal acquisition agreement for Proposed Acquisition was signed before December 31, 2009. On January 25, 2010, Shaanxi Yaobai entered into an extension agreement (the "Extension Agreement") with the Target, whereby the two parties agreed to extend the exclusive negotiation until December 31, 2010. The Prosposed Acquisition would be subject to legal and financial due diligence of the Target satisfactory to the Group. The Target will repay Shaanxi Yaobai the RMB 100 million deposit if the Company decides to cease the negotiation or Shaanxi Yaobai does not enter into formal acquisition agreement with the Target within the exclusive negotiation period.

3. Trade and other payables

	As at	
	June 30,	December 31,
	2010	2009
Trade payables	**359,916**	185,950
Other payables	**320,843**	141,343
Payable to a minority equity holder of a subsidiary	**–**	70,161
Acquisition consideration payable	**823**	36,050
Bonus payable	**6,000**	6,000
Advances from customers	**112,988**	56,920
Staff salaries and welfare payables	**19,435**	17,204
Interest payable	**1,057**	3,007
Accrued taxes other than income tax (Note (a))	**15,107**	32,288
Other liabilities	**13,832**	10,472
	850,001	559,395

The carrying amounts of trade and other payables approximate to their fair values.

The ageing analysis of the trade payables were as follows:

	As at	
	June 30,	December 31,
	2010	2009
Within 90 days	**287,349**	147,187
Over 90 days and within 180 days	**45,044**	21,926
Over 180 days and within 360 days	**25,820**	12,851
Over 360 days and within 720 days	**1,692**	3,967
Over 720 days	**11**	19
	359,916	185,950

(a) Accrued taxes other than income tax are analyzed as follows:

	As at	
	June 30, 2010	December 31, 2009
Value added tax ("VAT") (i)	**3,351**	20,433
Resource tax, bulk cement special funds and other taxes	**11,756**	11,855
	15,107	32,288

(i) The sales of self-manufactured products of the PRC subsidiaries are subject to VAT. The applicable tax rate for domestic sales is 17%.

Input VAT on purchases of raw materials, fuel, utilities and other production materials can be deducted from output VAT. VAT payable is the net difference between output and deductible input VAT. Effective from January 1, 2009, the input VAT on purchased equipment can be offset against the output VAT.

4. Borrowings

	As at	
	June 30, 2010	December 31, 2009
Non-current		
Bank borrowings-secured (Note (a))	**995,170**	704,522
Other borrowings (Note (b))	**24,000**	32,000
Less: Current portion of non-current borrowings	**(301,773)**	(376,464)
	717,397	360,058
Current		
Bank borrowings-secured (Note (a))	**510,000**	790,604
Other borrowings (Note (b))	**–**	121,800
Current portion of non-current borrowings	**301,773**	376,464
	811,773	1,288,868
Total borrowings	**1,529,170**	1,648,926

(a) Bank borrowings

The Group's bank borrowings are denominated in the following currencies:

	As at	
	June 30, 2010	December 31, 2009
RMB		
- borrowed by subsidiaries (i) (ii)	**830,088**	745,600
- transferred in from a minority equity holder of a subsidiary	**–**	49,200
US$		
- US$60 million (iii)	**–**	358,921
- US$50 million from Superb Miles Limited (iv)	**341,956**	341,405
- US$50 million from financial institutions (v)	**333,126**	–
	1,505,170	1,495,126

Bank borrowings were secured as follows:

	As at	
	June 30, 2010	December 31, 2009
Jointly secured by land use rights and PPE (i)	**510,000**	478,000
Jointly secured by land use rights, PPE and equity interests of subsidiaries (ii)	**320,088**	316,800
Secured by a subsidiary´s equity interests (iii)	**–**	358,921
Secured by the Company´s shares (iv)	**341,956**	341,405
Secured by subsidiary's equity interests and the Company's shares (v)	**333,126**	–
	1,505,170	1,495,126

(i) The bank borrowings were secured by certain land use rights and property and plant and equipment of the Group, with total carrying amounts of RMB583,696,000 as at June 30, 2010 (December 31, 2009: RMB681,764,000).

(ii) The Group's bank borrowings of RMB330,000,000 as at June 30, 2010 and December 31, 2009 were jointly secured by certain land use rights, property and plant and equipment of the Group with total carrying values of RMB952,061,000 as at June 30, 2010 (December 31, 2009: RMB987,091,000), and secured by 100% of equity interests of 西安藍田堯柏水泥有限公司(X'ian Lantian Yaobai Cement Co., Ltd.) ("Lantian Yaobai") , 安康市堯柏水泥有限公司(Ankang Yaobai Cement Co., Ltd.) ("Ankang Yaobai"), 漢中堯柏水泥有限公司(Hanzhong Yaobai Cement Co., Ltd.) ("Hanzhong Yaobai") and 漢中勉縣堯柏水泥有限公司 (Hanzhong Mianxian Yaobai Cement Co., Ltd.) ("Mianxian Yaobai"). The loan was also guaranteed by Lantian Yaobai, Ankang Yaobai, Hanzhong Yaobai and Mianxian Yaobai. During the six months ended June 30, 2010, the Group incurred capital expenditures exceeded the limit stipulated in the loan agreement, and the Group also did not meet one of the loan covenants regarding the ratio of total liabilities to total assets stipulated in the loan agreement as at June 30, 2010. The Group has obtained the waiver from compliance with the limit and the ratio from the facility agent representing the lenders by June 30, 2010.

(iii) The Group's bank borrowings of US$60,000,000 from Credit Suisse, Singapore Branch ("CS Facility") as at December 31, 2009 were secured by 100% of the equity interest of Shaanxi Yaobai. The facility was fully repaid on March 9, 2010 and all related financial instruments have been discharged.

(iv) The Group's bank borrowings of US$50,000,000 from Superb Miles Limited, a subsidiary of ICBC International Holdings Limited ("ICBCI Facility") as at June 30, 2010 and December 31, 2009 were guaranteed by Mr. Zhang Jimin ("Mr. Zhang") and secured by 19,393,776 Shares (before share subdivision) of the Company held by Mr. Zhang. Pursuant to an extension agreement entered into on March 1, 2010, the borrowing will be due on July 26, 2011 or listing on the HKSE or any other internationally recognized stock exchange whichever is earlier. The full amount was repaid on August 23, 2010 (note 9(d)).

(v) On February 26, 2010, the Company entered into a US$50,000,000 term loan facility agreement ("ICBC Facility") with Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia") and Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau") with the intention to utilise this loan to repay the CS Facility. The US$50,000,000 loan was drawn down on March 9, 2010, and the CS Facility has been fully repaid.

The ICBC Facility is secured by (a) a share charge over West China Cement Co., Ltd. ("West China BVI") by the Company; (b) a share charge over Faithful Alliance Limited ("Faithful Alliance") provided by West China BVI; (c) an equity pledge over Shaanxi Yaobai provided by Faithful Alliance; (d) an assignment of shareholders' loan borrowed by West China BVI from the Company; (e) charges over the accounts of the Company; and (f) corporate guarantee in favor of ICBC Asia and ICBC Macau, provided by ICBC International Holdings Limited ("ICBCI Holdings"). ICBCI Holdings also granted to the lenders a put option, upon the exercise of which ICBCI Holdings is required to purchase the ICBC Facility from ICBC Asia and ICBC Macau together with all rights attached thereto. Such put option may only be exercised at any time after the occurrence of an event of default as set out in the ICBC Facility Agreement.

In addition, a second charge over 19,393,776 Shares (before share subdivision) held by Mr. Zhang, was created and a personal guarantee was provided by Mr. Zhang in favor of ICBCI Holdings, as the guarantor to the ICBC Facility, ranking immediately behind the charge created under the ICBCI Facility. The second charge over the Shares held by Mr. Zhang and the personal guarantee will be released before or upon listing on the HKSE or any other internationally recognized stock exchange whichever is earlier.

US$25,000,000 loan under ICBC Facility was repaid on August 23, 2010 (note 9(d)).

The exposure of the Group's bank borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at	
	June 30, 2010	December 31, 2009
6 months or less	**383,987**	626,563
6-12 months	**427,786**	540,505
1-2 years	**633,992**	204,596
2-5 years	**59,405**	123,462
	1,505,170	1,495,126

The fair value of current bank borrowings equal their carrying amount as the discounting impact is not significant.

The carrying amounts and fair value of the non-current bank borrowings are as follows:

	As at	
	June 30, 2010	December 31, 2009
Carrying amount		
– US$ bank borrowings (i)	**505,310**	77,258
– RMB bank borrowings (ii)	**188,087**	250,800
	693,397	328,058
Fair value		
– US$ bank borrowings (i)	**501,111**	114,819
– RMB bank borrowings (ii)	**188,087**	250,800
	689,198	365,619

(i) The carrying amount of US$ bank borrowings represented the non-current portion of CS Facility as at December 31, 2009, and ICBCI Facility and ICBC Facility as at June 30, 2010 respectively. The fair values are estimated based on discounted cash flows using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

(ii) The fair values of non-current RMB bank borrowings approximate their carrying amounts at each of the balance sheet dates as all non-current RMB bank borrowings carry floating interest rates.

The weighted average effective interest rates at each balance sheet date were as follows:

	As at	
	June 30, 2010	December 31, 2009
RMB bank borrowings	**6.78%**	7.27%
US$ bank borrowings	**7.04%**	12.94%

(b) Other borrowings

	As at	
	June 30, 2010	December 31, 2009
Loan from third parties		
– transferred in from a minority equity holder of a subsidiary	**18,000**	150,800
– other	**6,000**	3,000
	24,000	153,800

Other borrowings are all unsecured and denominated in RMB.

Other borrowings are repayable as follows:

	As at	
	June 30, 2010	December 31, 2009
6 months or less	**–**	92,800
6-12 months	**–**	29,000
1-2 years	**18,000**	29,000
2-5 years	**6,000**	3,000
	24,000	153,800

The fair values of other borrowings approximate to their carrying amount at each of the balance sheet date because the impact of discounting is not significant.

Other borrowings of RMB6,000,000 as at June 30, 2010 and RMB3,000,000 as at December 31, 2009 are interest free. The weighted average effective interest rates for the remaining other borrowings as at June 30, 2010 were 2.14% (December 31, 2009: 9.16%).

5. **Revenue and segment information**

The Group's subsidiaries are engaged in the production and sale of cement. The chief operating decision maker reviews the results of individual plants to make decisions about the allocation of resources. These have similar economic characteristics and are therefore presented as a single reportable segment in these financial statements. All of the revenue and operating results of the Group is derived in Shaanxi province, the PRC. The revenue represents the sale of cement during the six months ended June 30, 2010.

6. **Expenses by nature**

	Six months ended June 30,	
	2010	2009 (unaudited)
Changes in inventories of finished goods and work in progress	**(9,848)**	(39,736)
Raw materials and consumables used	**215,827**	138,816
Employee benefit expenses	**39,989**	22,163
Depreciation and amortization	**98,235**	46,120
Utilities and electricity	**402,424**	184,860
Marketing expense	**2,326**	2,816
Transportation expenses	**4,595**	4,237
Vehicle expenses	**1,869**	1,512
Administration and advertising expenses	**11,964**	8,115
Auditor remuneration	**113**	797
Taxes and levies	**9,160**	6,760
Operating lease payments	**112**	813
Other expenses	**9,471**	3,092
Total cost of sales, selling and marketing and administrative expenses	**786,237**	380,365

7. **Income tax expense**

The Group is subject to income tax on an entity basis on profits arising on or derived from the jurisdictions in which members of the Group are domiciled and operate.

	Six months ended June 30,	
	2010	2009 (unaudited)
Current tax	**55,141**	16,472
Deferred tax	**(2,705)**	–
Income tax expense	**52,436**	16,472

Tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

	Six months ended June 30,	
	2010	2009
		(unaudited)
Profit before tax	**418,851**	156,514
Tax calculated at statutory income tax	**104,712**	39,128
Tax effects of:		
Expenses not deductible for tax purposes	**9,717**	16,494
Tax effect of tax exemption and reduced tax rate under tax holiday (Note (a))	**(61,993)**	(39,150)
Tax charge	**52,436**	16,472

Pursuant to the applicable rules and regulations of Jersey and the British Virgin Islands, the Company and 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 Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the six months ended June 30, 2010 based on existing legislations, interpretations and practices.

On March 16, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which was effective from January 1, 2008. Under the new CIT Law, the corporate income tax rate applicable to the Group's subsidiaries located in Mainland China from January 1, 2008 is 25%.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% upon the PRC tax bureau's approval at the time of dividend claim. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of their earnings generated from January 1, 2008.

(a) Shaanxi Yaobai and Lantian Yaobai are foreign invested enterprises. They are eligible to enjoy a preferential national enterprise income tax rate of 15% and a tax holiday of a two-year exemption from national corporate income tax, followed by a three-year of a 50% tax reduction commencing from the first profit-making year net of losses carried forward from previous 5 years.

In addition, given that Shaanxi Yaobai, Lantian Yaobai and Ankang Yaobai are established in the western development zone of China, they are entitled to the preferential tax treatment for Western Development Policy ("WDP Policy") if they are engaged in projects listed in the Catalogue for Industries, Products and Technologies Currently and Particularly Encouraged by the State for Development (as amended in 2000) as their principal business and the revenue from the principal operations accounts for over 70% of their total revenue. The applicable reduced preferential CIT rate under the WDP Policy is 15%. The operations of Shaanxi Yaobai, Lantian Yaobai and Ankang Yaobai have met the requirements under the WDP Policy and have obtained approval.

The actual CIT rates of Shaanxi Yaobai, Lantian Yaobai and Ankang Yaobai during the six months ended June 30, 2010 are as follows:

	Six months ended June 30,	
	2010	2009 (unaudited)
Shaanxi Yaobai	**7.5%**	7.5%
Lantian Yaobai	**7.5%**	7.5%
Ankang Yaobai	**15%**	15%

No tax reductions and exemptions were granted to the other subsidiaries of the Company in the PRC during the six months ended June 30, 2010.

8. Earnings per share

Each ordinary share of £0.1 of the Company has been subdivided into 50 ordinary shares of £0.002 effective on August 23, 2010, the earnings per share calculation below has taken into account of the share subdivision and based on the new number of shares after subdivision.

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2010.

	Six months ended June 30,	
	2010	2009 (unaudited)
Profit attributable to equity holders of the Company	**362,812**	140,042
Weighted average number of ordinary shares in issue (thousands)	**3,282,870**	3,220,710
Basic earnings per share (RMB per share)	**0.11**	0.04

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has granted share options as well as warrants. For the share options and warrants, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants.

	Six months ended June 30,	
	2010	2009
		(unaudited)
Profit attributable to equity holders of the Company	**362,812**	140,042
Profit used to determine diluted earnings per share	**362,812**	140,042
Weighted average number of ordinary shares in issue (thousands)	**3,282,870**	3,220,710
Adjustments for share options and warrants (thousands)	**23,098**	8,285
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,305,968**	3,228,995
Diluted earnings per share (RMB per share)	**0.11**	0.04

9. Events after the balance sheet date

(a) At the extraordinary general meeting duly convened and held on July 20, 2010, the Company passed shareholders' resolutions to approve the cancellation of admission of the Company's ordinary shares to trading on Alternative Investment Market of London Stock Exchange (the "De-Listing") conditional upon and with effect from the date of commencement of trading of the Company's ordinary shares on the HKSE. The De-Listing came into effect simultaneously with the commencement of trading of the Company's ordinary shares on the HKSE on August 23, 2010.

(b) In addition, the Company also passed shareholders' resolutions on July 20, 2010 to approve the subdivision of each existing issued and unissued shares of £0.10 each in the share capital of the Company into 50 new ordinary shares of £0.002 each so that the authorised share capital of the Company £20,000,000 is divided into 10,000,000,000 ordinary shares of £0.002 each, which is conditional upon and with effect from the date of commencement of trading of the Company's shares on the HKSE. The subdivision came into effect upon the commencement of trading of the Company's ordinary shares on the HKSE on August 23, 2010.

(c) In August 2010, the Company issued 823,120,000 new ordinary shares of £0.002 each at HK$1.69 per share in the share capital of the Company for subsciption under a global offering, which raised total net proceeds of approximately HK$1,280 million. The new ordinary shares of the Company were listed on the HKSE on August 23, 2010.

(d) On August 23, 2010, the whole amount of US$50 million loan under the ICBCI Facility and US$25 million loan under the ICBC Facility were repaid. In addition, the first charge and the second charge over the shares of the Company held by Mr. Zhang and personal quarantee provided by Mr. Zhang in relation to ICBCI Facitity and ICBC Facility were released on the same date. The remaining US$25 million loan under the ICBC Facility will become payable by four equal instalments according to the original repayment schedule.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

Overview

The Board is delighted to announce its audited interim results for the six months ended June 30, 2010. These results not only mark a period where the Group has been able to expand its production significantly in Shaanxi province but are also the Group's maiden set of results as a listed company on the the HKSE following the Group's move from the Alternative Investment Market of the London Stock Exchange ("AIM").

The Group's operating environment remains extremely buoyant, supported by the continuous infrastructure development in Shaanxi province and the fast pace of rural development in the Group's operating areas in southern Shaanxi province. The total sales volume of the cement increased by approximately 104.6% from approximately 1.97 million tons for the six months ended June 30, 2009 to approximately 4.03 million tons for the six months ended June 30, 2010. This increase in capacity not only reflected full capacity production at the Group's Xunyang production facilities (approximately 2.0 million tons annual capacity), which was commissioned in January 2009, but also included approximately 0.2 million and 0.4 million tons of production from the Group's Zhen'an (approximately 0.7 million tons annual capacity) and Danfeng (approximately 1.1 million tons annual capacity) production facilities that were acquired in August 2009 and December 2009, respectively.

With the completion of the Group's Yangxian production facilities (approximately 1.1 million tons annual capacity), which commenced operation in January 2010 and Mianxian production facilities (approximately 1.1 million tons annual capacity), which commenced operation in July 2010, the Group currently has an annual cement production capacity of approximately 9.6 million tons, with all of the Group's production facilities employing modern New Suspension Preheater ("NSP") cement production technology, which requires less energy to produce cement and is more environmentally friendly than non-NSP technologies.

Demand for the Group's cement products has remained extremely strong in Shaanxi province and all of the Group's operational cement production facilities have almost reached the maximum production capacity. The Group continues to win significant contracts in Shaanxi province for infrastructure projects, including 7 out of 10 sections of the Xi'an - Ankang double-track railway, 2.5 out of 4.5 sections of the Da Tong - Xi'an Passenger Railway Line and 4 out of 15 sections of the Xi'an City Subway that were all won during the six months ended June 30, 2010.

These projects illustrate strong demand for the Group's cement products from infrastructure projects that continues in Shaanxi province as an integral part of the PRC Government's Western Development Policy and the Group remains confident that this development will continue. This confidence is further underpinned by government policies to reduce old cement capacity and to promote social housing.

Listing on the HKSE

The Board is also extremely proud to report that the Company has completed its global offering of 823,120,000 shares, subject to the over-allotment option. Assuming the over-allotment option is not exercised, the Company received net proceeds from the global offering of approximately HK$1,280 million and the Group intends to use the net proceeds for capacity expansion, repayment of loans and related interest, and for general working capital purposes. For details of the use of proceeds, please refer to the prospectus of the Company dated August 10, 2010 relating to the global offering (the "Prospectus")

The Company was admitted to AIM in London on December 4, 2006 and upon the Company's listing on the HKSE on August 23, 2010, the shares of the Company were delisted from AIM. The Group is extremely glad to report that many shareholders from the Company's UK listing are following the Company to the HKSE and the Company remains grateful for their long term support during this exciting period.

Revenue

Revenue increased by approximately 110.5% from approximately RMB574.7 million for the six months ended June 30, 2009 to approximately RMB1,209.6 million for the six months ended June 30, 2010. This increase in revenue was mainly driven by the Group's expansion into new markets and the growth in the construction industry in Shannxi province. In order to capitalize on the rapidly increasing demand for cement products, the Group has significantly expanded production capacity through the acquisition and construction of new production facilities in Zhen'an, Danfeng and Yangxian counties.

Cost of sales

Cost of sales increased by approximately 112.4% from approximately RMB347 million for the six months ended June 30, 2009 to approximately RMB737 million for the six months ended June 30, 2010. The increase was primarily due to the increase of the sales volume.

The cost of coal is one of the largest components of the Group's cost of sales. The cost of coal as a percentage of cost of sales increased from approximately 32.7% for the six months ended June 30, 2009 to approximately 36.4% for the six months ended June 30, 2010. This increase was primarily due to an increase in coal transportation costs, which, in turn, was primarily caused by the additions of the Zhen'an, Danfeng and Yangxian production facilities, which are located further away from coal mines than the other production facilities. In addition, the recovery of the global economy also contributed to the increase in coal price. The electricity costs as a percentage of cost of sales decreased from approximately 20.5% for the six months ended June 30, 2009 to approximately 18.4% for the six months ended June 30, 2010. The Group's residual heat recovery system has become increasingly important to its cost structure and will continue to reduce the Group's electricity costs as a percentage of cost of sales as the Group installs more units at its production lines.

Gross Profit and Gross Profit Margin

As a result of the increase in the sales volume, the gross profit increased by, approximately RMB244.9 million or approximately 107.6%, from approximately RMB227.7 million for the six months ended June 30, 2009 to approximately RMB472.6 million for the six months ended June 30, 2010. There was no material fluctuation in the gross profit margin, which was approximately 39.6% and 39.1% for the six months ended June 30, 2009 and June 30, 2010, respectively.

Administrative Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. The balance increased by approximately 53.3% from approximately RMB26.1 million for the six months ended June 30, 2009 to approximately RMB40.0 million for the six months ended June 30, 2010 which was primarily attributable to the newly added Zhen'an, Danfeng and Yangxian production facilities.

The staff costs, general administrative expenses and depreciation and amortization increased by approximately 83.1%, 21.6% and 105.3% from approximately RMB8.3 million, RMB13.9 million and RMB3.8 million for the six months ended June 30, 2009 to approximately RMB15.2 million, RMB17.2 million and RMB7.5 million for the six months ended June 30, 2010, respectively.

The administrative expenses as a percentage of the revenue decreased from approximately 4.5% for the first half in 2009 to approximately 3.3% for the first half in 2010, which was primarily a result of the economies of scale after the expansion of the production facilities.

Financial and Liquidity Position

The Group maintained a healthy financial and liquidity position for the six months ended June 30, 2010. The total assets increased by approximately 15.1% to approximately RMB4,226.7 million (December 31, 2009: approximately RMB3,673.6 million) while the total equity grew by approximately 29.2% to approximately RMB1,673.1 million (December 31, 2009: approximately RMB1,295.2 million).

As at June 30, 2010, the Group had cash and cash equivalents amounted to approximately RMB97.8 million. After deducting the total borrowings of approximately RMB1,529.2 million, the Group had a net borrowing of approximately RMB1,431.4 million. Approximately 8.4% (December 31, 2009: 40.0%) of the borrowings are at fixed interest rate. Please refer to note 4 to the consolidated interim financial statements above for the details of the borrowings and the respective charge of assets.

As at June 30, 2010, the Group's gearing ratio was approximately 36.2% (December 31, 2009: approximately 44.9%). The calculation of the gearing ratio was measured as total borrowings to total assets. The decrease in the gearing ratio was mainly attributable to the increase in total assets by approximately RMB553.1 million to approximately RMB4,226.7 million and the repayment of borrowings during the six months ended June 30, 2010.

The Group plans to further improve the liquidity position by funding the expansion plans with the cash generated from the operations, bank borrowings and the proceeds from the global offering. The Directors are of the opinion that, taking into account the financial resources available to the Group including internally generated funds, the available banking facilities and the net proceeds from the global offering, the working capital available to the Group is sufficient for the present requirements and to meet its liabilities as and when they fall due in the foreseeable future.

Contingent Liabilities

As at June 30, 2010, the Group had no material contingent liabilities.

Capital Expenditure and Capital Commitments

Capital expenditure for the six months ended June 30, 2010 amounted to approximately RMB797.5 million and capital commitments as at June 30, 2010 amounted to approximately RMB342.0 million. Both the capital expenditure and capital commitments were mainly related to the constructions of additional production facilities as well as upgrading existing production facilities. The Group planned to fund those commitments from proceeds from global offering, future operating cash flow, bank borrowings and other sources of finance when appropriate.

Safety and Environment

The Group continues to work towards the minimum possible emissions and energy consumption. Two of its production facilities, Lantian and Xunyang, have installed residual heat recovery systems and the Group plans to install more of these at its other production facilities in 2010 and 2011. The Xunyang residual heat recovery system that started running in the third quarter of 2009, generated approximately 19.6 gigawatt hours of electricity during the reporting period, reducing its consumption of electricity at the Xunyang production facilities by approximately 25.3%.

The Safety and Environmental Protection Department of the Group continuously monitors and reviews the safety procedures and the Group will continue to work towards the best safety standards possible in the cement industry.

Employees and Remuneration Policy

As at June 30, 2010, the Group employed a total of 3,094 full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended June 30, 2010, the employee benefit expense was approximately RMB40 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

During the six months ended June 30, 2010, the Company's subsidiaries and associates had no material acquisition or disposals.

Foreign Exchange Risk

During the six months ended June 30, 2010, 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 global offering of the Company in August 2010 were denominated in foreign currencies.

The 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 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, management team of the Company will continue to monitor the foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

Prospects

The Group plans to continue its growth strategy in 2010 and 2011. If reasonable opportunities arise, this may include expansion of the Group's production through new capacity construction or acquisitions, within Shaanxi province or into neighbouring provinces. The "Western Development Plan" of the PRC Government underpins continued infrastructure construction, rural development and urbanization in Shaanxi province and other provinces to the west of Shaanxi province. The Group remains in an advantageous position to benefit from this development's resulting high levels of demand for cement products.

During the six months ended June 30, 2010, the Group has continued to expand its capacity and completed the construction of production facilities commenced in 2009. In the Hanzhong region, in the south west of Shaanxi province, the Yangxian production facility started clinker production in January 2010 and started to sell cement in April 2010. The Mianxian production facility was commissioned in July 2010 and will start cement sales at the end of August 2010. Both production facilities have a capacity of approximately 1.1 million tonnes. The Group will be completing the construction of a second production line at Pucheng with annual designed capacity of approximately 1.1 million tonnes by September 2010 bringing its total capacity at its Pucheng production facilities to approximately 2.5 million tonnes. The Group's Xixiang production facility is also under construction and it aims to complete this in February 2011. The Group is also installing a new cement grinding line at its Lantian production facility, which is expected to increase its annual production capacity at Lantian (currently approximately 2.2 million tonnes) by approximately 0.7 million tonnes. These production facilities, when fully operational, will bring the Group's total annual installed capacity to approximately 12.5 million tonnes by early 2011. As part of the Group's focus on emission reduction and input cost reduction, it plans to commence the construction of residual heat recovery system at its Pucheng, Zhen'an, Danfeng and Yangxian production facilities in the second half of 2010.

In addition, the Group has disclosed the possible acquisition of the Jianghua production facility in the Prospectus. This production facility has an annual installed capacity of approximately 1.1 million tonnes and the Group has an exclusive memorandum of purchase on this production facility until December 31, 2010. The Company will report to its shareholders any progress in this possible acquisition.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2010 (2009: Nil).

CORPORATE GOVERNANCE

As the Company's shares had yet to be listed on the HKSE as at June 30, 2010, the Company has not adopted the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") during the six months ended June 30, 2010. The Company has adopted the CG Code as its corporate governance code of practices upon listing on the HKSE.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The members of the Audit Committee are all of the independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Wong Kun Kau and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's audited consolidated interim results for the six months ended June 30, 2010.

AUDITORS

The consolidated interim financial statements for the six months ended June 30, 2010 have been audited by PricewaterhouseCoopers ("PwC"), Certified Public Accountants, Hong Kong. The comparative of the consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the six months ended June 30, 2009 have not been audited by PwC or other auditors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As the Company's shares had yet to be listed on the HKSE as at June 30, 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the HKSE during the six months ended June 30, 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS

As the Company's shares had yet to be listed on the HKSE as at June 30, 2010, the Company has not adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for dealing in securities of the Company by the Directors during the six months ended June 30, 2010. The Company has adopted the Model Code as the code for dealing in securities of the Company by the Directors upon listing on the HKSE.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.westchinacement.com) and the HKSE (www.hkexnews.hk). An interim report of the Company for the six months ended June 30, 2010 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, August 26, 2010

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 Director is Mr. Ma Zhaoyang, and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Wong Kun Kau and Mr. Tam King Ching, Kenny.