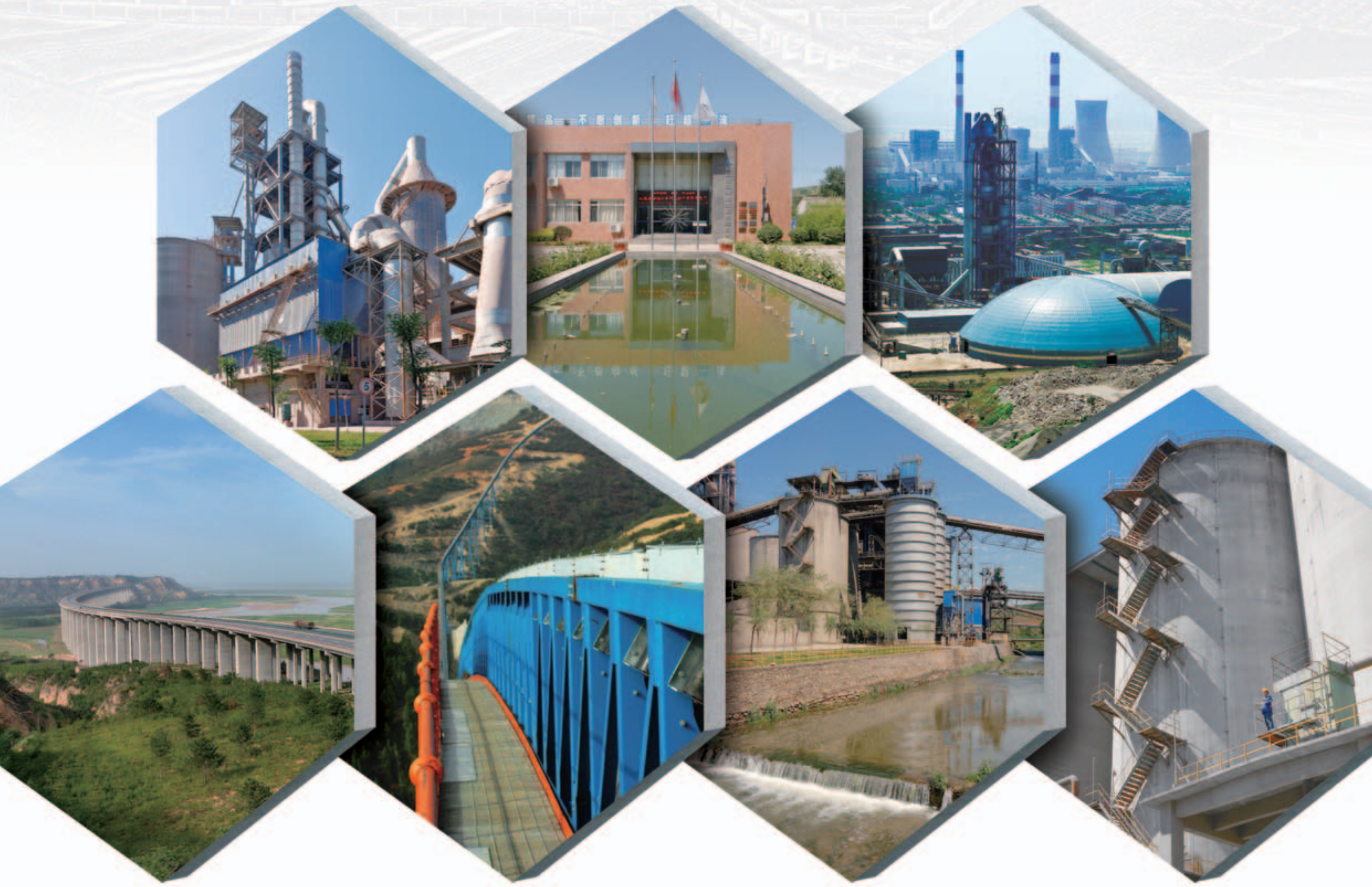
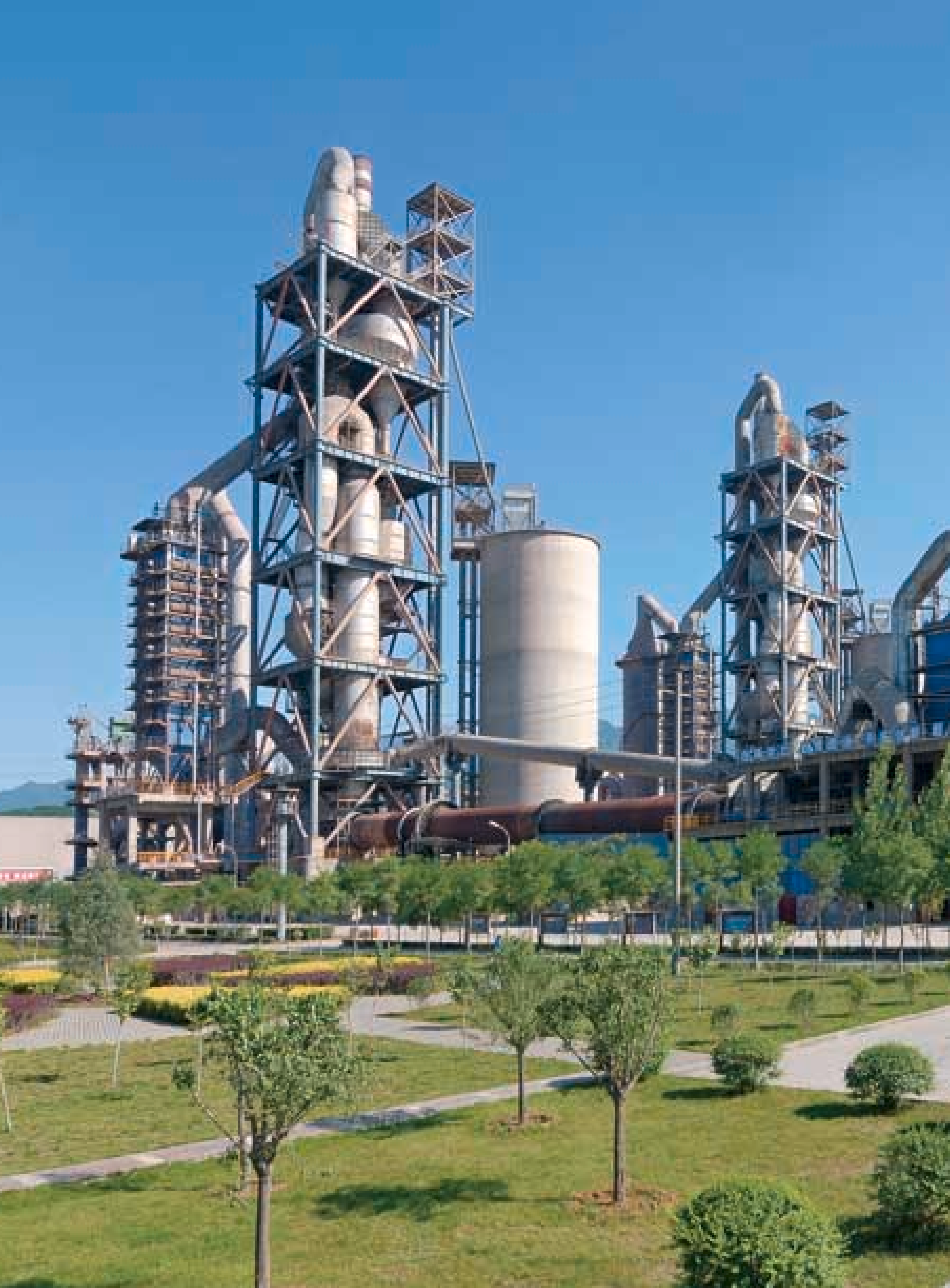
中國西部水泥有限公司

WEST CHINA CEMENT LIMITED

(Incorporated in Jersey with limited liability with registered number 94796)
Stock code: 2233

2011
INTERIM REPORT





CONTENTS

CORPORATE INFORMATION

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Unit 1903, Tower A, Gaoke Plaza
Hi-Tech Industrial Development Zone
Xi'an, Shaanxi Province, PRC

REGISTERED OFFICE

47 Esplanade
St Helier
Jersey JE1 0BD

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1907, 19th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

COMPANY WEBSITE

www.westchinacement.com

BOARD OF DIRECTORS

Executive Directors

Zhang Jimin *(Chairman)*
Tian Zhenjun *(Chief Executive Officer)*
Wang Jianli
Low Po Ling

Non-Executive Director

Ma Zhaoyang

Independent Non-Executive Directors

Lee Kong Wai Conway
Wong Kun Kau
Tam King Ching Kenny

COMPANY SECRETARY

Sin Lik Man *HKICPA, FCCA*

AUTHORIZED REPRESENTATIVES

Low Po Ling *FCCA*
Sin Lik Man *HKICPA, FCCA*

COMPLIANCE ADVISOR

Haitong International Capital Limited

25/F New World Tower
16-18 Queen's Road Central
Hong Kong

MEMBERS OF THE AUDIT COMMITTEE

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

MEMBERS OF THE REMUNERATION COMMITTEE

Zhang Jimin *(Chairman)*
Tam King Ching Kenny
Wong Kun Kau

MEMBERS OF THE NOMINATION COMMITTEE

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

INDEPENDENT AUDITORS

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

JERSEY PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Investor Services (Channel Islands) Limited

Ordinance House
31 Pier Road
St Helier
Jersey JE4 8PW

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

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

PRINCIPAL BANKER

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

HIGHLIGHTS

- Revenue increased by 41.6% to RMB1,713.0 million for the six months ended 30 June 2011, as a result of the Group's increase in sales volume following the Group's capacity expansion.
- Profit attributable to the owners of the Company increased by RMB56.2 million or 15.5% to RMB419.0 million for the six months ended 30 June 2011.
- Due to the share issuance following the Company's listing on the HKSE in August 2010, earnings per share ("EPS") amounted to RMB0.10 (six months ended 30 June 2010: RMB0.11) per share. The adjusted EPS for June 2010, taking into account of the above listing effect, would have been RMB0.085 per share.
- Gearing, measured as net borrowings to equity, increased from 23.0% as at 31 December 2010 to 57.0% as at 30 June 2011, mainly attributable to the increase in the total borrowings by RMB2,062.7 million to RMB3,274.1 million as a result of the Company's issue of senior notes.
- The board of directors of the Company proposed and approved an interim dividend of RMB0.02 per share, with total distributable dividends of approximately RMB85.3 million, representing approximately 20.3% of profit attributable to owners of the Company for the six months ended 30 June 2011.
- As at 30 June 2011, the annual cement production capacity of the Group was 16.2 million tons (31 December 2010: 12.5 million tons)
- The Company successfully issued US$400 million of senior notes, with an interest rate of 7.5% per annum, maturing in January 2016. This financing has provided the Group with the scale and financial footing to further consolidate its position in its home market, Shaanxi Province, and to expand into the new market of the Hetian (Hotan) Region in Xinjiang Province.

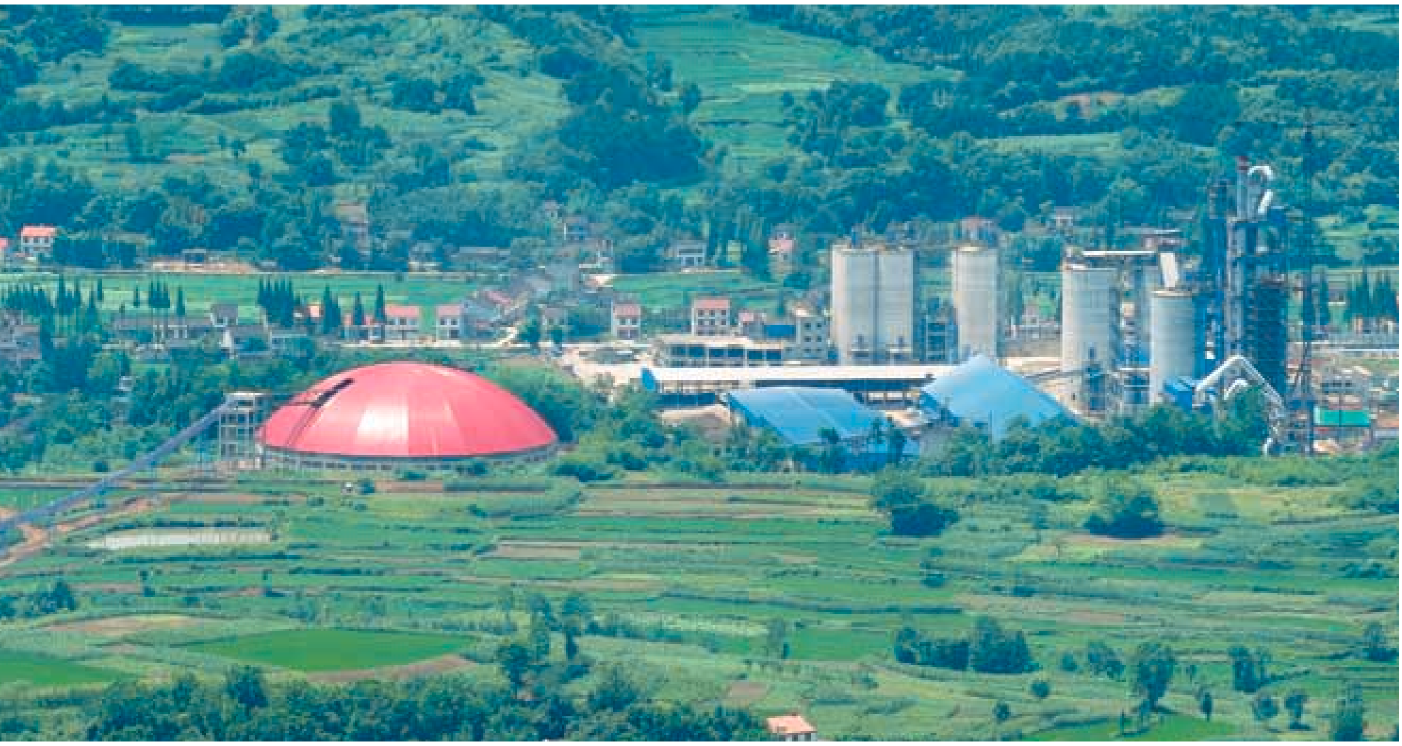
MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The first half of 2011 has been both a challenging and exciting period for the Group. The "Western Development Policy"（西部大開發政策）, the "Guanzhong –Tianshui Economic Zone Development Plan"（關中天水經濟區發展規劃）and Shaanxi Province's unique position as the "Gateway to the West" have provided us with an unprecedented growth opportunity, of which our Group is taking full advantage. The Shaanxi cement market has now entered into a more mature phase of development and our "Core Market" strategy has proved to be a vital component of the Group's development. This strategy of establishing smaller plants, closer to each other, in less developed areas, has led to the successful establishment of solid market positions in southern and eastern Shaanxi Province. The Group has been geared to take full advantage of both infrastructure and rural development in Shaanxi Province. Our focus on these defendable "Core Markets" has ensured that we are not only able to maintain margins in Shaanxi Province that are superior to our regional peers, but also to expand and acquire competitors thus consolidating our leading position in the Shaanxi market. The Group's sustainable growth has maintained strong operating cash flow generation and this sound financial foundation has allowed the Group to take full advantage of the consolidation opportunities in our core markets and expansion opportunities beyond them.

This sound financial footing has been further enhanced by our capital market activity. In January 2011, the Group successfully issued US$400 million of senior notes, with an interest rate of 7.5% per annum, maturing in January 2016. The funds raised have been used to refinance our existing debts and provide capital for acquisitions and organic growth. This financing has not only enabled us to pursue our expansion activities but has also significantly strengthened our financial position for the next few years.



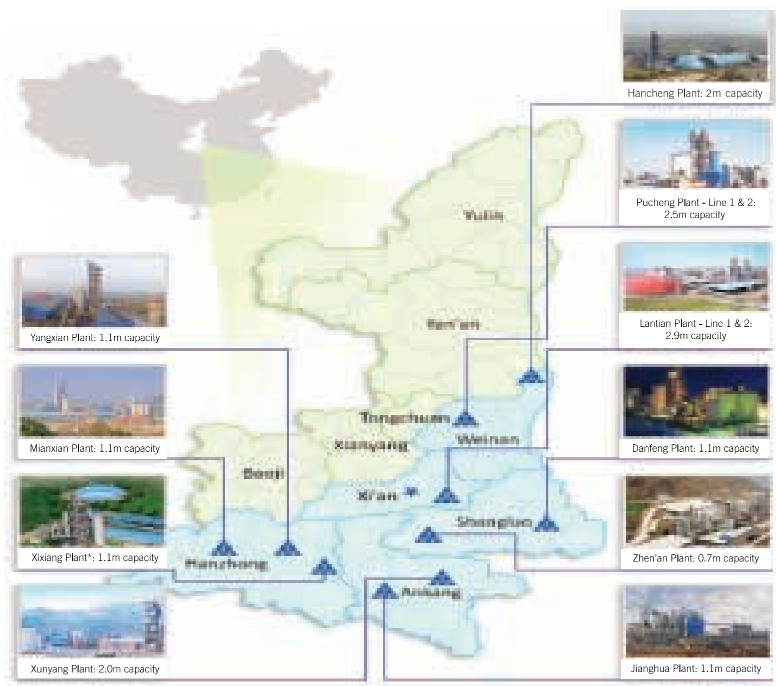
The Group has been able to execute its expansion and growth strategy along a number of fronts in the first half of 2011. Firstly, we have successfully expanded in Shaanxi Province through organic growth and acquisitions. Our total capacity in Shaanxi Province reached 15.6 million tons by the end of June 2011, representing approximately 27% of total production in the province, although this market share number is at least 60% in our Core Markets in southern and eastern Shaanxi Province. Secondly, the Group has ventured into Xinjiang Province, a key focus area under the PRC government's 12th Five-Year Development Plan and a significant move in the execution of the next stage of our Group's growth plan.

Expansion and Acquisitions in Shaanxi Province

The 1.1 million tons Ankang Jianghua cement production facility, of which the Group acquired an 80% stake in December 2010, has been operating smoothly and produced approximately 490,425 tons of cement in the first half of 2011. The acquisition of the limestone reserves and mining rights was subsequently completed in June 2011 and we plan to acquire the remaining 20% stake by the end of the year.

Our Hanzhong Xixiang production facility, also a 1.1 million tons cement production facility, was commissioned in May 2011 and is expected to achieve normal production levels by September 2011. Along with the two 1.1 million tons cement production facilities commissioned in the second half of 2010 - Hanzhong Mianxian and Weinan Pucheng Line 2 – this new capacity has increased our sales volume to 5.92 million tons in the first half of 2011, an increase of 46.9% over the comparable period in 2010.

In June 2011, we acquired an 80% stake in a 2 million tons cement production facility, the Hancheng Yangshanzhuang Plant, in eastern Shaanxi Province. The acquisition cost amounts to approximately RMB330 per ton of cement. This is a NSP (New-Suspension Preheater) production facility that employs the latest high solid-gas preheating decomposition technology which significantly reduces coal and electricity consumption, in turn reducing production costs. This cost reduction feature is further enhanced by the plant's ability to recycle slag and fly ash from steel and power plants located approximately 3 to 5 kilometres from the production facility. This acquisition is significant in terms of our market reach – not only enhancing our position in north-eastern Weinan region and southern Yan'an region but also extending our market coverage to neighboring Shanxi Province.



Following the acquisition of the Hancheng Yangshanzhuang Plant, the Board have decided to slowdown the construction of Pucheng Line 3, a 3 million tons production line in Weinan region. The Yangshanzhuang Plant has already satisfied our current needs in Weinan Region and our Group has reached its intermediary target of close to 18 million tons in Shaanxi Province by the end of this year. The construction of the 1.5 million tons production line in Shangluo Danfeng is on schedule and is expected to be commissioned in December 2011.

Expansion and Acquisitions in Xinjiang Province

Our first step outside of our home market has been a significant development in the first half of the year. In March and April 2011, we announced the acquisition and construction of production capacity in southern Xinjiang Province respectively. This is our first move outside of Shaanxi Province and is part of our long-term strategy to transform our Group into a significant regional player in western China. The move into Xinjiang Province has been considered and planned over a long period. The Hetian (Hotan) region in Xinjiang Province has abundant natural resources, strong growth characteristics with rapid infrastructure development and urbanisation potential. Limestone and coal are plentiful and the region lacks NSP cement production. We found the infrastructure and development dynamics in this region extremely familiar following our experience in Shaanxi Province over the previous years, both in terms of the planned development of the region and the competitive and cement pricing environment. We are able to replicate our Shaanxi strategy in Hetian (Hotan) region.

Our Yutian (Keriya) cement production facility, located in Hetian (Hotan) region, commenced construction in April 2011 and is expected to be commissioned in June 2012. The production facility will have an annual cement capacity of 2 million tons and is being constructed along with a 7.5 MW residual heat recovery system. The total budgeted capital expenditure for the production facility is approximately RMB650 million. We have also acquired a smaller cement production facility with an annual production capacity of 650,000 tons (the "Hetian Luxin Plant") in Hetian (Hotan) City for a consideration of RMB160 million, which brought a sound benefit to the Company.

Safety and Environment

The Group is happy to report no injuries to its workers in the reporting period.

The Group's Safety and Environmental Protection Department continuously monitors and reviews safety procedures and continues to work towards the best safety standards possible in the cement industry.

The Group also continues to work towards the minimal possible emissions and energy consumption. As at 30 June 2011, we have installed residual heat recovery systems at our Xi'an Lantian and Ankang Xunyang production facilities. We are currently installing six more of these systems at our other production facilities. Four of them are expected to be completed in the last quarter of this year and the remaining two are expected to be completed in the first quarter of 2012.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 41.6% from RMB1,209.6 million for the six months ended 30 June 2010 to RMB1,713.0 million for the six months ended 30 June 2011. This increase in revenue was driven by the Group's capacity expansion in both existing and new markets in Shaanxi Province as well as a small contribution from our move into Xinjiang Province. Our cement sales volume increased by 46.9% from 4.03 million tons for the six months ended 30 June 2010 to 5.92 million tons for the six months ended 30 June 2011. The increased volume was contributed by new production facilities which commenced operation or were acquired since 30 June 2010, including:

- Hanzhong Mianxian - commenced operation in July 2010
- Weinan Pucheng Line 2 - commenced operation in September 2010
- Ankang Jianghua - acquisition of 80% equity interest completed in January 2011
- Hanzhong Xixiang - commenced operation in May 2011
- Hetian Luxin - acquisition completed in May 2011
- Weinan Hancheng - acquisition of 80% equity interest completed in June 2011

The increase in the Group's sales volume has been higher than the increase in revenue. The decline in average selling prices (the "ASP") per ton of cement has been due to two key factors. Firstly, the Group has added production facilities and increased its market shares in its core markets of Weinan, Hanzhong and Ankang regions in the east and south of Shaanxi Province. A larger portion of this new output caters for the rural market, where we are taking over market share from old, inefficient small scale producers. Rural market demand is for lower grade and lower ASP cement. Our sales to rural markets have thus increased from approximately 30% of total sales volume for the six months ended 30 June 2010 to approximately 50% of total sales volume for the six months ended 30 June 2011. This has resulted in lower average selling prices per ton of cement.

Secondly, the Shaanxi cement market has matured with increased capacity from other cement companies coming on stream in the first half of 2011, mainly in western and central Shaanxi Province. This new capacity has resulted in some market dislocation and price volatility, leading to an approximate 3% to 5% decrease in the selling price of our cement products in the first half of 2011 as compared to that of the same period last year. This is a normal occurrence when new capacity is added and this dislocation is reducing over the current months as the market absorbs the new product. Whilst we have experienced some effect on our pricing, we are in a strong position in our Core Markets in the south and east where our transportation advantage allows us to continue to be a price setter. We expect pricing to improve in the second half of the year.

Cost of Sales

Cost of sales increased by 55.5% from RMB737.0 million for the six months ended 30 June 2010 to RMB1,146.1 million for the six months ended 30 June 2011. The increase was primarily due to the increase in production and sales volume as a result of new capacity.

Coal costs are the largest component of the Group's cost of sales. The cost of coal as a percentage of total cost of sales increased marginally from approximately 36.4% for the six months ended 30 June 2010 to approximately 37.4% for the six months ended 30 June 2011. This increase was partly due to year-on-year increases in coal prices, and partly due to higher coal transportation costs as a result of the increase in the number of our production facilities in southern Shaanxi Province which are further away from coal supplies. We note that the total purchase cost for coal (including transportation cost) peaked in January 2011 and has declined from a high of approximately RMB700 per ton in January 2011 (January 2010: approximately RMB540 per ton) to approximately RMB580 per ton by June 2011 (June 2010: RMB580 per ton).

Electricity costs as a percentage of total cost of sales decreased marginally from approximately 18.4% for the six months ended 30 June 2010 to approximately 17.9% for the six months ended 30 June 2011.

Gross Profit and Gross Profit Margin

As a result of the increase in the sales volume, the gross profit increased by RMB94.3 million, or 20.0%, from RMB472.6 million for the six months ended 30 June 2010 to RMB566.9 million for the six months ended 30 June 2011. There was a decrease in the gross profit margin, from 39.1% for the six months ended 30 June 2010 to 33.1% for the six months ended 30 June 2011. We refer to some of the reasons for this in above Revenue and Cost of Sales sections. In addition, coal costs which were high during the winter months have normalised.

Administrative Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. The balance increased by 129.3% from RMB40.0 million for the six months ended 30 June 2010 to RMB91.7 million for the six months ended 30 June 2011. This was mainly due to the increase in the number of production facilities in Shaanxi and Xinjiang provinces and the incurring of legal and professional fees of RMB7.0 million in relation to acquisitions.

Other Income

Other income comprises value added tax refunds, which is a form of government incentive for the recycling of industrial waste as production input, and government grants. Other income increased by 46.6% from RMB56.2 million for the six months ended 30 June 2010 to RMB82.4 million for the six months ended 30 June 2011. This increase has been in line with increases in our revenue.

Finance Income

Finance income increased by RMB44.4 million from RMB3.2 million for the six months ended 30 June 2010 to RMB47.6 million for the six months ended 30 June 2011. The increase was primarily due to the increase in interest income from bank deposits of RMB6.8 million and an increase in exchange gain of RMB37.6 million arising from the Notes issuance in January 2011.

Finance Costs

Finance costs increased by RMB43.9 million or 68.7% from RMB63.9 million for the six months ended 30 June 2010 to RMB107.8 million for the six months ended 30 June 2011. The increase was primarily due to the increase in borrowings as a result of the Notes issuance in January 2011.

Income Tax Expenses

Income tax expenses increased by RMB12.4 million or 23.7% which has been in line with increases in operating scale and profitability. The effective tax rate for the six month ended 30 June 2011 increased to 13.4% (2010: 12.5%). The effective tax rate of the Group is lower compared to the PRC national tax rate of 25% as most of the Group's operating entities enjoy various preferential tax rates, such as the preferential rate of 15% for qualifying entities under the Western Development Policy.

Profit attributable to the owners of the Company

Profit attributable to the owners of the Company increased by 15.5% from RMB362.8 million for the six months ended 30 June 2010 to RMB419.0 million for the six months ended 30 June 2011.

The non-controlling interests for the six months ended 30 June 2011 are mainly attributable to the 20% equity interests of Ankang Yaobai Jianghua Cement Co., Ltd and that for the comparing period are mainly attributable to 20% equity interests of Shangluo Yaobai Longqiao Cement Co., Ltd, of which the Group acquired in January 2010.

FINANCIAL AND LIQUIDITY POSITION

The Group maintained a healthy financial and liquidity position for the six months ended 30 June 2011. Total assets increased by 49.6% to RMB8,299.0 million (31 December 2010: RMB5,545.7 million) while total equity grew by 12.5% to RMB4,020.9 million (31 December 2010: RMB3,574.0 million).

As at 30 June 2011, the Group had cash and cash equivalents, including restricted bank deposits, amounting to RMB983.7 million (31 December 2010: RMB390.6 million), which are denominated in RMB, US dollar, HK dollar and GBP. After deducting total borrowings of RMB3,274.1 million (31 December 2010: RMB1,211.4 million), the Group had net borrowings of RMB2,290.4 million (31 December 2010: RMB820.8 million). Due to the Notes issuance, 76.9% (31 December 2010: 9.6%) of the borrowings are at a fixed interest rate. Borrowings of RMB2,518.1 million are denominated in US dollar and borrowings of RMB756.0 million are denominated in RMB. Please refer to notes 19, 20 and 26 of the condensed consolidated financial statements above for the details of the borrowings and the respective pledge of assets.

As at 30 June 2011, the Group's gearing ratio was 57.0% (31 December 2010: 23.0%). The calculation of the gearing ratio was measured as net borrowings to equity. The increase in the gearing ratio was mainly attributable to the increase in total borrowings by RMB2,062.7 million arising primarily from the Notes issuance during the six months ended 30 June 2011.

The Group used approximately RMB802.2 million of the proceeds from the Notes issuance to repay existing bank borrowings most of which were falling due within one year, hence significantly reducing the Group's current liabilities. As at 30 June 2011, the Group had net current assets of RMB645.4 million compared to net current liabilities of RMB679.0 million as at 31 December 2010, which is a considerable improvement of RMB1,324.4 million in the Group's liquidity position.

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

CONTINGENT LIABILITIES

As at 30 June 2011, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

Capital expenditure for the six months ended 30 June 2011 amounted to approximately RMB951.4 million (for the year ended 31 December 2010: approximately RMB1,417.0 million) and capital commitments as at 30 June 2011 amounted to approximately RMB1,011.4 million (31 December 2010: approximately RMB657.9 million). Both capital expenditure and capital commitments were mainly related to the constructions of additional production facilities as well as the upgrading of existing production facilities. The Group has funded these commitments from the proceeds of Notes issuance, operating cash flows and available banking facilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2011, the Group employed a total of 4,335 full time employees (2010: 3,094). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2011, the employees benefit expenses were RMB68.6 million (2010: RMB40.0 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 ACQUISITIONS AND DISPOSALS

On 6 January 2011, the Group completed the acquisition of an 80% equity interest in company with a 1.1 million tons cement production business, Ankang Yaobai Jianghua Cement Co. Ltd. (安康堯柏江華水泥有限公司) ("Ankang Jianghua"), for a purchase consideration of RMB320 million. Subsequently, on 30 June 2011, the Group acquired the limestone reserve and mining rights in relation to this business for a consideration of RMB50 million.

On 31 May 2011, the Group completed the acquisition of a 100% equity interest in Luxin Building Materials Co., Ltd. (和田魯新建材有限公司) (the "Hetian Luxin Plant") from an independent third party for a consideration of RMB160 million. Hetian Luxin Plant is engaged in cement manufacturing in Hetian (Hotan) City in southern Xinjiang Province with annual cement capacity of approximately 650,000 tons.

On 30 June 2011, the Group entered into an agreement to acquire an 80% equity interest in company with a 2 million tons cement production business, Hancheng Yaobai Yangshanzhuang Cement Company Limted (韓城堯柏陽山莊水泥有限公司) ("Hancheng Yangshanzhuang"), for a consideration of RMB530 million.

Save as disclosed above, the Group had no other significant material acquisitions or disposals during the six months ended 30 June 2011.

FOREIGN EXCHANGE RISK

During the six months ended 30 June 2011, 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 Notes issuance of 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 arises.

PROSPECTS

2011 is proving to be a pivotal year in our Group's development. Following our equity fund raising and move to The Stock Exchange of Hong Kong Limited (the "HKSE") in August 2010 and our Notes fund raising in January this year, our Group now has the scale and financial footing to further consolidate our position in our home market and to expand into the new market of the Hetian (Hotan) region in Xinjiang Province. This is part of our long term plan of becoming a major western China regional cement player. Our Core Market strategy in Shaanxi Province has built a stronghold in the south and east of the province. Our move into Hetian (Hotan) in Xinjiang Province is an important diversification for our future growth profile.

Our strategy in Shaanxi Province will continue to focus on maintaining our solid leading position in the province, consolidating our existing markets and ensuring intensive sales coverage across both infrastructure and rural development in our areas. Our capacity in Shaanxi Province is currently 15.6 million tons and will reach 17.1 million tons when the Shangluo Danfeng Line 2 is completed. This new capacity plays its part in advancing the phasing out of the remaining old, inefficient producers in our area, whose rural market we are gradually taking over, and advances our target of intensifying our sales coverage. The location of our production facilities in areas at a significant distance from central Shaanxi Province where competition is the strongest, provides us with core markets in a province. Whilst we are not currently focused on constructing new capacity in Shaanxi Province beyond what is currently being built, we are in a position to take advantage of acquisition opportunities if they present themselves and if these facilities fit in with our Core Market Strategy.

In our Core Market in the south, we have recently been named the primary cement supplier for the Southern Shaanxi Resettlement Project (陝南移民搬遷工程). This project aims to resettle approximately 2.4 million people in Hanzhong, Ankang and Shangluo regions, (approximately a quarter of the total population in these regions), over the next 10 years, from 2011 to 2020. Total investment is over RMB110 billion and the expected cement consumption will be about 12-14 million tons. Another key project in southern Shaanxi Province is the "Hanjiang-To-Weihe River Water Transfer Project" (引漢濟渭工程). The project will transfer water from the south of the Qinling mountain range to the Weihe River in the north in order to resolve water shortage and irrigation problems in central and northern Shaanxi Province by 2020. The project comprises five main sections: the Huangjinxia Gorge Hydro-Junction (黃金峽水利樞紐), the Huangjinxia Gorge Pump Station (黃金峽水源泵站), the Huangjinxia-to-Sanhekou Water Transfer Project (黃金峽至三河口輸水工程), the Sanhekou Dam (三河口水庫) and the Qinling Tunnel, which is 98km long (秦嶺隧洞). These projects will drive development and urbanization in southern Shaanxi Province and also boost demand for cement in the region.

Our move into the Hetian (Hotan) region in southern Xinjiang Province will be the major growth focus for our Group over the next few years. Xinjiang Province, with its abundant natural resources, has become a major focus for the PRC government's "Western Development Policy". Infrastructure development and urbanisation is rapid. In Hetian region alone, fixed asset investment ("FAI") growth was approximately 31% in 2010 and total FAI between 2006 and 2010, during the PRC government's 11th Five-Year Development Plan, was approximately RMB31 billion. The PRC government's 12th Five-Year Development Plan, commencing this year, has earmarked RMB130 billion FAI spending in Hetian County – a more than four fold increase. Our Group has significant experience of these growth dynamics in relatively backward areas in Shaanxi and we aim to replicate our successful Core Market strategy in these new growth areas. Cement margins in Xinjiang Province is one of the highest in the PRC – and although we fully expect these to contract over time as the market develops, construction and production costs are low. Our acquisition of the 650,000 tons production facility in Hetian city, and our construction of the 2 million tons production facility in Yutian county, establishes our leadership position in the area in one fell swoop. Our growth in Xinjiang Province will then come in several phases as we identify suitable areas to build or acquire new capacity.

Our medium term aim is to reach a total cement production capacity of approximately 25-30 million tons by 2015, focused on the high growth western China region, with a core speciality of constructing and running plants in backward areas with a predominance for infrastructure development and subsequent rural development and urbanisation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2011, being the date of this report, the interests and short positions of the Directors and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(1) Interests in shares of the Company

As at 30 June 2011:

	Number of ordinary shares held as at 30 June 2011		Approximate % of issued share capital of the Company as at 30 June
Name of director	**Capacity**	**Total**	**2011**
		(Note 1)	
Zhang Jimin	Interest of a controlled corporate	1,738,873,900 (L) *(Note 2)*	40.79%
Ma Zhaoyang	Interest of a controlled corporate	213,679,950 (L) *(Note 3)*	5.01%
Low Po Ling	Beneficial Owner	11,180,000 (L)	0.26%

Notes:

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

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

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

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

As at 30 June 2011:

Name of Director	Capacity	Number of underlying shares in respect of the share options granted under the Post-IPO Share Option Scheme	Approximate % of issued share capital of the Company as at 30 June 2011
Tian Zhenjun	Beneficial Owner	3,000,000	0.070%
Wang Jianli	Beneficial Owner	2,000,000	0.047%
Ma Zhaoyang	Beneficial Owner	300,000	0.007%
Lee Kong Wai, Conway	Beneficial Owner	300,000	0.007%
Wong Kun Kau	Beneficial Owner	300,000	0,007%
Tam King Ching, Kenny	Beneficial Owner	300,000	0.007%

Save as disclosed above, as at 30 June 2011, none of the Directors, chief executives of the Company and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 June 2011, being the date of this report, the persons other than a director or chief executive of the Company who had an interest or short position in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of SFO were as follows:

		As at 30 June 2011	
Name of shareholder	**Capacity**	**Number of ordinary shares of £0.002 each held** *(Note 1)*	**Approximate % of issued share capital of the Company**
Asia Gain *(Note 2)*	Beneficial owner	1,738,873,900 (L)	40.79%
Zhang *Jimin (Note 2)*	Interest of a controlled corporation	1,738,873,900 (L)	40.79%
Techno Faith *(Note 3)*	Beneficial owner	213,679,950 (L)	5.01%
Ma Zhaoyang *(Note 3)*	Interest of a controlled corporation	213,679,950 (L)	5.01%

Note:

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

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

(3) Techno Faith is beneficially and wholly-owned by Ma Zhaoyang.

Save as disclosed above, the Company has not been notified by any person who had interests or short position in the shares or underlying shares of the Company as at 30 June 2011 which were required to be notified to the Company pursuant to part XV of the Securities and Futures Ordinance or which are recorded in the register required to be kept by the Company under the section 336 of the Securities and Futures Ordinance.

SHARE OPTION SCHEMES

The Company has adopted a share option scheme (the "Share Option Scheme") and a post-IPO share option scheme (the "Post-IPO Share Option Scheme") on 27 October 2006 and 31 March 2010, respectively.

A. Share Option Scheme

The Share Option Scheme was an old scheme adopted on 27 October 2006, when the Company was listed on the Alternative Investment Market (the "AIM") of the London Stock Exchange. All of the share options granted under this scheme have been exercised as at 30 June 2011. No more new share option will be granted under this scheme. This scheme has been superseded by the Post-IPO Share Option Scheme adopted on 31 March 2010.

Movements of the share options granted under the Share Option Scheme

During the six months period ended 30 June 2011:

				Adjusted number of ordinary shares subject to share options granted under the share option scheme immediately following completion of the Subdivision of Shares				
Category and name of participant	Date of grant of share options	Adjusted Exercise price (£)	Exercise period	Outstanding as at 1 January 2011	Granted during the period ended 30 June 2011	Exercised during the period ended 30 June 2011	Lapsed during the period ended 30 June 2011	Outstanding as at 30 June 2011
Directors								
Low Po Ling	23 April 2009	0.028	23 April 2011 to 23 April 2014	12,500,000	—	12,500,000	—	—
Total				12,500,000				—

Note:

1. *The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was approximately HK$3.54 per share.*

B. POST-IPO SHARE OPTION SCHEME

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

1. Purpose of the Post-IPO Share Option Scheme:

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

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

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

2. Participants of the Post-IPO Share Option Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new shares as the Board may determine:

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

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

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

3. Total number of shares available for issue under the Post-IPO Share Option Scheme and percentage of issued share capital as at 23 August 2010:

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

4. Maximum entitlement of each participant under the Post-IPO Share Option Scheme:

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

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

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

5. **The period within which the shares must be exercised under the Post-IPO Share Option Scheme:**

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

6. **The minimum period for which an option must be held before it can be exercised:**

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

7. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid:**

   Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant.

8. **The basis of determining the exercise price:**

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

9. **The remaining life of the Post-IPO Share Option scheme:**

   It will remain in force for a period of 10 years.

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

During the six months ended 30 June 2011:

Category and name of participant	Date of grant of share options	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2011	Granted during the period ended 30 June 2011	Exercised during the period ended 30 June 2011	Lapsed during the period ended 30 June 2011	Outstanding as at 30 June 2011
				Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme				
Directors								
Tian Zhenjun	23 March 2011	3.41	23 March 2012 to 22 March 2021	—	3,000,000	—	—	3,000,000
Wang Jianli	23 March 2011	3.41	23 March 2012 to 22 March 2021	—	2,000,000	—	—	2,000,000
Ma Zhaoyang	23 March 2011	3.41	23 March 2012 to 22 March 2021	—	300,000	—	—	300,000
Lee Kong Wai, Conway	23 March 2011	3.41	23 March 2012 to 22 March 2021	—	300,000	—	—	300,000
Wong Kun Kau	23 March 2011	3.41	23 March 2012 to 22 March 2021	—	300,000	—	—	300,000
Tam King Ching, Kenny	23 March 2011	3.41	23 March 2012 to 22 March 2021	—	300,000	—	—	300,000
Other employees (Group A)	23 March 2011	3.41	23 March 2012 to 22 March 2021	—	9,000,000	—	—	9,000,000
Other employees (Group B)	23 March 2011	3.41	23 March 2014 to 22 March 2021	—	3,200,000	—	—	3,200,000
Total				—	18,400,000	—	—	18,400,000

Note:

1. *The closing price of the shares of the Company immediately before the date on which the share options were granted was HK$3.32 per share.*

COROPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB0.02 per share (equivalent to approximately HK$0.0244, for the six months ended 30 June 2011) (30 June 2010: Nil), to shareholders of the Company whose names appear on the register of members of the Company on Friday, 9 September 2011, payable on or around Friday, 23 September 2011. This interim dividend will be paid out from share premium of the Company as is permitted by the Companies (Jersey) Law 1991, as amended. The interim dividend will be payable in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China on 18 August 2011.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Tuesday, 6 September 2011 to Friday, 9 September 2011 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend of RMB0.02 per share, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 5 September 2011.

CORPORATE GOVERNANCE

During the six months ended 30 June 2011, the Company has applied the principles of and has complied with all code provisions of the Code on Corporate Governance Practices (the "Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the HKSE, save and except for the following deviation:

CODE PROVISION A.2.1

Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the period from 1 January 2011 to 22 March 2011, the Company has not separated the roles of chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. On 23 March 2011, the Company has appointed Mr. Tian Zhenjun to take up the role of chief executive officer in place of Mr. Zhang. Mr. Zhang remains at the chairman of the Board.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has 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 2011.

AUDITORS

The condensed consolidated financial statements for the six months ended 30 June 2011 have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

REMUNERATION COMMITTEE

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

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

NOMINATION COMMITTEE

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

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

RISK ASSESSMENT COMMITTEE

The Company has established a risk assessment committee with written terms of reference. The risk assessment committee consists of 21 members including, among others, all the executive Directors, namely Mr. Zhang Jimin, Mr. Wang Jianli, Ms. Low Po Ling and Mr. Tian Zhenjun, the company secretary of the Company, Mr. Sin Lik Man, and its senior management, namely Mr. Chen Zhixin, Mr. Li Wenyu, Mr. Li Yongji, Mr. Lian Jie and Ms. Tang Huiqin, with Mr. Zhang Jimin serving as the chairman of the committee.

The primary functions of the risk assessment committee are to identify risk areas and formulate action plans for each department of the Group to execute.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

In June 2011, West China Cement Limited appointed a reputable independent external consulting firm as its internal control advisor and engaged them to perform a review of selected areas of the Company's internal controls over financial reporting. The scope of the internal control advisor's review included (i) The Group's control over treasury management (which included the budgeting system which is used to monitor compliance with covenants under relevant loan agreements entered into by our Group) and control over sales and receipts (which included the recording system for retail customers; and (ii) Certain business process level controls including those for sales and receipts, purchases and payments, inventory management, capital expenditure management, human resources and payroll, expenses and payment, and financial reporting as well as certain information technology general controls at our new production facilities in Yangxian, Mianxian and Xixiang counties.

Further to the internal control review conducted in June 2011 by the internal control advisor, with the assistance of our internal control advisor, the Company conducted further follow up reviews in July 2011 and August 2011. Based on the results of the internal control advisor's reviews conducted in June 2011 and their follow up reviews conducted in July 2011 and August 2011, the internal control advisor noted that the Company had made a significant number of improvements in response to those areas where deficiencies and weakness were identified under the scope of original review described above.

After considering the implemented internal control procedures as a result of the above reviews, the Directors (including our independent non-executive Directors) are of the view that the Group has adequate internal control procedures and policies in place and the Company is able to comply with the internal control requirements under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the directors of the Company of Listed Issuers (the "Model Code") as set forth in Appendix 10 to the Listing Rules 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 of the Company, all the directors of the Company 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 2011.

On behalf of the Board of Directors
Zhang Jimin
Chairman
18 August 2011

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF WEST CHINA CEMENT LIMITED

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 43, which comprises the condensed consolidated statement of financial position of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standard Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong

18 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Notes	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
Revenue	4	1,712,973	1,209,622
Cost of sales		(1,146,069)	(737,045)
Gross profit		566,904	472,577
Selling and marketing expenses		(16,854)	(9,244)
Administrative expenses		(91,651)	(39,948)
Other income	5	82,417	56,243
Other gains / (losses) – net		5,254	(79)
Finance income	6	47,647	3,236
Finance costs	7	(107,840)	(63,934)
Profit before taxation		485,877	418,851
Income tax expense	8	(64,874)	(52,436)
Profit for the period	9	421,003	366,415
Other comprehensive income		–	–
Total comprehensive income for the period		421,003	366,415
Profit and total comprehensive income attributable to			
– Owners of the Company		418,980	362,812
– Non-controlling interests		2,023	3,603
Earnings per share for profit attributable to the owners of the Company during the period (expressed in Renminbi per share)			
Basic earnings per share	11	0.10	0.11
Diluted earnings per share	11	0.10	0.11

		At	
	Notes	**30 June 2011**	31 December 2010
ASSETS		**RMB'000**	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	12	**5,588,988**	3,819,616
Prepaid lease payments - non-current portion	13	**308,478**	176,246
Mining rights	14	**129,437**	64,867
Other intangible assets	15	**115,025**	63,077
Advances for business combination		**–**	300,000
Deferred income tax assets	16	**24,393**	17,124
		6,166,321	4,440,930
Current assets			
Inventories		**358,471**	166,898
Trade and other receivables and prepayments	17	**784,465**	545,457
Prepaid lease payments -current portion	13	**6,048**	1,808
Restricted bank deposits		**23,964**	16,122
Cash and cash equivalents		**959,709**	374,459
		2,132,657	1,104,744
Total assets		**8,298,978**	5,545,674

	Notes	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	119,119	118,850
Share premium		2,006,007	2,001,917
Share options reserve		1,394	593
Equity reserve		(333,180)	(341,304)
Statutory reserve		220,388	220,388
Retained earnings		1,894,395	1,540,448
		3,908,123	3,540,892
Non-controlling interests		112,816	33,124
Total equity		4,020,939	3,574,016
LIABILITIES			
Non-current liabilities			
Borrowings	19	206,000	131,255
Senior notes	20	2,518,064	–
Provisions for other liabilities and charges		9,207	8,444
Deferred income tax liabilities	16	15,125	8,959
Other liabilities		42,376	39,215
		2,790,772	187,873
Current liabilities			
Trade and other payables	18	886,910	644,056
Current income tax liabilities		50,357	59,548
Borrowings	19	550,000	1,080,181
		1,487,267	1,783,785
Total liabilities		4,278,039	1,971,658
Total equity and liabilities		8,298,978	5,545,674
Net current assets (liabilities)		645,390	(679,041)
Total assets less current liabilities		6,811,711	3,761,889

	Attributable to equity holders of the Company								
	Share capital	Share premium	Equity reserve	Share options reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2011	**118,850**	**2,001,917**	**(341,304)**	**593**	**220,388**	**1,540,448**	**3,540,892**	**33,124**	**3,574,016**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**418,980**	**418,980**	**2,023**	**421,003**
Purchase of additional interests in a subsidiary	**–**	**–**	**8,124**	**–**	**–**	**–**	**8,124**	**(33,124)**	**(25,000)**
Acquisition of subsidiaries (Note 24)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**110,793**	**110,793**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**1,394**	**–**	**–**	**1,394**	**–**	**1,394**
New shares issued for exercise of share options	**269**	**4,090**	**–**	**(593)**	**–**	**–**	**3,766**	**–**	**3,766**
Dividend recognised as distribution	**–**	**–**	**–**	**–**	**–**	**(65,033)**	**(65,033)**	**–**	**(65,033)**
At 30 June 2011 (unaudited)	**119,119**	**2,006,007**	**(333,180)**	**1,394**	**220,388**	**1,894,395**	**3,908,123**	**112,816**	**4,020,939**
At 1 January 2010	97,623	672,775	(341,304)	5,439	118,140	717,553	1,270,226	25,000	1,295,226
Profit and total comprehensive income for the period	–	–	–	–	–	362,812	362,812	3,603	366,415
Recognition of equity-settled share-based payments	–	–	–	353	–	–	353	–	353
New shares issued for exercise of share options	1,011	15,147	–	(5,038)	–	–	11,120	–	11,120
At 30 June 2010 (audited)	98,634	687,922	(341,304)	754	118,140	1,080,365	1,644,511	28,603	1,673,114

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Notes	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
Net cash from operating activities		**209,596**	511,347
Net cash used in investing activities:			
Interest received		**6,969**	178
Purchase of property, plant and equipment		**(916,013)**	(616,937)
Addition of prepaid lease payments		**(16,659)**	(399)
Purchase of mining rights		**(15,361)**	(11,380)
Proceeds from disposal of property, plant and equipment		**3,494**	792
Acquisition of subsidiaries, net of cash acquired	24	**(665,252)**	–
Acquisition of mining rights	25	**(50,000)**	–
		(1,652,822)	(627,746)
Net cash from (used in) financing activities:			
(Increase) decrease in restricted cash		**(7,842)**	10,162
New bank loans raised		**616,900**	715,849
Proceeds from issuance of senior notes		**2,563,394**	–
Repayment of borrowings		**(1,072,337)**	(869,200)
Proceeds from exercise of share option		**3,766**	11,120
Dividend paid		**(65,033)**	–
Purchase of additional interest in a subsidiary		**(25,000)**	–
Others		**14,628**	–
		2,028,476	(132,069)
Net increase (decrease) in cash and cash equivalents		**585,250**	(248,468)
Cash and cash equivalents at 1 January		**374,459**	346,258
Cash and cash equivalents at 30 June, represented by bank balances and cash		**959,709**	97,790

1. GENERAL INFORMATION

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

The Company was incorporated on 16 October 2006 in Jersey under the Companies (Jersey) Law 1991. The address of the registered office is 47 Esplanade, St Helier, Jersey JE1 0BD and the principal place of business is Unit 1903, Tower A, Gaoke Plaza, Hi-Tech Industrial Development Zone, Xi'an, Shaanxi Province, the PRC.

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard 34, *Interim Financial Reporting*.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations ("new or revised IFRSs") issued by the International Accounting Standards Board.

The application of the new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosures of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 July 2012

The directors of the Company anticipate that the application of these revised new or standards will have no material impact on the results and the financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group's subsidiaries are engaged in the production and sale of cement. The Group's Chief Executive Officer, the chief operating decision maker reviews the results of individual plants to make decisions about the allocation of resources. These plants have similar economic characteristics and are therefore presented as a single reportable segment. All of the revenue and operating results of the Group are derived in Shaanxi and Xinjiang Provinces, the PRC. The revenue represents the sale of cement during the periods of six months ended 30 June 2011 and 2010.

5. OTHER INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Tax refund (Note (a))	**74,046**	52,365
Government grant	**8,371**	3,878
	82,417	56,243

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

6. FINANCE INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Interest income from bank deposits	**6,969**	178
Net foreign exchange gains	**40,678**	3,058
	47,647	3,236

7. FINANCE COST

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Interest expenses on bank and other borrowings	**25,779**	75,755
Interest expenses on senior notes	**86,085**	–
Expenses incurred on early repayment of borrowings	**28,758**	7,479
Unwinding of discount	**–**	186
Less: amount capitalised	**(32,782)**	(19,486)
	107,840	63,934

8. INCOME TAX EXPENSE

The Group is subject to enterprise income tax ("EIT") 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 30 June	
	2011	2010
	RMB'000	RMB'000
Current tax	**74,093**	55,140
Deferred tax	**(9,219)**	(2,704)
Income tax expense	**64,874**	52,436

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**137,777**	94,933
Amortisation of prepaid lease payments	**3,024**	904
Amortisation of mining rights included in cost of sales	**1,998**	1,504
Amortisation of other intangible assets included in administrative expenses	**1,035**	1,035
Total depreciation and amortisation	**143,834**	98,376
Reversals of write-down of inventories	**(2,129)**	–
Impairment loss reversed in respect of trade receivables	**(376)**	–
Cost of inventories recognised as expenses	**314,623**	215,827
Loss on disposal of property, plant and equipment	**61**	456
Gain on acquisition of subsidiaries	**(3,173)**	–
Share option expenses	**1,394**	353

10. DIVIDEND

During the period ended 30 June 2011, a final dividend of RMB0.0153 per share, amounting to a total dividend of RMB65,033,000 in respect of the year ended 31 December 2010 (six months ended 30 June 2010: Nil) was declared and paid to the owners of the Company.

Subsequent to the end of the interim period, an interim dividend of approximately RMB85,260,000 at RMB0.02 per share (six months ended 30 June 2010: Nil), to be paid out from the Company's share premium, has been proposed and approved by the directors.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**418,980**	362,812

	Six months ended 30 June	
	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of the basic earnings per share	**4,254,919,740**	3,282,870,000
Effect of dilutive potential ordinary shares share options and warrants	**–**	23,098,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,254,919,740**	3,305,968,000

The calculation of diluted earnings per share did not take into account the share options of the Company for the period ended 30 June 2011 because the exercise price of the Company's share options was higher than the average market price of the Company's share.

The share subdivision in August 2010 have been taken into account in the calculation of the weighted average number of ordinary shares for the period of six months ended 30 June 2010, which have been set out in note 21.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group purchased property, plant and equipment approximately RMB49,224,000 (six months ended 30 June 2010: RMB19,653,000) from third parties and acquired property, plant and equipment approximately RMB981,231,000 on acquisition of subsidiaries (six months ended 30 June 2010:Nil) and disposed of property, plant and equipment of approximately RMB3,555,000 (six months ended 30 June 2010: RMB1,248,000) to third parties.

In addition, the Group spent approximately RMB847,467,000 on the construction of its new production lines and residual heat recovery systems in the current period (six months ended 30 June 2010: RMB711,657,000).

13. PREPAID LEASE PAYMENTS

During the period, the Group purchased prepaid lease payments approximately RMB16,659,000 (six months ended 30 June 2010: RMB54,775,000) from third parties, and acquired prepaid lease payments approximately RMB122,837,000 on acquisition of subsidiaries (six months ended 30 June 2010: Nil).

14. MINING RIGHTS

During the period, the Group purchased mining rights approximately RMB15,361,000 from third parties (six months ended 30 June 2010: RMB11,380,000), acquired RMB1,207,000 on acquisition of a subsidiary and acquired mining rights approximately RMB50,000,000 from a non-controlling shareholder of a subsidiary (six months ended 30 June 2010: nil).

15. OTHER INTANGIBLE ASSETS

	Goodwill	Customer relationships	Computer software	Total
Cost				
At 1 January 2010	45,274	20,610	80	65,964
Addition	—	—	28	28
At 31 December 2010	45,274	20,610	108	65,992
Acquisition of subsidiaries (note 24)	52,937	—	46	52,983
At 30 June 2011	98,211	20,610	154	118,975
Accumulated amortisation				
At 1 January 2010		859	1	860
Provided for the year	—	2,015	40	2,055
At 31 December 2010	—	2,874	41	2,915
Provided for the period	—	1,031	4	1,035
At 30 June 2011	—	3,905	45	3,950
Carrying amount				
At 30 June 2011	98,211	16,705	109	115,025
At 31 December 2010	45,274	17,736	67	63,077

The customer relationships amounting to RMB20,610,000 are non-contractual customer relationships acquired through the acquisition of a subsidiary, Shangluo Yaobai Xiushan Cement Co., Ltd. ("Xiushan Yaobai") in August 2009. In the few years prior to the acquisition, Xiushan Yaobai has provided cement service for some large companies. Management estimates the Group will keep their business relationship with some or all of the existing customers in the future. It is believed by the management that the customer relationships will bring in net future cash flows to the Group, and is thus identified as an intangible asset. They are amortised over a period of 10 years, which the directors believe is the period over which the Group can retain the customers.

The goodwill arose on the acquisition of Xiushan Yaobai in 2009 and Luxin Building Materials Co., Ltd. in the current period.

16. DEFERRED INCOME TAX

The following is the major deferred tax liabilities and assets recognised and movements thereon during the current and prior periods:

	Allowance and accrued expenses RMB'000	Deferred income RMB'000	Loans recorded at amortised cost RMB'000	Assets booked at fair value on acquisitions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	3,477	9,357	–	(8,079)	706	5,461
Credit (charge) to profit or loss	3,798	(214)	(1,237)	357	–	2,704
At 30 June 2010	7,275	9,143	(1,237)	(7,722)	706	8,165
Credit (charge) to profit or loss	970	(264)	(356)	356	(706)	–
At 31 December 2010	8,245	8,879	(1,593)	(7,366)	–	8,165
Credit to profit or loss	5,554	1,715	1,593	357	–	9,219
Acquisition of subsidiaries	–	–	–	(8,116)	–	(8,116)
At 30 June 2011	13,799	10,594	–	(15,125)	–	9,268

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Deferred tax assets	**24,393**	17,124
Deferred tax liabilities	**(15,125)**	(8,959)
	9,268	8,165

17. TRADE RECEIVABLES

The Group allows an average credit period of between 30 to 90 days to its credit sales customers.

The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below is net of allowance for doubtful debts.

	At 30 June 2011	At 31 December 2010
	RMB'000	RMB'000
0-90 days	**243,111**	159,825
91-180 days	**50,994**	31,611
181-360 days	**68,553**	14,780
361-720 days	**12,583**	9,928
over 720 days	**2,254**	2,751
	377,495	218,895

18. TRADE PAYABLES

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

	At 30 June 2011	At 31 December 2010
	RMB'000	RMB'000
0-90 days	**164,476**	174,258
91-180 days	**115,097**	66,934
181-360 days	**39,568**	28,506
361-720 days	**3,770**	44,594
over 720 days	**740**	12,903
	323,651	327,195

19. BORROWINGS

During the period, the Group obtained new bank loans amounting to approximately RMB616,900,000 (six months ended 30 June 2010: RMB715,849,000) and repaid bank loans amounting to RMB1,072,337,000 (six months ended 30 June 2010: RMB869,200,000). The new loans are carrying interest at variable market rate from 6.06% to 7.04% and repayable within one to two years.

20. SENIOR NOTES

On 25 January 2011, the Company issued 7.5%, five-year senior notes with aggregated principal amount of US$400,000,000 (the "Notes") at 100% of the face value. The Notes are listed on the Singapore Exchange Securities Trading Limited. The Notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of the subsidiaries. The Company may at its option to redeem the Notes, in whole or in part, by certain dates based on the terms of the Notes.

21. SHARE CAPITAL

	Number of shares '000	Registered, issued and fully paid RMB'000
Ordinary shares of GBP0.1 each as at 1 January 2010	64,862	97,623
Exercise of share options (Note 22)	986	1,011
Ordinary shares of GBP0.1 each as at 30 June 2010	65,848	98,643
Ordinary shares of GBP0.002 each as at 1 January 2011	4,250,500	118,850
Exercise of share options (Note 22)	12,500	269
Ordinary shares of GBP0.002 each as at 30 June 2011	4,263,000	119,119

The Company's shares had been originally listed on Alternative Investment Market ("AIM") in London since 4 December 2006. As at 1 January and 31 December 2009, the authorised share capital of the Company was GBP20,000,000 divided into 200,000,000 ordinary shares of GBP0.1 each.

On 20 July 2010, an shareholders' resolution was passed to approve the delisting of the Company's ordinary shares from AIM, and the subdivision of each existing issued and unissued ordinary shares of GBP0.1 each of the Company into 50 new ordinary shares of GBP0.002 each so that the authorised share capital of the Company of GBP20,000,000 was divided into 10,000,000,000 ordinary shares of GBP0.002 each, which were conditional upon and with effect from the date of commencement of trading of the Company's ordinary shares on the HKSE. The delisting and subdivision came into effect upon the commencement of trading of the Company's ordinary shares on the HKSE on 23 August 2010.

22. SHARE-BASED PAYMENT

(a) Pre-IPO Share Option Scheme

The Company has adopted a share option scheme on 27 October 2006 (the "Pre-IPO Share Option Scheme"). As at 31 December 2010, 12,500,000 shares of the Pre-IPO Share Option Scheme were outstanding which have been exercised during the current reporting period.

The table below discloses movements of the Pre-IPO Share Options Scheme:

	Six months ended 30 June			
	2011		2010	
	Exercise price per share	Options (thousand shares)	Average exercise price per share	Options/warrants (thousand shares)
Outstanding as at 1 January	GBP 0.03	12,500	GBP 1.22	1,466
Exercised during the period	GBP 0.03	(12,500)	GBP 1.10	(986)
Outstanding as at 30 June		—	GBP 1.49	480

(b) Post-IPO Share Option Scheme

The Company's share option scheme was adopted pursuant to a resolution of board of directors passed on 23 March 2011 (the "Post-IPO Share Option Scheme"). The Company granted options to directors, senior management and staff, to subscribe for shares of the Company with a payment of HK$1 for each person who was granted and with an exercise price of HK$3.41 per share. Options granted are exercisable within a period of ten years from 23 March 2011, the date of grant, subject to the terms and conditions of the plan, the relevant PRC laws and regulations and any conditions of the grant as stipulated by the board of directors.

Details of the Share Option Scheme of March 2011 are as follows:

Date of grant	Vesting period	Exercisable period	Number of options exercisable	Life of options
23 March 2011	23 March 2011 to 22 March 2012	23 March 2012 to 22 March 2021	3,800,000	10 years
23 March 2011	23 March 2011 to 22 March 2013	23 March 2013 to 22 March 2021	3,800,000	10 years
23 March 2011	23 March 2011 to 22 March 2014	23 March 2014 to 22 March 2021	4,600,000	10 years
23 March 2011	23 March 2011 to 22 March 2015	23 March 2015 to 22 March 2021	4,600,000	10 years
23 March 2011	23 March 2011 to 22 March 2016	23 March 2016 to 22 March 2021	800,000	10 years
23 March 2011	23 March 2011 to 22 March 2017	23 March 2017 to 22 March 2021	800,000	10 years
			18,400,000	

22. SHARE-BASED PAYMENT (Cont'd)

(b) Post-IPO Share Option Scheme (Cont'd)

	Exercise price per share	Option (thousand options)
Options granted during the period and outstanding at 30 June 2011	HK$3.41	18,400

The fair values of the options determined at the date of grant using the Black-Scholes option pricing model were approximately HK$19,069,000 (equivalent to approximately RMB15,858,000). The following assumptions were used to calculate the fair values of share options:

	23 March 2011
Grant date share price	HK$3.41
Exercise price	HK$3.41
Expected option life	1.5 years to 6.5 years
Expected volatility	44%
Dividend yield	0.55%
Risk-free interest rate	0.43% to 2.05%

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each reporting date, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share option reserve.

23. CAPITAL COMMITMENTS

	At 30 June 2011 RMB'000	31 December 2010 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**1,011,426**	657,890

As at 31 December 2010, the Group leased various buildings as warehouses under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases was RMB1,421,000. There is no lease commitment as at 30 June 2011.

24. ACQUISITION OF SUBSIDIARIES

(a) On 6 January 2011, a subsidiary of the Group, Yaobai Special Cement Group Co., Ltd. (the "Shaanxi Yaobai") acquired 80% equity interests in a cement production business through establishing a new company, namely Ankang Yaobai Jianghua Cement Co. Ltd. (安康堯柏江華水泥有限公司, "New Company"), together with a 20% non-controlling interest, namely Shaanxi Ankang Jianghua Group Cement Co. Ltd. (陝西安康江華集團水泥有限公司, "Jianghua").

Pursuant to an agreement (the "Agreement") entered into by Shaanxi Yaobai, Jianghua and a Jianghua's related party, namely Ankang Jianghua Mining Resources Co. Ltd. (安康市江華礦產資源有限責任公司, "Jianghua Mining") on 31 December 2010, the Group injected cash of RMB320,000,000; and Jianghua injected a group of assets and liabilities with fair value of RMB80,013,000 into the New Company, respectively.

The above group of assets and liabilities injected by Jianghua contributes cement production business which has engaged in producing and selling cements for years. This transaction has been accounted for as a business combination and using the purchase method.

As at 6 January 2011, the New Company received the following assets and liabilities:

	Jianghua RMB'000	The Group RMB'000	Total RMB'000
Cash	–	320,000	320,000
Property, plant and equipment	299,662	–	299,662
Prepaid lease payments	78,819	–	78,819
Amount due to Jinaghua	(298,468)	–	(298,468)
Net assets	80,013	320,000	400,013

Gain arising on acquisition:	RMB'000
Consideration transferred	–
Non-controlling interests (20% in New Company) issued to the former equity holder, Jianghua	80,003
Less: net assets acquired from Jianghua	(80,013)
Gain arising on acquisition	(10)

The non-controlling interests are measured at the proportionate share of net assets acquired.

Included in the profit for the period is RMB10,112,000 attributable to the additional business generated by New Company. Revenue for the period includes RMB152,873,000 in respect of New Company.

Had the acquisition been effected at 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have been RMB1,712,973,000 and the profit for the period would have been RMB421,003,000. The proforma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

24. ACQUISITION OF SUBSIDIARIES (Cont'd)

(b) On 30 June 2011, the Group acquired 80% equity interests in a cement production business through establishing a new company, namely Hancheng Yaobai Yangshanzhuang Cement Company Limited (韓城堯柏陽山莊水泥有限公司, "Hancheng Yangshanzhuang"), together with a 20% non-controlling interest, namely Shaanxi Yangshanzhuang Cement Company Limited (陝西陽山莊水泥有限公司, "Yangshanzhuang").

Pursuant to an agreement entered into by the Group and Yangshanzhuang, the Group has injected cash of RMB530,000,000; and Yangshanzhuang injected a group of assets and liabilities with fair value of RMB33,953,000 into Hancheng Yangshanzhuang, respectively.

The above group of assets and liabilities injected by Yangshanzhuang contributes cement production business which has engaged in producing and selling cements for years. This transaction has been accounted for as a business combination and using the purchase method.

As at 30 June 2011, the Hancheng Yangshanzhuang received the following assets and liabilities:

	Yangshanzhuang RMB'000	The Group RMB'000	Total RMB'000
Cash	–	530,000	530,000
Property, plant and equipment	530,973	–	530,973
Prepaid leased payments	32,980	–	32,980
Amount due to Yangshanzhuang	(530,000)		(530,000)
Amount due to the Company	–	(410,000)	(410,000)
Net assets	33,953	120,000	153,953

Gain arising on acquisition:	RMB'000
Consideration transferred	–
Non-controlling interests (20% in Hancheng Yangshanzhuang) issued to the former equity holder,Yangshanzhuang	30,790
Less: net assets acquired from Yangshanzhuang	(33,953)
Gain arising on acquisition	(3,163)

Cash outflow arising on acquisition in the period	
Paid in cash to settle the amount due to the former equity holder, Yangshanzhuang	530,000

The non-controlling interest is measured at the proportionate share of net assets acquired.

Had the acquisition been effected at 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have been RMB1,821,371,000, and the profit for the period would have been RMB443,302,000. The proforma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

24. ACQUISITION OF SUBSIDIARIES (Cont'd)

(c) On 31 May, 2011, the Group acquired 100% interest in Luxin Building Materials Co., Ltd. (和田魯新建材有限公司，"Luxin") from an independent third party for a consideration of RMB160,000,000. Luxin is principally engaged in cement manufacturing in Xinjiang Province. This acquisition has been accounted for using the purchase method.

The net assets acquired at the date of acquisition are as follows:

	Fair value RMB'000
Cash and cash equivalents	24,748
Trade and other receivables	37,339
Inventories	37,200
Property, plant and equipment	150,596
Prepaid leased payments	11,038
Mining rights	1,207
Other intangible assets	46
Trade and other payables	(56,995)
Amount due to former equity holders	(90,000)
Deferred tax liabilities	(8,116)
	107,063
Goodwill arising on acquisition:	
Consideration transferred	160,000
Less: net assets acquired	(107,063)
Goodwill	52,937
Net cash outflow arising on acquisition	
Consideration paid in cash	160,000
Less: Cash and cash equivalents balances acquired	(24,748)
Cash outflow on acquisition	135,252

Goodwill arising on acquisition of Luxin allows the Group to extend its market presence in Xinjiang Province with respect to cement operation and the anticipated future operating synergies from the combination.

The trade and other receivables acquired with a fair value of RMB37,339,000 had gross contractual amounts of RMB37,339,000.

Included in the profit for the period are RMB17,763,000 attributable to the additional business generated by Luxin. Revenue for the period includes RMB42,331,000 in respect of Luxin.

Had the acquisition been effected at 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have been RMB1,749,479,000, and the profit for the period would have been RMB426,522,000. The proforma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

25. RELATED PARTY DISCLOSURES

(a) The Group acquired mining rights from a shareholder of a non-controlling interest of a subsidiary with consideration of RMB50,000,000 on 30 June 2011.

(b) Key management compensation

The key management includes directors (executive and non-executive) of the Company and senior management of the Group. The compensation paid or payable to the key management for employee services is shown below:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**3,665**	2,322
Post-employment benefits	**47**	12
Share-based payments	**1,369**	274
	5,081	2,608

26. PLEDGE OF ASSETS

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

	At	
	30 June 2011	31 December 2010
	RMB'000	RMB'000
Prepaid lease payment	**48,074**	41,710
Property, plant and equipment	**1,654,398**	1,435,827

On 25 January 2011, the Company issued senior notes of US$400,000,000. The Notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of the subsidiaries (Note 20).