


中國西部水泥有限公司
WEST CHINA CEMENT LIMITED

西部水泥

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

Annual Report 2011

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

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

FINANCIAL HIGHLIGHTS

RMB' Million (unless otherwise specified)	Year ended 31 December 2011	Year ended 31 December 2010	% Change
Cement Sales Volume (million tons)	**11.7**	9.9	18%
Revenue	**3,190.5**	2,960.8	8%
Gross Profit	**884.4**	1,192.4	-26%
EBITDA	**1,161.0**	1,370.6	-15%
Profit Attributable to Shareholders	**662.1**	925.1	-28%
Basic Earnings Per Share(1)	**15.5 cents**	25.5 cents	-39%
Proposed Final Dividend	**1.42 cents**	1.53 cents	-7%
Gross Profit Margin	**27.7%**	40.3%	-12.6 ppt
EBITDA Margin	**36.4%**	46.3%	-9.9 ppt
Net Profit Margin	**20.7%**	31.5%	-10.8 ppt
Total Assets	**8,420.7**	5,545.7	52%
Net Debt(2)	**2,745.7**	820.9	235%
Gearing(3)	**65.7%**	23.0%	42.7 ppt
Net Assets Per Share	**98 cents**	84 cents	17%

Notes:

(1) The percentage fall in earning per share greater than the fall in profit attributable to shareholders was due to the increase in the number of shares following the Company's listing on the HKSE in August 2010

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

(3) Gearing is measured as net debt to equity

BUSINESS OVERVIEW

West China Cement Limited (the "Company") and its subsidiaries (Collectively the "Group") is one of the leading cement producers in Shaanxi Province, with a leading market position in eastern and southern Shaanxi and a growing presence in Xinjiang Province. As at 31 December 2011, the Group had a total of 13 NSP production lines with total cement capacity standing at 15.6 million tons in Shaanxi Province, and an additional 650,000 tons in Xinjiang Province.

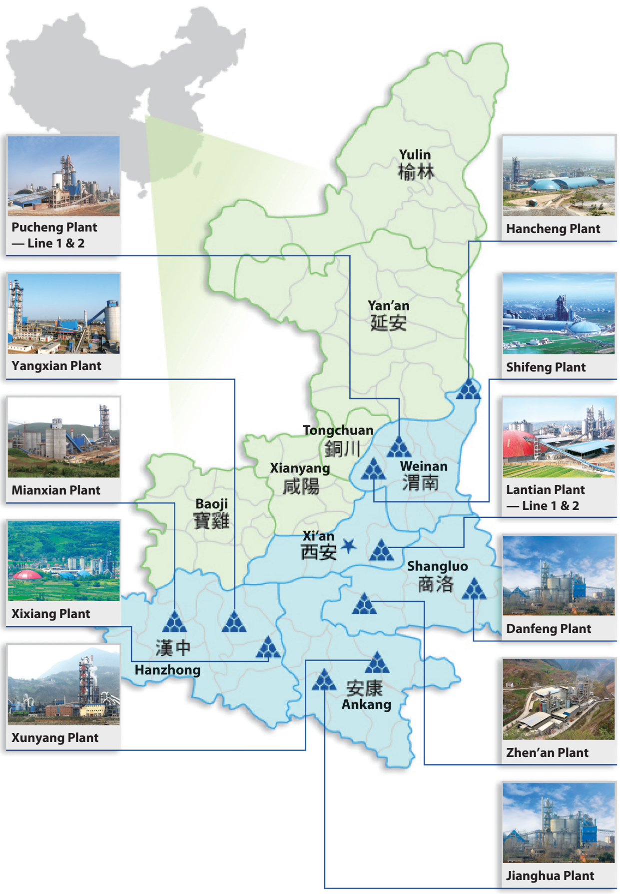
Subsequent to the year ended 31 December 2011, the Group acquired another production line in Shaanxi, totalling 2 million tons of capacity, has commissioned one further 1.5 million ton production line in southern Shaanxi and is scheduled to complete the construction of a new 2 million ton plant in Xinjiang by June 2012. This will results in a total capacity for the Group of 21.7 million tons, of which 19 million tons is situated in Shaanxi Province.

The Group's cement production is geared towards the economic development of the west of China, driven by the Chinese Government's "Western Development Policy" which continues to be a crucial focus under the 12th Five-Year Plan. The Group aims to serve the development needs of Shaanxi, Xinjiang and western China — both in terms of infrastructure and rural development. The Group's cement products are used in a variety of infrastructure projects such as highways, railways, bridges, hydroelectric power stations, water conservancy and water transfer projects. The Group's cement production facilities are also focused on serving the rural development needs of western China, an area experiencing rapid urbanisation and population resettlement, accompanied by housing and social infrastructure development.

The Group's focus on a Core Market Strategy — constructing or acquiring well-positioned plants, with independent markets, in areas of high infrastructure and rural development — has resulted in leading market positions in eastern and southern Shaanxi and benefits from barriers to entry caused by high transportation costs. The Group's superior positioning in Shaanxi has allowed it to benefit from the current industry consolidation phase. The move into Xinjiang Province in 2011 and 2012 represents a further significant growth opportunity underpinned by the "Western Development Policy."

The Company places great importance on environmental protection and corporate social responsibility. All of its production facilities are NSP lines. The plants are situated in close proximity to limestone quarries, and the Group uses conveyor belts at many of its plants in order to minimise pollution. The Group has constructed heat recycling plants at most of its production facilities, reducing approximately 30% of electricity consumption and decreasing CO_2 emissions by approximately 20,000 tons per year per million tons of production. At the year ended 31 December 2011, approximately 65% of production capacity had heat recycling systems installed, with another 2 plants scheduled for installation in 2012, raising this figure to over 75% of total capacity.

Shaanxi Province



Xinjiang Province

* Under construction

MILESTONES

Year	Event	Year End Capacity (million tons)
2004	The Group's first NSP production facility commenced construction in 2003 at Pucheng. The plant was commissioned in February.	1.4
2006	West China Cement Limited was listed on the London Stock Exchange AiM market in December, raising GBP22 million.	1.4
2007	The Group's second production facility was constructed at Lantian in Xi'an. The two production lines were commissioned in May and August respectively.	3.6
2008	West China Cement Limited successfully completed a USD60 million syndicated loan.	3.6
2009	The Group's Ankang Xunyang production facility commenced operation in January, establishing a core market in southern Shaanxi.	8.5
	The Group's first acquisitions, the Zhen'an and Danfeng Plants in Shangluo region, were completed in August and December.	
2010	The Group's two production lines in Hanzhong, the Yangxian and Mianxian Plants, were commissioned in January and July respectively.	12.5
	The USD60 million syndicated loan was repaid in March.	
	In August, West China Cement Limited de-listed from the London AiM market and successfully listed on The Stock Exchange of Hong Kong Limited (the "HKSE"), raising HKD1.6 billion.	
	The Weinan Pucheng Line 2 was commissioned in September.	
	The Group acquired the Ankang Jianghua Plant in December, completing the establishment of a leadership position in southern Shaanxi.	
2011	West China Cement Limited successfully issued a USD400 million 5-Year Senior Note at 7.5% p.a. interest rate. This strengthened our balance sheet and providing capital for expansion.	16.2
	The Group established its first production base in Xinjiang through the acquisition of the Hetian Plant in Hotan region in May. The Group also announced the commencement of the construction of our Yutian Plant in Hotan, Xinjiang, which is scheduled to be commissioned in June 2012.	
	The Group's third plant in Hanzhong region, the Hanzhong Xixiang Plant, was commissioned in May.	
	The Group acquired the Weinan Hancheng Plant in May.	
2012	The Group's Shangluo Danfeng Line 2 Plant was commissioned in March.	21.7 (estimated)
	The Group entered into an agreement to acquire a 55% interest in the Weinan Shifeng Plant in March, furthering the consolidation process in eastern and central Shaanxi.	

CHAIRMAN'S STATEMENT

"West China Cement's unique position in southern Shaanxi has enabled our Group to grow into a consolidating market and further our expansion in Western China."

Zhang Jimin
Chairman

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of West China Cement Limited and its subsidiaries, I am pleased to present to our shareholders the annual report (including the audited consolidated financial statements) of the Group for the year ended 31 December 2011.

FINANCIAL RESULTS

The Group's cement sales volume of 11.7 million tons in 2011 has increased 18.2% over 2010, mainly driven by our capacity expansion through new plant construction and acquisitions. Revenues, however, have only increased 7.8% and gross margins fell from 40.3% to 27.7%, resulting in a 25.8% fall in gross profits from 2010. This fall in margins and profitability is due to the falls in cement prices in Shaanxi Province, the reasons for which are described in further detail in our MD&A section. Average selling prices of cement products in 2011 was RMB264 (2010: RMB296). Profit attributable to shareholders and Basic earnings per share for the year ended 31 December 2011 was RMB662.1 million (2010: RMB925.1 million) and RMB0.155 (2010: RMB0.255).

DIVIDEND

The Board recommends the payment of a final dividend of RMB 0.0142 per share for the year ended 31 December 2011. Subject to approval by shareholders of the Company at the forthcoming annual general meeting, the final dividend will be distributed to shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2012.

This is in addition to the 2011 interim dividend of RMB0.02 per share distributed to shareholders in September 2011 and total distribution for the year ended 31 December 2011 is RMB0.0342 per share (2010: RMB0.0153 per share).

WESTERN DEVELOPMENT POLICY

The "Western Development Policy", and Shaanxi Province's position as the "Gateway to the West", remain as key growth drivers in the Group's areas of operation and the Group continues to position itself to provide cement for the urban and rural development driven by these policies. In February of 2012, the State Council's approval of the "12th Five-Year Plan for Western Development", as set out by the National Development and Reform Commission ("NDRC"), has reiterated the growth objectives in western China and reconfirmed many of the policies that have underpinned and will continue to underpin the Group's growth in the future.

Infrastructure construction is a key objective of the Western Development Policy over the 12th Five-Year Plan, with transportation and water resources a priority. Specifically, over 15,000 kilometers of new railways are to be built over this period in Western China. Rural development remains a focus, including the development of new towns and cities, agricultural infrastructure and the raising of construction quality involved in this urbanization process. The "Guanzhong-Tianshui Economic Zone" (encompassing central Shaanxi and neighboring Gansu Province) is emphasized as one of the key economic areas for the development of industry in the west. Overall, these policies target levels of development in the west to close the income gap with the eastern areas of China, and the Group expects Shaanxi Province and western China Fixed Asset Investment ("FAI") growth rates to remain structurally higher than those in the east of China for a number of years.

2011 OPERATIONS

2011, however, saw significant changes in the Shaanxi cement industry. The market has matured with increased capacity coming on stream during the year. At the same time, 2011 saw credit tightening in China as a whole and this has resulted in some slowdown in infrastructure growth rates in Shaanxi Province. This has led to a weak pricing environment, most especially in the second half of the year.

This situation is now resulting in changes to the supply structure of our industry and consolidation has become a key theme in 2011 and into 2012. Old inefficient capacity has now virtually been eliminated and M&A has concentrated approximately 75–80% of provincial capacity in the hands of the top 4 producers — of which our Group is the largest. The Group's core markets in southern Shaanxi, areas of continued rural development and urbanization, have provided a certain level of pricing power due to the excellent locations of the Group's plants, high regional market share and cement transportation costs. These core markets have given the Group a strong base to be a consolidator in 2011 and 2012 in its main areas of operation.

We have also expanded operations into Hotan in southern Xinjiang Province. This is an area rich in natural resources that is set to be developed as a key energy supply zone for China over the coming years. Hotan is a relatively under-developed area, with limited cement supply, but has all the characteristics of strong development and infrastructure growth in the near future.

Energy consumption is a key concern for all cement producers and the Group continues to make every effort to reduce consumption and increase use of waste products as manufacturing inputs. The Group has completed the construction of 3 waste heat recycling units in 2011, with 2 more scheduled in 2012. These units reduce electricity consumption by 30% and cut CO_2 emissions by approximately 20,000 tons per million tons of production. The Group continues to carefully monitor any new emissions standards that may be introduced in China over the next few years.

LOOKING AHEAD

The Group has grown significantly over the past few years from a local Weinan region cement producer to a Group publicly listed on the HKSE that is a leading force in Shaanxi's cement industry and is becoming a regional player in the west of China. Capacity has grown from 12.5 million tons at the end of 2010 to 16.2 million tons in 2011. This is set to reach nearly 22 million tons by mid 2012, once the construction of the new Yutian Plant in Xinjiang is finished and including the newly constructed Danfeng Line 2 Plant in southern Shaanxi as well as the completion of the recent acquisition of a 55% interest in Shaanxi Shifeng Cement Company Limited ("Shifeng Cement") in the Weinan region of Shaanxi. The Senior Notes issuance at the beginning of 2011 has provided us with capital for acquisitions and organic growth, as well as significantly lengthening the duration of a large part of our balance sheet into 2016.

The future demand for cement in the Group's areas will continue to be driven by development under the "Western Development Policy" and urbanisation in southern Shaanxi. In 2012, the Group expects to see strong demand from the "Southern Shaanxi Resettlement Project" and the "Hanjiang to Weihe River Water Transfer Project." In addition, there are a number of Hydropower projects that are due to start construction in the Group's core markets of Ankang and Shangluo. We continue to monitor the resumption of some of the major infrastructure projects such as the high-speed railway lines. We will also begin to see significant contribution from our plants in southern Xinjiang.

On the supply side, consolidation is continuing in Shaanxi Province. We have carefully studied the effect of consolidation and capacity control in the cement markets on the eastern seaboard, where price discipline has benefited producers in 2011. Consolidation in Shaanxi Province has only meaningfully started in mid 2011, and we view the acquisition of a 55% stake in Shifeng Cement in March 2012 as a significant step in this process. The Group is also delighted to be working together with the minority shareholder in this plant, Fuping Cement, which is owned by the Italcementi Group, who we have had good relations with for many years. Whilst we have seen the first signs of price discipline returning to our markets in the first quarter of 2012, we expect to see further consolidation, which should promote price discipline later into 2012 and 2013.

The Group remains resolute in its medium term aim of reaching over 25 million tons of capacity by 2015, focused on the high growth western China region. We continue to focus on our Core Markets in Shaanxi Province and core specialty of running plants in under-developed locations in western China with a predominance of infrastructure and rural development growth.

On behalf of the Board, I would like to take this opportunity to thank our management, employees, bankers and advisors for their efforts in 2011. I would also like to thank our shareholders for their continuing support of our Group in 2011 and into the future.

Zhang Jimin
Chairman

15 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Whilst the year 2011 has proved to be a tough year for the Group, it has also been a breakthrough year. The Company began the year with the successful completion of a USD400 million senior notes issuance. The notes carry an interest rate of 7.5% and mature in 2016, significantly strengthening the Group's balance sheet as well as providing the Company with capital for acquisitions and organic growth. The Group has taken its first steps outside of Shaanxi Province into southern Xinjiang and has become a prudent consolidator in its core market areas in Shaanxi Province. The Group's year-end capacity in December 2011 reached 16.2 million tons, including 650,000 tons of capacity in Xinjiang Province, compared with 12.5 million tons capacity at the end of 2010. The Group's effective capacity for 2011 was 13.5 million tons. These achievements have been executed against the backdrop of a tough competitive and pricing environment in Shaanxi Province. The Group's core markets in the east and the south of the province have provided the Group with an inherent geographical advantage, and consolidation is setting the scene for an increasingly disciplined market going forward.

OPERATING ENVIRONMENT

2011 Market Trends

The Shaanxi cement market has undergone significant change in 2011. Over the year, competition has increased within the province with new capacity coming on stream. This new capacity growth, concentrated in central Shaanxi, and the Baoji region in particular, has precipitated competition amongst producers which has resulted in consequential price falls of cement products. Competition has been most intense in central Shaanxi, where some producers were operating at near cash cost levels. This situation reached its highest intensity in the second half of 2011.

The increased levels of supply coincided with two other factors that exacerbated the competition and price falls. Firstly, credit tightening and lower growth levels of fixed asset investment ("FAI") in China as a whole have led to a fall in the cement demand growth that we have recently experienced in Shaanxi Province. This has been most evident in delays to certain infrastructure projects planned for Shaanxi Province, including the construction of high-speed railway lines. Secondly, the autumn period, historically a time of peak demand for cement products in Shaanxi Province experienced its highest rainfall for over 50 years. This rain led to slowdowns in construction activity, subsequent elevated levels of cement inventory for all producers running into the year-end, and a poor pricing environment.

Notwithstanding these factors, construction activity in Shaanxi Province has still proved resilient. Whilst there have been delays in rail and some road construction, other projects such as the "Southern Shaanxi Resettlement Project" and the "Hanjiang to Weihe River Water Transfer Project" commenced in the second half of 2011. These two projects are of particular significance to the Group as the bulk of construction activity takes place in its core markets in the south of the province and the Group is the designated cement supplier to both projects.

The Resettlement Project in particular has proceeded rapidly — over 150,000 people have been moved in 2011 in southern Shaanxi and the provincial government is planning for the movement of 295,000 people in 2012. The Group expects cement demand to exceed 1.2 million tons from this project alone in 2012, and the project aims to relocate 2.4 million people in the south of the province over the next 10 years.

Core Market Strength

Whilst the pricing environment has been tough, most especially in central Shaanxi, the core market strategy in southern Shaanxi has enabled the Group to maintain price and margin premiums in Shangluo, Ankang and Hanzhong regions superior to its regional peers in the centre of the province. This is due to the location of the Group's plants, cement transportation costs and high regional market share — over 60% in the southern regions compared with a market share of approximately 25% in the province as a whole. During a period of slower infrastructure construction activity, sales have been intensified into rural areas and rural urbanisation projects, which have remained resilient partly due to the resettlement project detailed above. The Group has been able to maintain price premiums in the south as compared with Central Shaanxi, providing a resilient base to hold up profitability.

Consolidation

This low pricing environment has precipitated consolidation amongst the industry players. Small inefficient producers have been closing down rapidly, and 2011 should be the last year where these producers represent any meaningful level of cement supply. There has also been significant consolidation in central Shaanxi. The Group has been a prudent consolidator and has acquired plants in its core markets of Weinan and Ankang regions but has not strayed into the central region. Shaanxi Province is approaching a level of market concentration for the top 4 producers of 75–80% and it is becoming evident that the current consolidation phase is approaching its end. Further analysis regarding consolidation trends and their impact is included in the section headed "Prospects" below.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPANSION AND ACQUISITIONS IN SHAANXI PROVINCE

The Group's capacity growth in Shaanxi Province has been focused on maintaining a leadership position in the east and south of the province. The Group has completed the construction of a number of projects and has become a consolidator in its core markets.

At the end of 2010, the Group acquired an 80% interest in the Ankang Jianghua Plant, a 1.1 million ton cement production facility, with the subsequent acquisition of the limestone reserves and mining rights completed in June 2011. The Group expects to complete the acquisition of the remaining 20% interest in the first half of 2012.

The newly built Hanzhong Xixiang Plant, also a 1.1 million ton facility, was commissioned in May 2011. The commissioning of this plant completed the Group's expansion activities in the Hanzhong region. The plant's product mix is geared to the Hanzhong rural market, complementing the Group's two other facilities in the region — the 1.1 million ton Hanzhong Yangxian and Hanzhong Mianxian Plants.

The Group's acquisition of an 80% interest in the 2 million ton Hancheng Yangshanzhuang Plant, located in eastern Weinan region next to the Yellow River and bordering onto Shanxi Province, was completed in June 2011 at an acquisition cost amounting to approximately RMB330 per ton of cement. The Hancheng Plant is a NSP production facility employing the latest high solid-gas preheating decomposition technology that significantly reduces coal and electricity consumption, in turn reducing production costs. Costs are further reduced by the plant's ability to recycle slag and fly ash from steel and power plants located approximately 3 to 5 kilometers from the production facility. The plant not only enhances the Group's position in northwestern Weinan region but also extends market coverage into the southern Yan'an region and neighboring Shanxi Province.

The construction of the 1.5 million tons Shangluo Danfeng Line 2 plant was completed in January 2012. As the completion coincided with the winter low season, the Group has waited until March 2012 to commission the plant and it is expected to reach normal production levels by June 2012.

Finally, subsequent to the year ended 31 December 2011, on 15 March 2012, Yaobai Special Cement Group Co., Ltd (堯柏特種水泥集團有限公司) entered into an equity transfer agreement, pursuant to which it has conditionally agreed to acquire 55% interest in the Weinan Shifeng Cement Plant, a 2 million ton facility in Weinan region in Fuping County, approximately 50 kilometers from our Weinan Pucheng plants. The cement manufactured at the plant mainly serves the Fuping area market as well as ready mix stations in the Xi'an metropolitan area. The addition of this plant strengthens our positioning in the Weinan and Xi'an markets, increasing our pricing power between the Weinan region facilities, as well as representing a further step in the supply consolidation process in central Shaanxi.

As mentioned in the Group's interim results for the six months ended 30 June 2011, the construction of Pucheng Line 3, a 3 million ton production line in the Weinan region, has been slowed down. The Group is continuing to monitor the market situation in Weinan region and has not made an immediate decision as to the timing of the next stage of construction of this plant.

EXPANSION AND ACQUISITIONS IN XINJIANG PROVINCE

In March and April 2011, the Group made its first steps outside of its home province with the announcement of the acquisition and construction of production capacity in Hotan, southern Xinjiang Province. The move into this area has been considered and planned over a long period. The Hotan region has abundant coal reserves in the Kunlun Mountains to the south, and oil and natural gas reserves in the Taklamakan desert to the north. The area is being developed as a key energy supply zone and has all the characteristics of a relatively backward area that is now undergoing rapid population growth, infrastructure construction and social development. Fixed asset investment in the Hotan region for the 12th Five Year Plan is set to increase fourfold over the 11th Five Year Plan.

The Hetian Luxin Plant in Hotan City, has an annual production of 650,000 tons and was acquired by the Group for a consideration of RMB160 million in May 2011. The plant has contributed approximately 6 months worth of production to the Group in 2011. The Yutian (Keriya) cement production facility, also located in the 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 with a total budgeted capital expenditure for the production facility of approximately RMB650 million.

SAFETY, ENVIRONMENT & SOCIAL RESPONSIBILITY

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

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

In 2011, residual heat recovery systems have been installed at the Weinan Pucheng Plant, Hanzhong Yangxian, Hanzhong Mianxian and Hanzhong Xixiang Plants. These systems reduce the Group's electricity consumption by approximately 30% and reduce CO_2 emissions by approximately 20,000 tons per annum per million tons of cement production. As at 31 December 2011, residual heat recovery systems have been installed at 8 out of 13 production lines, with systems for 2 more due to be completed in 2012. With the inclusion of the recent acquisition of the Weinan Shifeng Cement Plant in March of 2012, the Group will have heat recovery systems installed at over 75% of capacity by the end of 2012.

Recycling and emissions will become increasingly important in the cement industry over the next few years. The Group is carefully monitoring any potential new emission standards being discussed by the Ministry of Environmental Protection regarding carbon dioxide and nitrous oxide emissions and continually studies new process technology advances that can increase recycling and decrease emissions.

During the year, charitable donations made by the Group amounted to RMB1.9 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

PROCUREMENT

Coal costs are the largest component of the Group's cost of sales and the coal costs per ton increased from RMB580 in 2010 to RMB615 in 2011. In July 2011, the procurement method for coal changed to a bidding process at the Shaanxi Coal Transaction Centre. This process allows the Group to save approximately RMB30–40 per ton of coal, depending on coal market conditions. The Group expects to see the full year benefits of this new procurement method in 2012.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 7.8% from RMB2,960.8 million for the year ended 31 December 2010 to RMB3,190.5 million for the year ended 31 December 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 the expansion into Xinjiang Province. The Group's cement sales volume increased by 18.2% from 9.9 million tons in 2010 to 11.7 million tons in 2011. The increased volume was contributed by new production facilities which commenced operation or were acquired since 31 December 2010, including:

- 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

However, the Group's increases in revenue has grown at a lower rate as compared with the increase in sales volume and this has been due to declines in the Group's average selling price ("ASP") per ton of cement. ASP for the Group's cement products in 2011 was RMB264 per ton (2010: RMB296). The decline in ASPs has been due to the following four key factors:

(1) Maturing cement market with increased capacity

The Shaanxi cement market has matured with increased capacity coming on stream in 2011. Much of this new capacity is situated in western and central Shaanxi Province and has led to cement price falls of varying amounts throughout Shaanxi Province. This situation was particularly acute in the fourth quarter of 2011. During the weakest period in the fourth quarter, ASPs were approximately 21% lower than in the same period of 2010.

(2) Increased credit tightening and infrastructure construction slowdown

Increased credit tightening and lower fixed asset investment ("FAI") growth in China and Shaanxi Province has led to slower than anticipated demand growth for cement, especially for infrastructure projects. FAI growth in Shaanxi Province in 2011 was 30.3%, compared with 35.1% in 2009 and 30.7% in 2010. This credit tightening has led to delays of some major infrastructure projects, most significantly of railway construction in the province. The Group has sold 11.7 million tons of cement in 2011 compared with an original target of 13.5 million tons for 2011.

(3) Increased rural market sales

The Group has added production facilities and increased its market share 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 the Group is taking market share from small-scale producers. Rural market demand is for lower grade and lower ASP cement. The Group's sales of low-grade cement have thus increased from approximately 30% of total sales volume for the year ended 31 December 2010 to approximately 60% of total sales volume for the year ended 31 December 2011. This has resulted in lower average selling prices per ton of cement, but has also added a defensive quality to the Group's earnings as infrastructure demand for high-grade cement has been lower than expected.

(4) Extreme weather conditions

Shaanxi Province experienced the heaviest rainfall for over 50 years between August 2011 and October 2011, which exacerbated the supply and demand problems described above. The high levels of rainfall led to slowdowns in construction activity in the fourth quarter of 2011, usually the peak demand season, and this led to high levels of inventory for all producers in Shaanxi Province, resulting in destocking and depressed pricing into the year end.

Cost of Sales

Cost of sales increased by 30.4% from RMB1,768.4 million for the year ended 31 December 2010 to RMB2,306.0 million for the year ended 31 December 2011. The increase was primarily due to the 18.2% growth in sales volume, as well as increases in certain raw material input costs, and slightly higher unit production cost as a result of lower productivity.

Average coal costs increased by approximately 6% from approximately RMB580 per ton in 2010 to approximately RMB615 per ton in 2011. The coal purchase price has been relatively stable after the Group changed its procurement method to a bidding process in July 2011. However, the proportion of sales from plants in southern Shaanxi increased over the year leading to higher coal transportation costs, as these plants are further away from coal suppliers.

The average electricity cost increased from approximately RMB0.40 per kwh in 2010 to approximately RMB0.45 per kwh in 2011. This has resulted in an approximate 2.5% increase in the cost per ton of production. The installation of residual heat recovery systems has continued to minimise the Group's electricity costs.

Average limestone costs increased by approximately 8% over 2010. Some of the newly acquired plants, such as the Ankang Jianghua Plant and the new plants in the Hanzhong region have marginally higher limestone operating costs.

In addition to the above, a lower level of productivity in 2011 has resulted in higher unit plant overheads. Fixed overhead charges per unit of cement, such as depreciation and wages, increased on a per ton basis.

Gross Profit and Gross Profit Margin

Despite the increase in the sales volume, gross profit decreased by RMB308.0 million, or 25.8%, from RMB1,192.4 million for the year ended 31 December 2010 to RMB884.4 million for the year ended 31 December 2011. Gross profit margins decreased from 40.3% for the year ended 31 December 2010 to 27.7% for the year ended 31 December 2011.

As described above, the decreases in gross profit and gross margin can be summarised as follows:

(i) decreases in ASP by approximately 11%;

(ii) increases in input costs such as coal, electricity, limestone and other raw materials; and

(iii) higher fixed unit overheads due to lower productivity.

Administrative Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. The balance increased by 2.3% from RMB179.0 million for the year ended 31 December 2010 to RMB183.1 million for the year ended 31 December 2011. This was mainly due to the increase in the number of production facilities in Shaanxi and Xinjiang Provinces, as well as additional legal and professional fees incurred for acquisitions during the year.

Other Income

Other income comprises value added tax ("VAT") refunds, which is a form of government incentive for the recycling of industrial waste as a production input, and government grants. Other income decreased by 8.7% from RMB171.6 million for the year ended 31 December 2010 to RMB156.7 million for the year ended 31 December 2011. The decrease was mainly attributable to decreases in the selling price and increases in input costs and capital expenditure, which led to a lower output VAT collection and a higher input VAT paid which in turn resulted in a lower net VAT surrendered. The VAT refundable was therefore lower as the net VAT surrendered decreased.

The decrease in net VAT surrendered, and VAT refunded, was partly offset by increases in the sales of lower grade cement products, using recycled input materials, that are entitled to these VAT refunds.

Senior Notes Issuance

In January 2011, the Company successfully issued USD400 million 7.5% Senior Notes Due 2016 (the "Notes"). Part of the proceeds of the Notes were used for the repayment of bank borrowings and the remaining has been used for capacity expansion, both by acquisition and construction, and to enhance the Group's working capital and liquidity position.

Other Gains and Losses — net

Other gains increased by RMB110.2 million from RMB1.0 million for year ended 31 December 2010 to RMB111.2 million for the year ended 31 December 2011. The increase was primarily due to an increase in exchange gains of RMB107.3 million arising from the Notes issuance in January 2011.

Interest Income

Interest income increased by RMB9.9 million from RMB0.5 million for year ended 31 December 2010 to RMB10.4 million for the year ended 31 December 2011. The increase was primarily due to an increase in bank deposits arising from the Notes issuance in January 2011.

Finance Costs

Finance costs increased by RMB83.8 million or 83.0% from RMB101.0 million for the year ended 31 December 2010 to RMB184.8 million for the year ended 31 December 2011. The increase was primarily due to the increase in debt as a result of the Notes issuance in January 2011.

The interest capitalised as part of the costs of assets for year ended 31 December 2011 was RMB82.4 million, representing an increase of RMB46.9 million as compared with RMB35.5 million for the year ended 31 December 2010.

Taxation

Income tax expenses decreased by RMB21.4 million or 17.3% as a result of the Group's lower profitability. The effective tax rate for the year ended 31 December 2011 increased to 13.5% (2010: 11.8%). The effective tax rate of the Group is lower compared to the PRC national tax rate of 25% as most of the Group's operating entities enjoy various preferential tax rates, such as the preferential rate of 15% for qualifying entities under the Western Development Policy.

The detailed tax rates for each of the Group's subsidiaries and the income tax expenses for the Group are outlined in note 12 to the consolidated financial statements below.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased by 28.4% from RMB925.1 million for the year ended 31 December 2010 to RMB662.1 million for the year ended 31 December 2011. Basic earnings per share decreased by 39.2% from RMB0.255 for the year ended 31 December 2010 to RMB0.155 for year ended 31 December 2011.

The non-controlling interests for the year ended 31 December 2011 are mainly attributable to the acquisitions of the 20% equity interests in Ankang Yaobai Jianghua Cement Co., Ltd. in January 2011, and Hancheng Yaobai Yangshanzhuang Cement Co., Ltd. in June 2011. The non-controlling interests for the year ended 31 December 2010 were mainly attributable to the acquisition of the 20% equity interest of Shangluo Yaobai Longqiao Cement Co. Ltd. in January 2010.

FINANCIAL AND LIQUIDITY POSITION

The Group maintained a healthy financial and liquidity position for the year ended 31 December 2011. Total assets increased by 51.8% to RMB8,420.7 million (31 December 2010: RMB5,545.7 million) while total equity grew by 16.9% to RMB4,178.5 million (31 December 2010: RMB3,574.0 million).

As at 31 December 2011, the Group had bank balances and cash, as well as restricted bank deposits, amounting to RMB566.1 million (31 December 2010: RMB390.6 million). After deducting total borrowings and Notes of RMB3,311.8 million (31 December 2010: RMB1,211.4 million), the Group had net debt of RMB2,745.7 million (31 December 2010: RMB820.9 million). Due to the Notes issuance, 76.9% (31 December 2010: 9.6%) of borrowings are at a fixed interest rate. Please refer to notes 28, 29 and 38 of the consolidated financial statements below for the details of the borrowings and the respective pledge of assets.

As at 31 December 2011, the Group's gearing ratio, measured as net debt to equity, was 65.7% (31 December 2010: 23.0%). The increase in the gearing ratio was mainly attributable to the increase in total borrowings by RMB2,100.4 million arising primarily from the Notes issuance.

The Group utilised approximately RMB802.2 million of the proceeds from the Notes issuance to repay the Group's existing bank borrowings most of which were falling due within one year, hence significantly reducing the Group's current liabilities. As at 31 December 2011, the Group had net current assets of RMB0.1 million compared to net current liabilities of RMB679.0 million as at 31 December 2010, which represents a considerable improvement of RMB679.1 million in the Group's liquidity position.

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

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure for the year ended 31 December 2011 amounted to RMB1,960.5 million (for the year ended 31 December 2010: RMB1,495.0 million) and capital commitments as at 31 December 2011 amounted to RMB571.4 million (31 December 2010: RMB657.9 million). Both capital expenditure and capital commitments were mainly related to the construction of new production facilities, installation of residual heat recovery systems, and upgrading of existing production facilities. The Group has funded these commitments from the proceeds of the Notes issuance, operating cash flow and available banking facilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group employed a total of 4,473 full time employees (31 December 2010: 3,094). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2011, the employees benefit expenses were RMB141.4 million (31 December 2010: RMB89.8 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.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

As at 31 December 2011, the remaining unutilized net proceeds of approximately HKD182.5 million have been used for working capital, repayment of bank loans and related interest, and other general corporate purposes.

MATERIAL ACQUISITION AND DISPOSALS

On 6 January 2011, the Group completed the acquisition of an 80% equity interest in a 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 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 a company with a 2 million tons cement production business, Hancheng Yaobai Yangshanzhuang Cement Company Limited (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 year ended 31 December 2011.

FOREIGN EXCHANGE RISK MANAGEMENT

During the year ended 31 December 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 arise.

PROSPECTS

The Group views 2012 as a very important year for the development of Shaanxi's cement industry. On the supply side, the industry has now reached a more mature level of development and has evolved significantly with the entry of new players into the market. This has led to an environment where non-NSP cement production is rapidly disappearing, and a market where scale and plant location become essential to industry players. Consolidation has become an important driver for the efficiency of the industry.

The decision to acquire a 55% equity interest in Shaanxi Shifeng Cement Company Ltd. in March 2012 represents a significant move in this consolidation process. There are increasingly limited acquisition targets in the province, indicating that the current consolidation phase is approaching its conclusion. The Weinan Shifeng Cement Plant allows the Group to command over 70% of the capacity in the Weinan region and this capacity's positioning in the corridor between Pucheng and Xi'an provides efficient pricing and transportation advantages for its cement products. The Group is also pleased to be able to work together with its minority shareholder in this plant, Fuping Cement, which is owned by Italcementi Group, with whom the Group has had good relations for many years.

MANAGEMENT DISCUSSION AND ANALYSIS

The Shaanxi cement industry is now consolidating around four main players with a market concentration of 75–80%. The Group remains the largest producer, with superior locations in the core markets in the east and south of the province — areas where it commands market shares of at least 60%. The Group has studied the effect of consolidation in the eastern seaboard provinces of China and expects pricing discipline amongst producers to begin to return in 2012 as the effects of M&A and consolidation take hold.

On the demand side, although there have been many worries regarding credit conditions in China, the "Western Development Policy" remains a crucial component of growth and social development in Shaanxi Province and China as a whole. Whilst there have no doubt been areas of slowdown in infrastructure spending in Shaanxi Province, the development of the south of the Province and the "Guanzhong Tianshui Economic Zone" has been reiterated for the 12th Five-Year Plan, which runs from 2011 to 2015. Apart from the Resettlement and Water Transfer Projects discussed above, there are a number of important hydropower, water conservancy and irrigation projects scheduled for commencement in 2012. The Group expects Shaanxi Province and western China FAI growth rates to remain structurally higher than the east of China for a number of years.

The Group's diversification into the Hotan region of Xinjiang Province will accelerate in 2012 with the completion of the 2 million ton Yutian Plant, which is expected to be commissioned at the end of June 2012. Although cement prices have come off their highs in Xinjiang Province, they are still amongst the highest in China and the Group expects to benefit from the extension of the "Western Development Plan" into southern Xinjiang over the 12th Five-year plan.

The Group believes that consolidation will remain an important theme across the whole of China in 2012. The year 2011 saw consolidation taking effect in the eastern seaboard provinces leading to price discipline amongst producers. In Shaanxi, the cement industry is potentially seeing the beginnings of this process in 2012. In Xinjiang Province, although there are numerous new plants being constructed, the closure of old inefficient capacity is proceeding faster than in previous years in other provinces. The Group has also carefully studied the southwest region, an area of rapid development and infrastructure growth which currently has a fragmented cement industry, but where an M&A and consolidation process has commenced.

Taking into account the completion of the Shangluo Danfeng Line 2 Plant, the acquisition of the Weinan Shifeng Plant and the completion of the Yutian Plant in Xinjiang Province, the Group's total capacity is expected to reach 21.7 million tons by the second half of 2012, with 19.1 million tons in Shaanxi Province. The Group remains steadfast in its medium term aim of reaching over 25 million tons of capacity by 2015, focused on the high growth western China region. The Group continues to focus on its core markets in Shaanxi Province and its core specialty of running plants in under-developed locations in western China with a predominance of infrastructure and rural development growth.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles of, and has complied with, all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance (the "Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the HKSE throughout the year ended 31 December 2011, 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 ("CEO") and Mr. Zhang Jimin was the Chairman and also the Chief Executive Officer of the Company responsible for overseeing the operations of the Group during such period. The Board considered that this structure did not impair the balance of power and authority between the Board and the management of the Company. However, for the purpose of complying with Code Provision A.2.1, on 23 March 2011, the Company has appointed Mr. Tian Zhenjun to take up the role of Chief Executive Officer of the Company in place of Mr. Zhang Jimin. Mr. Zhang Jimin remains as Chairman of the Board.

MODEL CODE FOR DIRECTORS' 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 of the Listing Rules as its own code of conduct for dealing in securities by the directors of the Company (the "Directors"). Specific enquiries have been made with all the Directors and each of them has confirmed and declared that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2011.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is primarily responsible for formulating business strategy, reviewing and monitoring business performance of the Group, and approving financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear direction. Each of the Directors has full and direct access to the advice and services of the Company Secretary of the Company. The Company provides the Directors with sufficient resources to perform their duties and the Directors may seek independent professional advice at the Company's cost, where it is considered relevant and necessary for the purpose of discharging their duties.

CORPORATE GOVERNANCE REPORT

Board Composition

The Board has a balanced composition of executive and non-executive Directors to ensure independent viewpoints in all discussions. The Board, as at 31 December 2011, comprised eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. Board members are listed below:

Executive Directors:

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

Non-executive Director:

Mr. Ma Zhaoyang

Independent non-executive Directors:

Mr. Lee Kong Wai Conway
Mr. Wong Kun Kau
Mr. Tam King Ching Kenny

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The Board's composition satisfies the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, which stipulate that there should be at least three independent non-executive Directors representing at least one-third of the Board, and of whom at least one of the independent non-executive Directors must possess appropriate professional qualifications or accounting or related financial managing expertise.

There was no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Biographical information of the Directors is set forth on page 26 to 28 of this annual report.

Each of the executive Directors and non-executive Director has entered into a service contract with the Company for an initial term of three years commencing from the date the Company was listed on the HKSE (the "Listing Date") and these may only be terminated in accordance with the provisions of the service contract by giving to the other not less than three months' prior notice in writing.

The Company has entered into a letter of appointment with each of the independent non-executive Directors for a term of one year, and this appointment can only be terminated by either party giving to the other not less than three months prior notice in writing.

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that the three independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to Article 23 of the Company's Articles of Association (the "Articles"), the Directors shall have power at any time and from time to time to appoint any person (other than one disqualified or ineligible by law to act as a director of a company) to be a Director either to fill a casual vacancy or as an addition to the existing Directors provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with these Articles as the maximum number of Directors. Any Director so appointed shall hold office until the next following annual general meeting of the Company (the "AGM") and shall then be eligible for re-election at such meeting.

According to Article 24 of the Company's Articles, at every AGM, one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. If any Director has at the start of the AGM been in office for three years or more since his/her last appointment or re-appointment, he/she shall retire at that AGM. If the Company does not fill the vacancy at the meeting at which a Director retires by rotation or otherwise, the retiring Director shall, if willing to act, be deemed to have been re-appointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the re-appointment of the Director is put to the meeting and not passed.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary.

BOARD MEETINGS AND ATTENDANCES

The Board meets regularly in person or by means of electronic communication. During the year ended 31 December 2011, 11 Board meetings were held. Directors received at least 14 days' prior notice of regular Board meetings and an agenda. For Board meetings scheduled at short notice, Directors are given as much notice as possible in the circumstances.

The Company Secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. The final version of these minutes are available for inspection by Directors at any time.

The table below sets out the details of Board meeting attendance of each Director during the year ended 31 December 2011:

Director	Number of Board meetings attended
Mr. Zhang Jimin	11/11
Mr. Tian Zhenjun	10/11
Mr. Wang Jianli	10/11
Ms. Low Po Ling	11/11
Mr. Ma Zhaoyang	11/11
Mr. Lee Kong Wai Conway	11/11
Mr. Wong Kun Kau	10/11
Mr. Tam King Ching Kenny	10/11

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its audit responsibilities. 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 audited consolidated financial statements for the year ended 31 December 2011.

The major duties performed by the Audit Committee for the purpose of discharging its responsibilities are as follow:

— making recommendations to the Board on the appointment, reappointment and removal of the external auditors, as well as approving the remuneration and terms of engagement of the external auditors, and any questions regarding resignations and dismissals;

— reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

— developing and implementing policy on engagement of an external auditor to supply non-audit services;

— identifying and making recommendations on any matters where action or improvement is needed and report to the Board on the same;

— monitoring integrity of the Group's financial statements, annual reports and accounts, interim report and reviewing significant financial reporting judgements contained in them;

— considering any significant or unusual items that are, or may need to be, reflected in the report or accounts, and give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

— reviewing the Group's financial controls, internal control and risk management systems;

— discussing with the management the internal control system and ensuring that management has performed its duty to have an effective internal control system including the adequacy of resources, staff qualifications and experiences, training programs and budget of the Group's accounting and financial reporting function;

— considering any major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

— ensuring coordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group;

— reviewing and monitoring the effectiveness of the internal audit function;

— reviewing the Group's financial and accounting policies and practices;

— reviewing the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts, or systems of control and management's response;

— ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

— acting as key representative body for overseeing the Company's relations with the external auditors;

— reviewing arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;

— reporting to the Board on the matters in the Code;

— establishing a whistle blowing policy and system for employees and those who deal with the Company to raise concerns, in confidence;

— performing the Company's corporate governance functions, including (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (v) reviewing the Company's compliance with the code and disclosures in the Corporate Governance Report;

— considering any other topics as defined by the Board.

The table bellows set out the details of Audit Committee meeting attendance of each Director during the year ended 31 December 2011.

Director	Number of Audit Committee meetings attended
Mr. Lee Kong Wai Conway	5/5
Mr. Wong Kun Kau	5/5
Mr. Tam King Ching Kenny	5/5

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 of the Company (the "Remuneration Committee") currently consists of three independent non-executive Directors, being Mr. Tam King Ching Kenny, Mr. Lee Kong Wai Conway and Mr. Wong Kun Kau and one executive Director, being Mr. Zhang Jimin, with Mr. Tam King Ching Kenny serving as chairman of the Remuneration Committee since 15 March 2012. Mr. Lee Kong Wai Conway, an independent non-executive Director, has been appointed as a member of the Remuneration Committee with effect from 15 March 2012. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management.

The Company's remuneration policy 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 Company's executive Directors, who are also its employees, receive compensation in the form of salaries, bonuses and other allowances. The remuneration of the Directors and senior management are determined by taking into account their individual performance and also the market standards.

The major duties performed by the Remuneration Committee for the purpose of discharging its responsibilities are as follow:

— reviewing and making recommendations to the Board about the Group's policy and structure for all remuneration of Directors and senior management;

— reviewing and approving the management's remuneration proposals with reference to the Board's corporate goal and objectives;

— either determining, with delegated responsibility, or making recommendations to the Board on the remuneration packages of individual executive directors and senior management, and making recommendation to the Board on the remuneration of non-executive directors;

— reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office or appointment or relating to dismissal or removal of directors for misconduct; and

— ensuring that no director or any of his associates is involved in deciding his own remuneration.

The table below sets out the details of Remuneration Committee meeting attendance of each Director during the year ended 31 December 2011.

Director	Number of Remuneration Committee meetings attended
Mr. Zhang Jimin	2/2
Mr. Wong Kun Kau	2/2
Mr. Tam King Ching Kenny	2/2

REMUNERATION OF DIRECTORS

The Company has adopted full disclosure of remunerations of Directors with disclosure by name, amount and type in note 15 to the financial statements.

NOMINATION COMMITTEE

The Company has established a nomination committee with written terms of reference in compliance with the Code. The nomination committee of the Company (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 or re-appointment of members of the Board and succession planning for Directors. The Nomination Committee is also responsible for (i) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (ii) assessing the independence of independent non-executive Directors.

No meeting of the Nomination Committee was held during the year ended 31 December 2011.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2011, the Directors have selected appropriate accounting policies and applied them consistently, made judgement and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner.

The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditors' Report on page 41 of this annual report.

EXTERNAL AUDITORS

Deloitte Touche Tohmatsu were first appointed as auditors of the Company in 2011 upon the retirement of PricewaterhouseCoopers. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditors' Report on page 41 of this annual report.

The remuneration paid to Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2011 is as follows:

	2011 RMB'000
Audit services	1,128
Non-audit services	311
Total	1,439

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness.

In October 2011, West China Cement Limited appointed an independent external consulting firm as its internal control advisor 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 controls over the processes of reporting to the independent Directors, subsidiaries' management, internal duty and authority allocation, information and communication, and monitoring of budget and financial reporting; (ii) the internal audit function; (iii) certain business process level controls, including those for sales and receipts, purchase 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 the Group's new production facilities in Jianghua county.

Further to the internal control review conducted during November 2011 and December 2011 by the internal control advisor, with the assistance of the Company's internal control advisor, the Company conducted a follow up review in February 2012 and March 2012. Based on the results of the internal control advisor's reviews conducted in November 2011 and December 2011, and the follow up review conducted in February 2012 and March 2012, the internal control advisor noted that the Company had made a significant number of improvements in response to those areas where deficiencies and weaknesses were identified under the scope of review described above.

After considering the implemented internal control procedures as a result of the above reviews, the 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.

INVESTOR RELATIONS

The Company's investor relations department (the "IR Department") is focused on providing information and updates to investors and market participants in order to enhance our transparency and corporate governance.

The IR Department comprises 2 representatives responsible for communication with investors and market participants and is supported by a team of 3 representatives responsible for database management and maintenance. Databases containing full information on both publically available information regarding our operating environment and detailed records of contacts with investors and market participants is maintained. The Company also maintains regular investor relations reports to Senior Management.

During the year, our executive Directors and investor relations representatives have participated in two full scale Non Deal Roadshows, covering investors in Asia, Europe and the United States, following the release of our 2010 Annual Results and our 2011 Interim Results. In addition, the Company has participated in at least 10 major investor conferences as well as other communications with investors and market participants.

The Company's website (www.westchinacement.com) is maintained with comprehensive information regarding our operations, financial information, announcements, annual and interim reports and shareholder circulars. The Company also has a dedicated Investor Relations email address (ir@westchinacement.com) allowing investors direct communication with our IR representatives.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Company has four executive Directors, one non-executive Director and three independent non-executive Directors. Their details are set out below:

Executive Directors

Mr. Zhang Jimin — Chairman

Mr. Zhang, aged 57, the founder of our Group, is currently the Chairman and executive Director of our Company. He is responsible mainly for our overall strategy planning and investment decisions. From October 2006 to March 2011, he was also the Chief Executive Officer of the Group. Mr. Zhang is also a director of a number of our subsidiaries including West China BVI, Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai, Xiushan Yaobai, Xian Yaobai and Longqiao Yaobai.

Mr. Zhang has more than 25 years of experience in the cement industry. He was the factory manager of the Shaanxi Province Pucheng County Hanjing Town Second Cement Factory (one of the predecessors of our production facility in Pucheng) from 1985 to December 1990 and the manager of the Pucheng County Hanjing Town Cement Factory (another predecessor of our production facility in Pucheng) thereafter. These two small cement facilities represent the origins of West China Cement, demonstrating the growth of the Group under the management of Mr. Zhang.

Mr. Zhang has actively participated in various cement technology development projects and in 1992 to 1994, he led the development of low heat slag cement and moderate-heat Portland cement, winning the Second Grade Science and Technology Progress Prize issued by the Government of Shaanxi Province.

Mr. Zhang also holds several industry association and political positions. He is Chairman of the Shaanxi Province Cement Association, an industry association jointly established by The Raw Materials Division of The Industry and Information Technology Department of Shaanxi Province and various cement production enterprises in Shaanxi, holding this position since December 2009. As the Chairman of the Shaanxi Province Cement Association, Mr. Zhang promotes information exchange between cement enterprises in Shaanxi, leading the association to formulate a self-regulatory regime, maintain fair market competition, provide technology and human resources and assist the Shaanxi Government in regulating the cement industry in Shaanxi Province. Mr. Zhang is also a Xi'an City representative of the 11th Standing Committee of the Shaanxi Provincial People's Congress and participates in the plenary sessions of the 11th Standing Committee of the Shaanxi Provincial People's Congress for discussion and approval of various matters in relation to the political and economical development of Shaanxi Province.

Through these social positions, Mr. Zhang is able to maintain close contact with industry partners and local government so as to keep abreast of the latest development of the cement industry and government policies. Mr. Zhang received professional training in economic management from Peking University in July 2001.

Mr. Tian Zhenjun — Chief Executive Officer

Mr. Tian, aged 51, is an executive Director of our Company. He was appointed as our Chief Executive Officer on March 23, 2011 and is responsible for our overall administrative, human resources and operational management. Mr. Tian is a director of a number of our subsidiaries including Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai and Hetian Yaobai.

Mr. Tian received an undergraduate degree in accountancy from Shaanxi Finance & Economy College in December 2001. From August 1988 to August 1998, Mr. Tian served as the accounting manager of the Pucheng County Coal Mine, a local state-owned enterprise. He joined Shaanxi Yaobai in September 1998 and has held several positions in our Group, including general accountant, director of the finance department, assistant general manager and sales manager. Mr. Tian became a certified accountant in the PRC in October 1994.

Mr. Wang Jianli — Deputy CEO

Mr. Wang, aged 48, is an executive Director of our Company. He is Deputy CEO of the Group and is also a director of a number of our subsidiaries including Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai, Hanzhong Yaobai, Mianxian Yaobai,Xixiang Yaobai and Hetian Yaobai. He is responsible mainly for our overall production management, technology quality assurance, safety and environmental protection, efficiency management and project management.

Mr. Wang graduated from Xi'an University of Technology (formerly known as Shaanxi College of Machinery) with a bachelor's degree in engineering in December 1990. Mr. Wang has more than 28 years of experience in the cement industry. He worked at the Shaanxi Design & Research Institute of Building Materials, an integrated research institute supervised by the Science and Technology Department of Shaanxi Province and specializing in the scientific research and designing of construction materials, from December 1982 to February 2002 with a range of positions including technician, assistant engineer, engineer, senior engineer, deputy director of design institute, director of design institute and assistant to the dean; and he had been engaged in the design and technical management of cement plants during such period.

Mr. Wang has been the Chief Engineer of our Group since March 2002 and was in charge of the design and construction of our various cement production lines at Pucheng, Lantian, Xunyang, Yangxian, Mianxian, Xixiang, Xinjiang Yutian amongst others. Through such engagement, he has accumulated valuable management experience and technical knowledge. Mr. Wang has also published technical theses in cement industry journals.

Ms. Low Po Ling — Deputy CEO & IR Director

Ms. Low, aged 36, is an executive Director of our Company. She is also our Deputy CEO and Investor Relations Director. She is responsible mainly for the Company's strategic development, merger and acquisition advisory and capital market and investor relations.

Ms. Low has over 10-years experience in the accounting and finance industries and has worked in Malaysia, Singapore and the United Kingdom. Before joining our Group, Ms. Low was as an associate director of Goldenway Capital and Chang'an Capital. The former is a corporate finance advisory and investment company in Beijing and the latter is a private equity investment company in Beijing. Previously, she was an associate consultant of PricewaterhouseCoopers Consulting SdnBhd in Kuala Lumpur Malaysia; a senior auditor of BDO International in Singapore; a consultant of BDO London and a corporate finance executive with PKF (UK) LLP in London.

Ms. Low has been a member of the Association of Chartered Certified Accountants (ACCA) since 2000 and became a fellow member in 2003. She has considerable corporate finance experience and has participated in numerous successful equity and debt fund raisings and initial public offering projects.

Non-executive Director

Mr. Ma Zhaoyang — Non-executive Director

Mr. Ma, aged 43 was appointed a non-executive Director of our Company on July 29, 2010. Mr. Ma received a master's degree in management from Northwestern Polytechnic University in May 1998. Mr. Ma has been a professor of management at Northwestern Polytechnic University in Shaanxi, China since 1996. In view of his academic knowledge and extensive experience in strategic planning, Mr. Ma was appointed a non-executive Director of our Company and assumes an advisory role with us in respect of the overall strategic planning and operation of our business. Mr. Ma has been the chairman and director of Sino Vanadium Inc., a vanadium mining company listed on the TSX Venture Exchange in Canada since June 2009. He has also been a non-executive director of Taihua PLC, a pharmaceutical company listed on the LSE, where he has assumed an advisory role since December 2006. He is currently and has been an independent non-executive director of Xi'an Kaiyuan Holding Group Co., Ltd., a company listed on the Shenzhen Stock Exchange which is principally engaged in department store retail businesses and where he has assumed an advisory role since May 2006.

Independent non-executive Directors

Mr. Lee Kong Wai Conway — Independent non-executive Director

Mr. Lee, aged 57, was appointed an independent non-executive Director of our Company on July 29, 2010. Mr. Lee serves as Chairman of the audit committee of our Company, member of the remuneration committee of our Company, and also member of the nomination committee of our Company. He is mainly responsible for reviewing and advising the financial reporting process, audit process, internal control and risk management systems of the Group and providing independent advice to the Board on various financial and corporate governance matters.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee received a bachelor's degree in arts from Kingston University (formerly known as Kingston Polytechnic) in London in July 1980 and further obtained his postgraduate diploma in business from Curtin University of Technology in Australia in February 1988. Mr. Lee served as a partner of Ernst & Young over the past 29 years and held key leadership positions in the development of such firm in China. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants. Mr. Lee currently also serves as an independent non-executive director of China Taiping Insurance Holdings Company Limited, Chaowei Power Holdings Limited, China Modern Dairy Holdings Limited, Gome Electrical Appliances Holding Limited and Citic Securities Company Limited, companies listed on the main board of the HKSE since October 2009, July 2010, November 2010, March 2011 and November 2011 respectively. He was also an independent non-executive director of Sino Vanadium Inc., a company listed on the TSX Venture Exchange in Canada between October 2009 and December 2011. Mr. Lee was appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China since 2007.

Mr. Wong Kun Kau — Independent non-executive Director

Mr. Wong, aged 51, was appointed an independent non-executive Director of our Company on July 29, 2010. Mr. Wong serves as the members of audit committee and remuneration committee of our Company. He is mainly responsible for bringing an independent judgement to bear on issues of strategy, policy, performance, accountability and resources of the Company. Making use of his extensive experience in investment and capital market, he is also responsible for advising the Company on its investment strategies and business development.

Mr. Wong received a bachelor's degree in social sciences from the University of Hong Kong in November 1982. He has 28 years of experience in fund management, securities broking and corporate financing involving securities origination, underwriting and placing of equities and equity-linked products, mergers and acquisitions, corporate restructuring and reorganizations and other general corporate advisory activities. Mr. Wong has extensive experience in the Greater China region markets. He is the founder and currently the managing partner of Bull Capital Partners Ltd, a direct investment fund management company. Before founding Bull Capital Partners Ltd., Mr. Wong was the Head of Asia Investment Banking of BNP Paribas Capital (Asia Pacific) Limited from 2002 to 2007. Mr. Wong is also a non-executive Director of Sun. King Power Electronics Group Limited, a company listed on the main board of the HKSE since October 2010.

Mr. Tam King Ching Kenny — Independent non-executive Director

Mr. Tam, aged 62, was appointed an independent non-executive Director of our Company on July 29, 2010. Mr. Tam serves as chairman of remuneration committee of our Company and also the members of audit committee and nomination committee of our Company. He is mainly responsible for overseeing the policy and structure of the remuneration for Directors and senior management of our Company. He is also responsible for monitoring the Company's performance in achieving agreed corporate goals and objectives, and taking the lead where potential conflicts of interest arise.

Mr. Tam received a bachelor's degree in commerce from the Concordia University in November 1975. He is a practising Certified Public Accountant in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Tam is serving as a member of the Small and Medium Practitioners Leadership Panel and Practice Review Committee in the Hong Kong Institute of Certified Public Accountants. He is also a past president of The Society of Chinese Accountants and Auditors. Mr. Tam also serves as an independent non-executive director of five other listed companies on the main board of the HKSE, namely, Kingmaker Footwear Holdings Limited, CCT Telecom Holdings Limited, Shougang Concord Grand (Group) Limited, Starlite Holdings Limited and Van Shung Chong Holdings Limited since May 1994, December 1999, February 1996, July 2004 and September 2004, respectively, and a listed company on the GEM board of the HKSE, namely, North Asia Strategic Holdings Limited, since September 2004.

SENIOR MANAGEMENT

Yaobai Group

Mr. Li Wenyu — Deputy CEO

Mr. Li, aged 51, is mainly responsible for sales and marketing of our products. He is also a director of Shaanxi Yaobai and Longqiao Yaobai. Mr. Li received professional training in business operations from Northwest University of China in March 2003. Mr. Li served as the director of supply and marketing division of PuchengShangwang Construction Material Co., Ltd. from February 1993 to October 1997 and has been involved in the building materials industry for many years. In 1997, Mr. Li joined Shaanxi Yaobai and has held several positions in our Group including head officer of general logistics department, sales manager, general manager and chief sales officer.

Mr. Chen Zhixin — Chief Admin Officer

Mr. Chen, aged 51, is also a director of a number of our subsidiaries including Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai, Xiushan Yaobai and Jianghua Yaobai. Mr. Chen received an undergraduate degree in commanding communications from the PLA Commanding Communications Academy in July 2000. From February 1978 to December 2002, Mr. Chen worked for the army of the PRC. From December 2002 to September 2005, he worked as vice general manager of the Shaanxi West Cyber Information Co. Ltd. Mr. Chen joined Shaanxi Yaobai in September 2005 and has held several positions in our Group including assistant to the general manager of Shaanxi Yaobai, vice general manager of Shaanxi Yaobai, general manager of a branch office of Shaanxi Yaobai and general manager of Ankang Yaobai.

Mr. Li Yongji — Chief Financial Officer

Mr. Li, aged 33, is mainly responsible for finance and operating management of Yaobai Group. Mr. Li is also a director of Longqiao Yaobai. Mr. Li received a diploma in accounting from Xi'an Jiaotong University in December 2004. Mr. Li joined us in August 2002 and has worked in several departments of our Group including finance department, Lantian project department, and investment and development department. Mr. Li obtained the certificate for medium level accountant issued by Finance Department of PRC in May 2005 and a certified tax planner in the PRC in March 2009.

Mr. Yang Junqi -Chief Audit Officer

Mr. Yang, aged 35, is mainly responsible for auditing management of Yaobai Group. Mr. Yang took MBA training course for senior managements from Northwest University of China in December 2004 and received a diploma in accounting from Xi'an Jiaotong University in June 2008. Mr. Yang joined Shaanxi Yaobai in July 1998 and has held several positions in our Group including manager of the finance department, assistant chief financial officer, deputy operating supervisor and chief accountant and chief financial officer of Shaanxi Yaobai.

West China Cement Limited

Mr. Chan King Sau — Chief Financial Officer

Mr. Chan, aged 34, joined the Company on June 1, 2010. Mr. Chan was an assistant financial controller of the Company before being appointed as chief financial officer of the Company. From September 2000 to August 2008, Mr. Chan worked for Ernst & Young, in a range of positions including staff accountant, senior accountant and manager. From September 2008 to October 2009, Mr. Chan worked for Nineyou International Limited, an online game operator as chief financial officer and company secretary. He graduated from University of Hong Kong with a bachelor's degree in finance in November 2000. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants.

Mr. Sin Lik Man — Company Secretary

Mr. Sin, aged 33, joined us on May 17, 2010. He received a bachelor's degree of Business Administration, with a major in accounting from the Hong Kong University of Science and Technology in November 2000 and further received a master's degree in accounting from Curtin University of Technology, Australia in April 2007. Mr. Sin is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a fellow member of the Association of Chartered Certified Accountants (ACCA). Mr. Sin possesses about 10 years of experience in financial control, corporate finance, capital market relations, corporate governance and compliance, and company secretarial practice through his past working history which enabled him to discharge the functions as a company secretary of our Company. Mr. Sin is also an independent non-executive director of Huili Resources (Group) Limited, a company listed on the main board of the HKSE since January 2012. Before joining us, Mr. Sin worked as a senior finance manager of a subsidiary and an associated company of Norstar Founders Group Limited, a company listed on the main board of the HKSE, from April 2006 to May 2010 and was responsible for the management of the overall corporate finance and treasury functions, providing technical support on the financial control and corporate governance issues of the company. From May 2003 to September 2005, Mr. Sin served as an accounting services officer of HSBC International Trustee Limited and internal audit officer of Delta Asia Financial Group respectively. Mr. Sin was a staff accountant of Ernst & Young from September 2000 to April 2003.

DIRECTORS' REPORT

The Directors are pleased to present the annual report of the Company, including the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are manufacture and sales of cement and cement products. The activities of the principal subsidiaries are set out on page 99 to 100 of this Annual Report. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2011.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 42.

DIVIDENDS

The directors of the Company proposed to recommend the payment of a final dividend of RMB0.0142 per ordinary share for the year ended 31 December 2011. The proposed final dividend for the year ended 31 December 2011 has been approved at the Company's Board meeting on 15 March 2012. Details of the dividends for the year ended 31 December 2011 are set forth in note 13 to the consolidated financial statements.

The final dividend of RMB0.0142 per ordinary share is subject to approval by the shareholders at the forthcoming annual general meeting of the Company ("Annual General Meeting") to be held on 28 May 2012, and will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2012.

CLOSURE OF REGISTER OF MEMBERS

In order to be eligible for attending and voting at the forthcoming Annual General Meeting to be held at 28 May 2012, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shop 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 10 April 2012. The register of members of the Company will be closed from 11 April 2012 to 13 April 2012, both days inclusive, during which period no transfer of shares will be registered.

In order to determine who are entitled to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shop 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 5 June 2012. The register of members of the Company will be closed from 6 June 2012 to 8 June 2012, both days inclusive, during which period no transfer of shares will be registered. Subject to shareholder's approval of the proposed final dividend at the Annual General Meeting, the final dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2012.

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

RESERVES

Details of movements in the reserve of the Company and the Group during the year are set forth in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies (Jersey) Law 1991 as amended (the "Law"), amounted to approximately RMB1,874.7 million, of which approximately RMB60.5 million has been proposed as a final dividend for the year ended 31 December 2011. Under the Law, a company may make distribution to its shareholders out of the share premium account provided that the other requirements of the Law are followed.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2011 amounted to RMB1.9 million.

PROPERTY, PLANT AND EQUIPMENT

Details of movement of property, plant and equipment of the Group, during the year ended 31 December 2011 are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set forth in note 26 and note 35 to the consolidated financial statements, respectively.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed shares during the year ended 31 December 2011. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company during the year ended 31 December 2011.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Articles and the laws of Jersey, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2011, total sales attributable to the top five customers of the Group were less than 12% of total sales of the Group.

For the financial year ended 31 December 2011, total purchase attributable to the largest supplier accounted for approximately 17% of the total purchase of the Group and total purchases attributable to the top five suppliers of the Group were approximately 46% of total purchases of the Group.

At no time during the year did any Director or any shareholder of the Company have an interest in any of the Group's five largest suppliers or customers.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Zhang Jimin *(Chairman)*
Mr. Tian Zhenjun *(Chief executive officer)*
Mr. Wang Jianli
Ms. Low Po Ling

Non-executive Director

Mr. Ma Zhaoyang

Independent non-executive Directors

Mr. Lee Kong Wai Conway
Mr. Wong Kun Kau
Mr. Tam King Ching Kenny

According to Article 23 of the Articles, any Director so appointed shall hold office until the next following Annual General Meeting of the Company and shall then be eligible for re-election at such meeting. A circular containing the explanatory statement on repurchase by the Company of its shares, the biographical details of the director candidates and the notice of annual general meeting will be sent to shareholders of the Company.

None of the Directors has any financial, business, family or other material/relevant relationships with one another.

DIRECTORS' AND SENIOR MANAGEMENTS BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set forth on page 26 to 29 of the Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS OF THE COMPANY

Details of the emoluments of the directors and the five highest paid individuals of the Company in 2011 are set in note 15 and note 16 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contribution to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident fund legislation, subject to a cap of HKD1,000 per month.

Particular of the Group's retirement benefit schemes for its employees in Mainland China are set out in note 36 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

No contract of significance in relation to the Group's business, to which the Company, its holding company, its controlling shareholder, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, and subsisted at the end of the financial year under review or at any time during the year under review.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Director of the Company entered into a service contract with the Company for an initial term of three years commencing from the date of the Listing and may only be terminated in accordance with the provisions of the service contract by giving to the other not less than three months' prior notice in writing.

The Company has entered into an appointment letter with each of the Independent non-executive Directors of the Company for a term of one year, and appointment of which will only be terminated by either party giving to the other not less than three months prior notice in writing.

No Director proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent non-executive Directors has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guideline set forth in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Directors' and Chief Executives' Interests and Short Positions" and the "Share Option Schemes" below, at no time during the year ended 31 December 2011 was the Company, or any of its holding company or subsidiaries, a party to any arrangements to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTION

The following related party transaction as disclosed in note 37 to the consolidated financial statements also constituted connected transaction of the Company.

1. On 30 June 2011, Yaobai Jianghua Cement Co., Ltd. (安康堯柏江華水泥有限公司), an indirect wholly-owned subsidiary of the Group and Shaanxi Ankang Jianghua Group Cement Co., Ltd. (安康市江華礦產資源有限責任公司), a connected person of the Company, entered into an acquisition agreement pursuant to which the Group acquired mining rights of the mines located at Hanbin District of Ankang City, the PRC from Shaanxi Ankang Jianghua Group Cement Co., Ltd. (安康市江華礦產資源有限責任公司) at a consideration of RMB 50,000,000. For further details, please refer to the announcement of the Company dated 30 June 2011.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 31 December 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 HKSE 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 31 December 2011:

Name of director	Number of ordinary shares held as at 31 December 2011 Capacity	Total *(Note 1)*	Approximate % of issued share capital of the Company as at 31 December 2011
Zhang Jimin	Interest of a controlled corporate	1,744,873,900 (L) *(Note 2)*	40.93%
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 31 December 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 31 December 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 31 December 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 HKSE 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 HKSE pursuant to the Model Code.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2011, the Directors were not aware of any business or interest of the Directors or any substantial shareholder of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interest which any such person had or might have with the Group.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 31 December 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 31 December 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	1,744,873,900 (L)	40.93%
Zhang Jimin *(Note 2)*	Interest of a controlled corporation	1,744,873,900 (L)	40.93%
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%

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) 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 31 December 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.

ENFORCEMENT OF THE DEED OF NON-COMPETITION

Each of Mr. Zhang Jimin, Asia Gain, Ms. Zhang Lili and Central Glory Holdings Limited has undertaken to the Company, subject to the exceptions mentioned in the Company's prospectus dated 10 August 2010 (the "Prospectus") that each of them will not engage in any cement production business and details of such deed of non-competition dated 29 July 2010 are set out in the Prospectus .

The Company has received from each of Mr. Zhang Jimin, Asia Gain, Ms. Zhang Lili and Central Glory Holdings Limited an annual confirmation that it/he/she has complied with its/his/her obligations under the deed of non-competition during the year ended 31 December 2011.

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 31 December 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 year ended 31 December 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 31 December 2011	Exercised during the period ended 31 December 2011	Lapsed during the period ended 31 December 2011	Outstanding as at 31 December 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 HKD3.54 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 411,553,185 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 HKD1 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 year ended 31 December 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 31 December 2011	Exercised during the period ended 31 December 2011	Lapsed during the period ended 31 December 2011	Outstanding as at 31 December 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 HKD3.32 per share.*

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public, as at the date of this report.

AUDITORS

Deloitte Touche Tohmatsu will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors

Zhang Jimin

Chairman

15 March 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF WEST CHINA CEMENT LIMITED
(incorporated in Jersey with limited liability)

We have audited the consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 101, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong

15 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	6	**3,190,479**	2,960,781
Cost of sales		**(2,306,088)**	(1,768,358)
Gross profit		**884,391**	1,192,423
Other income	7	**156,693**	171,611
Selling and marketing expenses		**(31,537)**	(27,860)
Administrative expenses		**(183,123)**	(179,028)
Other gains and losses — net	8	**111,245**	966
Interest income	9	**10,407**	497
Finance costs	10	**(184,787)**	(101,005)
Profit before tax	11	**763,289**	1,057,604
Income tax expense	12	**(102,888)**	(124,337)
Profit for the year		**660,401**	933,267
Profit and total comprehensive income attributable to:			
— Owners of the Company		**662,128**	925,143
— Non-controlling interests		**(1,727)**	8,124
		660,401	933,267
Earnings per			
— Basic	14	**0.155**	0.255
— Diluted	14	**0.155**	0.254

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	6,352,020	3,819,616
Prepaid lease payments — non-current portion	18	292,269	176,246
Mining rights	19	131,663	64,867
Other intangible assets	20	110,293	63,077
Advances for business combination	33(a)	—	300,000
Deferred income tax assets	22	24,901	17,124
		6,911,146	4,440,930
Current assets			
Inventories	23	381,926	166,898
Trade and other receivables and prepayments	24	561,474	547,265
Restricted bank deposits	25	36,526	16,122
Bank balances and cash	25	529,612	374,459
		1,509,538	1,104,744
Total assets		8,420,684	5,545,674
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	26	119,119	118,850
Share premium		1,855,760	2,001,917
Equity reserve	27	(333,180)	(341,304)
Statutory reserve	27	376,274	220,388
Share option reserve		4,812	593
Retained earnings		2,046,690	1,540,448
		4,069,475	3,540,892
Non-controlling interests		109,066	33,124
Total equity		4,178,541	3,574,016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	28	**205,000**	131,255
Senior notes-non-current portion	29	**2,462,009**	—
Provisions for other liabilities and charges	30	**10,446**	8,444
Deferred income tax liabilities	22	**10,964**	8,959
Other liabilities	31	**44,251**	39,215
Total non-current liabilities		**2,732,670**	187,873
Current liabilities			
Trade and other payables	32	**841,774**	644,056
Senior notes-current portion	29	**78,762**	—
Current income tax liabilities		**22,937**	59,548
Borrowings	28	**566,000**	1,080,181
Total current liabilities		**1,509,473**	1,783,785
Total liabilities		**4,242,143**	1,971,658
Total equity and liabilities		**8,420,684**	5,545,674
Net current assets (liabilities)		**65**	(679,041)
Total assets less current liabilities		**6,911,211**	3,761,889

The consolidated financial statements on pages 42 to 101 were approved and authorised for issue by the Board of Directors on 15 March 2012 and are signed on its behalf by:

Zhang Jimin
DIRECTOR

Tian Zhenjun
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to equity holders of the Company								
	Share capital (Note 26)	Share premium	Equity reserve (Note 27)	Share option reserve	Statutory reserve (Note 27)	Retained earnings	Total	Non-controlling interests	Total equity
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 year	—	—	—	—	—	925,143	925,143	8,124	933,267
Profit appropriations	—	—	—	—	102,248	(102,248)	—	—	—
Recognition of equity-settled share-based payments *(Note 35(c))*	—	—	—	418	—	—	418	—	418
New shares issued for new listing of the Company's shares *(Note 26)*	19,972	1,310,167	—	—	—	—	1,330,139	—	1,330,139
New shares issued for exercise of share options *(Note 35(a))*	1,255	18,975	—	(5,264)	—	—	14,966	—	14,966
At 31 December 2010	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 year	**—**	**—**	**—**	**—**	**—**	**662,128**	**662,128**	**(1,727)**	**660,401**
Profit appropriations	**—**	**—**	**—**	**—**	**155,886**	**(155,886)**	**—**	**—**	**—**
Purchase of additional interests in a subsidiary	**—**	**—**	**8,124**	**—**	**—**	**—**	**8,124**	**(33,124)**	**(25,000)**
Acquisition of subsidiaries *(Note 33)*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**110,793**	**110,793**
Recognition of equity-settled share-based payments *(Note 35(c))*	**—**	**—**	**—**	**4,812**	**—**	**—**	**4,812**	**—**	**4,812**
New shares issued for exercise of share options *(Note 35(a))*	**269**	**4,091**	**—**	**(593)**	**—**	**—**	**3,767**	**—**	**3,767**
Dividend recognised as distribution	**—**	**(150,248)**	**—**	**—**	**—**	**—**	**(150,248)**	**—**	**(150,248)**
At 31 December 2011	**119,119**	**1,855,760**	**(333,180)**	**4,812**	**376,274**	**2,046,690**	**4,069,475**	**109,066**	**4,178,541**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**763,289**	1,057,604
Adjustments for:			
Finance costs		**184,787**	101,005
Interest income		**(10,407)**	(497)
Exchange gain not realised		**(112,460)**	(1,217)
Depreciation of property, plant and equipment		**316,928**	205,506
Loss on disposal of property, plant and equipment		**431**	702
Amortisation of prepaid lease payments		**6,690**	2,885
Amortisation of mining rights		**6,040**	3,197
Amortisation of other intangible assets		**2,129**	2,055
(Reversed)/provision of allowances for doubtful debts		**(5,153)**	8,495
Government grants credited to income		**(4,101)**	(3,464)
Bargain purchase gain		**(3,173)**	—
Share-based payment expenses		**4,812**	418
Operating cash flows before movements in working capital		**1,149,812**	1,376,689
Increase in inventories		**(77,828)**	(37,919)
Increase in trade and other receivables		**(56,333)**	(321,182)
Increase in trade and other payables		**(78,574)**	77,173
Cash generated from operations		**937,077**	1,094,761
Income tax paid		**(149,583)**	(106,132)
Net cash generated from operating activities		**787,494**	988,629

	Notes	2011 RMB'000	2010 RMB'000
INVESTING ACTIVITIES			
Interest received		**10,407**	497
Purchase of property, plant and equipment		**(1,658,913)**	(1,321,645)
Addition of prepaid lease payments		**(16,701)**	(56,368)
Purchase of mining rights		**(71,629)**	(21,691)
Purchase of other intangible assets		**(166)**	(28)
Proceeds from disposal of property, plant and equipment		**3,470**	2,219
Government grants received for acquisition of property, plant and equipment		**12,837**	23
Advances for business combination		**—**	(200,000)
Acquisition of subsidiaries, net of cash acquired	*33*	**(665,252)**	—
Withdrawal of restricted bank deposits		**12,258**	19,015
Placement of restricted bank deposits		**(32,662)**	(15,555)
Net cash used in investing activities		**(2,406,351)**	(1,593,533)
FINANCING ACTIVITIES			
New borrowings raised		**810,000**	1,375,620
Net proceeds from issuance of senior notes		**2,563,240**	—
Net proceeds from issuance of shares in new listing		**—**	1,330,139
Proceeds from exercise of share option		**3,767**	14,966
Repayment of borrowings		**(1,285,939)**	(1,825,759)
Dividends paid		**(150,248)**	—
Purchase of additional interests in a subsidiary		**(25,000)**	—
Repayment of payable to non-controlling interests of a subsidiary		**—**	(140,320)
Interest paid		**(145,782)**	(121,577)
Net cash generated from financing activities		**1,770,038**	633,069
Net increase in cash and cash equivalents		**151,181**	28,165
Cash and cash equivalents at 1 January		**374,459**	346,258
Effect of foreign exchange rate changes		**3,972**	36
Cash and cash equivalents at 31 December, represented by bank balances and cash		**529,612**	374,459

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 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 are listed on the main board of the HKSE.

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

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

In the current year, the Group has applied, for the first time, the following new and revised Standards and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB which are or have become effective.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (Revised 2009)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14(Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and disclosures set out in these consolidated financial statements.

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

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 *Effective for annual periods beginning on or after 1 July 2011*

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

3 *Effective for annual periods beginning on or after 1 January 2015*

4 *Effective for annual periods beginning on or after 1 January 2012*

5 *Effective for annual periods beginning on or after 1 July 2012*

6 *Effective for annual periods beginning on or after 1 January 2014*

IFRS (IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the Interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with IAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. The current accounting policy of the Group is stated in note 3.

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013 with transitional provisions. The directors of the Company anticipate that the Interpretation will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on HKSE and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or sharebased payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented as an intangible asset.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities, net of discounts.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities.

Sale of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

Prepaid lease payments

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the Group's defined contribution retirement benefit plans, including state-managed retirement schemes in PRC and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively by the enacted end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment ("PPE")

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Except for mining assets (see Note (a) and (b) below), depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment ("PPE") (Cont'd)

Mining assets include the following:

(a) Stripping costs

Stripping costs incurred during the development of a limestone mine are capitalized into PPE. Stripping costs incurred during the production phase are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred. Capitalized stripping costs are depleted on a unit of production basis, using estimated resources as the depletion base.

(b) Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")

The Group recognizes provision for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and mineral assets under PPE, when those obligations result from the acquisition, construction, or normal operation of the assets. Initially, a provision for an asset retirement obligation is recognized as its present value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using the unit of production method. Following initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Mining rights

The cost of acquiring rights for the Group to extract a mine over a certain period is capitalized and subsequently stated at cost less accumulated amortization and impairment loss. Amortization of mining rights is calculated to write off the cost less accumulated impairment losses over the useful lives of the mines in accordance with the production plans and reserves of the mines estimated on the unit of production method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other then financial assets or liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees, points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, cash and cash equivalents, as well as restricted bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets set out below).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

Financial assets are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 60-90 days as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including borrowings, trade and other payables, senior notes and other liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions , including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Impairment losses on tangible and intangible assets (excluding goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. FINANCIAL INSTRUMENTS

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes the borrowings, senior notes, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a semi-annual basis. In order to maintain or adjust the capital structure, the Group will balance its overall capital structure through adjust the payment of dividends paid to shareholders, issue new shares or issue of new debt or the redemption of existing debt.

b. Categories of financial instruments

	2011 RMB'000	2010 RMB'000
Financial assets		
— Loans and receivables (including cash and cash equivalents)	**909,425**	814,218
Financial liabilities		
— Amortised cost	**3,969,740**	1,728,757

c. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables, borrowings, senior notes and other liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Foreign currency risk

The Group undertakes transactions, mainly including issuance of senior notes and new shares as well as borrowings, denominated in foreign currencies other than the functional currency of RMB. Hence, exposures to exchange rate fluctuations arise.

4. FINANCIAL INSTRUMENTS (Cont'd)

c. Financial risk management objectives and policies (Cont'd)

Market risks (Cont'd)

(i) Foreign currency risk (Cont'd)

The Group does not use derivative financial instruments to hedge its foreign currency risk. The carrying amounts of Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	31/12/2011	31/12/2010	**31/12/2011**	31/12/2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
United States Dollar ("USD")				
— Bank balances and cash	**—**	—	**25,019**	17,939
— Senior notes	**2,540,771**	—	**—**	—
— Borrowings	**—**	563,602	**—**	—
Other foreign currency (including Hong Kong Dollar, Great Britain Pound and Singapore Dollar)				
— Bank balances and cash	**—**	—	**5,396**	2,206

The Group is mainly exposed to the fluctuation in USD against RMB.

The directors' assessment of the reasonably possible change in foreign exchange rate is 10% which is also the sensitivity rate used when reporting foreign currency risk internally to key management personnel. For a 10% weakening of RMB against USD, there will be a decrease in the profit for the year of RMB251,575,000 (2010: RMB54,566,000) and there would be an equal but opposite impact on the profit for the year for a 10% strengthen of RMB against USD.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and senior notes (see note 28 and note 29 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank borrowings (see note 25 and note 28 for details). The Group's variable-rate borrowings are affected by movements in Interbank Borrowing Rates and the interest rates quoted by People's Bank of China. The Group does not have formal policies on managing interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's sensitivity to interest rate risk has been determined based on the exposure for non-derivative instruments at the end of each of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis points higher/lower based on and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would be decreased/increased by approximately RMB844,000 (2010: decreased/increased by RMB1,533,000).

4. FINANCIAL INSTRUMENTS (Cont'd)

c. Financial risk management objectives and policies (Cont'd)

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, bank balances and cash, restricted bank deposits. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group also reviews the recoverable amount of each individual debt regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on trade receivables is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

The credit risk on liquid funds is limited because the counter parties are authorised banks in the PRC and Hong Kong.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and senior notes and ensures compliance with relevant agreements covenants. As at 31 December 2011, the Group has available unutilised banking facilities of approximately RMB135,000,000 (31 December 2010: RMB150,000,000) which are expected to meet the Group's future expansion and satisfy its existing liabilities. The management is also in the process of negotiating with the banks to refinance its short term banking facilities to long term in order to satisfy the Group's future investing cash outflow.

In order to mitigate the liquidity risk, the management regularly monitors the operating cash flow of the Group to meet its liquidity requirements in short and long term.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest payments are floating rate the undiscounted amount is derived from interest rate at the end of reporting period.

4. FINANCIAL INSTRUMENTS (Cont'd)

c. Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	Weighted average effective interest rate %	Less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2011						
Trade and other payables	—	646,493	11,476	—	657,969	657,969
Borrowings (principal and interest)						
— variable rates	6.06–7.22	593,493	203,911	—	797,404	765,000
— interest free	0	1,000	2,000	3,000	6,000	6,000
Senior notes	8.04	189,027	189,027	2,992,928	3,370,982	2,540,771
		1,430,013	406,414	2,995,928	4,832,355	3,969,740

	Weighted average effective interest rate %	Less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2010						
Trade and other payables	—	508,721	4,900	—	513,621	513,621
Borrowings (principal and interest)						
— variable rates	5.56–13.94	993,046	132,000	—	1,125,046	1,095,436
— fixed rates/interest free	0–6.11	111,884	1,000	5,000	117,884	116,000
Other liability, interest free		—	3,700	—	3,700	3,700
		1,613,651	141,600	5,000	1,760,251	1,728,757

The amounts included above for variable interest rate non-derivative financial liabilities are subject to change if changes in interest rates differ to those estimates of interest rates determined at the end of the reporting period.

d. Fair values of financial instruments

The fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values other than senior notes, which set out in Note 29.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

The Group determine the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. These estimates may change in the future as a result of technical innovations and competitor actions. The directors of the Company will increase depreciation charges where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the year in which such determination is made.

As at 31 December 2011, deferred tax asset of RMB24,901,000 (2010: RMB17,124,000) has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Impairment on trade and other receivables

The Group makes allowances for and write-off of bad and doubtful debts based on an assessment of the recoverability of the receivables. Receivables may be impaired where events or changes in circumstances indicate that the balances may not be collectable. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of the receivables and doubtful debts expenses in the year in which such estimate has been changed. As at 31 December 2011, the aggregate carrying amount of trade and other receivables is approximately RMB345,912,000 (2010: RMB324,557,000). Details of movements of allowance for doubtful debts are disclosed in Note 24.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Operating licences

The Group's licences to operate at each of mines expire at various dates from August 2011 to December 2022. The directors of the Company believe that the Group will be able to renew these licences at their option and at minimal cost, provided the Group complies with the terms of the licence. The useful lives of the Group's mining assets included in PPE of approximately RMB566,953,000 (2010: RMB352,462,000), and mining rights of approximately RMB131,663,000 (2010: RMB64,867,000) and the Group's operating results would be adversely affected if any licences could not be renewed.

Impairment of inventories

The Group writes down inventories to net realizable value based on an assessment of the realisability of inventories. The assessment of write-downs requires the directors' judgment and estimates. Where expectation is different from an original estimate, the difference will impact the carrying values of inventories and may result in write-downs of inventories in the period in which such estimates have been changed.

Environmental provision

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, the Group is presently not involved in any environmental remediation and has not incurred any amounts for environmental remediation relating to its operations. The environmental provision is based on the directors' best estimate in accordance with the information provided by a third party (Note 30). Under existing legislation, the directors of the Company believe that there are no further probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards, which could require increased expenditure in the future.

6. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the production and sale of cement. The Group's Chief Executive Officer, the chief operating decision maker reviews the results of individual plants to make decisions about the allocation of resources. These plants have similar economic characteristics and each plant's products, production process and distribution methods are similar. In addition, the operation of the plants is under similar regulatory environment that governs production of cement and they have similar type or class of customers. Therefore they are presented as a single reportable segment. All of the revenue and operating results of the Group are derived in western of China. The revenue represents the sale of cement during each of the year ended 31 December 2011 and 2010.

7. OTHER INCOME

	2011 RMB'000	2010 RMB'000
Tax refund *(Note (a))*	**145,934**	162,647
Government grant	**10,608**	8,964
Others	**151**	—
	156,693	171,611

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

8. OTHER GAINS AND LOSSES — NET

	2011 RMB'000	2010 RMB'000
Net foreign exchange gains on financing activities *(Note (a))*	**108,488**	1,181
Loss on disposal of property, plant and equipment	**(431)**	(702)
Bargain purchase gain recognised in business combinations *(Note 33)*	**3,173**	—
Others	**15**	487
	111,245	966

(a) Net foreign exchange gains mainly relate to the translation of the senior notes and bank borrowings from USD to RMB for each of the year ended 31December 2011 and 2010.

9. INTEREST INCOME

	2011 RMB'000	2010 RMB'000
Interest income from bank balances and cash and restricted bank deposits	**10,407**	497

10. FINANCE COST

	2011 RMB'000	2010 RMB'000
Interest expenses on bank and other borrowings wholly repayable within five years	**43,713**	128,595
Interest expenses on senior notes	**187,430**	—
Arrangement fee expensed on repayment of borrowings *(Note 28(a))*	**35,503**	7,479
Unwinding of discount *(Note 30)*	**545**	424
Less: amount capitalised	**(82,404)**	(35,493)
	184,787	101,005

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.5% (2010: 9.0%) per annum to expenditure on qualifying assets.

11. PROFIT BEFORE TAX

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

	2011 RMB'000	2010 RMB'000
Depreciation of property plant and equipment	**316,928**	205,927
Amortisation of prepaid lease payments	**6,690**	2,885
Amortisation of mining rights	**6,040**	3,197
Amortisation of other intangible assets	**2,129**	2,055
Total depreciation and amortisation	**331,787**	214,064
Auditors' remuneration	**1,439**	1,750
(Reversal)/provision of allowances for doubtful debts	**(5,153)**	8,495
Wages and salaries (include directors' emoluments)	**121,905**	83,482
Share option expenses	**4,812**	418
Retirement benefit scheme contributions	**14,719**	5,888
Total staff cost	**141,436**	89,788
Cost of inventories recognised as expenses	**2,100,366**	1,486,887
Loss on disposal of property, plant and equipment	**431**	702

12. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Current tax	**112,972**	127,041
Deferred tax *(Note 22)*	**(10,084)**	(2,704)
Income tax expense	**102,888**	124,337

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

The income tax provision of the Group in respect of operations in PRC has been calculated at the applicable tax rate on the estimated assessable profits for each of the year ended 31 December 2011 and 2010 based on existing legislations, interpretations and practices.

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

Income tax expenses for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2011 RMB'000	2010 RMB'000
Profit before tax	**763,289**	1,057,604
Tax at domestic income tax rate of 25% (2010: 25%)	**190,822**	264,401
Tax effects of:		
Expenses not deductible for tax purpose	**24,282**	29,424
Tax effect of tax exemption and reduced tax rate under tax holiday *(Note (a))*	**(128,395)**	(164,112)
Tax credit *(Note (b))*	**(3,219)**	(6,085)
Tax effect of changes in tax rate of deferred tax assets recognized	**2,819**	—
Withholding tax on distributed profits of PRC subsidiaries and interest income on intra-group loans *(Note (c))*	**16,005**	—
Tax losses not recognised for deferred tax assets	**574**	709
Tax expense for the year	**102,888**	124,337

12. INCOME TAX EXPENSE (Cont'd)

(a) Pursuant to the Western Development Policy ("WDP Policy"), an enterprise is entitled to the preferential EIT rate of 15%, if its principal business engages in projects listed in the Catalogue for Industries, Products and Technologies Currently and Particularly Encouraged by the State for Development as their principal business and the revenue from the principal operations accounts for over 70% of their total revenue of the enterprise. The effective period of the WDP Policy announced in year of 2001 ("Old Notice") is from 1 January 2001 to 31 December 2010. In July 2011, a new notice under WDP Policy was announced to extend the preferential EIT rate as stated in the Old Notice from 1 January 2011 to 31 December 2020 ("New Notice"). The operations of certain subsidiaries, Yaobai Special Cement Group Co., Ltd. ("Shaanxi Yaobai"), Xi'an Lantian Yaobai Cement Co. Ltd. ("Lantian Yaobai"), Ankang Yaobai Cement Co. Ltd. ("Ankang Yaobai") and Hanzhong Yaobai Cement Co. Ltd. ("Hanzhong Yaobai"), have met the requirements under the WDP Policy of the Old and New Notices for the both years.

In addition, Lantian Yaobai, being a foreign invested enterprise, is entitled to a two-year tax holiday from its first profit-making year and a further three-year 50% tax reduction pursuant to old PRC corporate income tax law. 2011 is the last year of which Lantian Yaobai is entitled to the three-year 50% tax reduction.

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

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

	2011	2010
Shaanxi Yaobai	**15%**	7.5%
LantianYaobai	**7.5%**	7.5%
Ankang Yaobai	**15%**	15%
Hanzhong Yaobai	**15%**	15%
Luxin	**0%**	0%

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

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

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

13. DIVIDEND

	2011 RMB'000	2010 RMB'000
Dividends recognised as distribution during the year:		
2011 Interim — RMB2.00 cents (2010: 2010 interim dividend RMB: Nil) per share	**85,215**	—
2010 Final — RMB1.53 cents (2010: 2009 final dividend RMB: Nil) per share	**65,033**	—
	150,248	—

The dividends of 2011 Interim and 2010 Final were paid out from the Company's share premium, which were in compliance with the Articles of Association adopted by the Company and Companies (Jersey) Law 1991, as amended.

Subsequent to the end of the report period, a final dividend of RMB1.42 cents per share in respect of the year ended 31 December 2011 (2010: final dividend of RMB1.53 cents per share in respect of the year ended 31 December 2010) in total of approximately RMB60,535,000 (2010: RMB65,033,000) has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

14. 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:

	2011 RMB'000	2010 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**662,128**	925,143

Number of shares	**2011**	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,258,993**	3,623,230
Effect of dilutive potential ordinary shares share options and warrants	**—**	23,658
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,258,993**	3,646,888

The calculation of diluted earnings per share did not take into account the share options of the Company for the year ended 31 December 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 during the year ended 31 December 2010 has been taken into account in the calculation of the weighted average number of ordinary shares, which has been set out in Note 26.

15. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

2011	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Share options scheme accrued RMB'000	Total RMB'000
Directors					
Zhang Jimin	—	1,210	17	—	1,227
Low Po Ling	—	720	—	—	720
Wang Jianli	—	809	21	557	1,387
Tian Zhenjun*(ii)*	—	1,011	21	836	1,868
Ma Zhaoyang*(iii)*	248	—	—	84	332
Independent non-executive directors					
Lee Kong Wai Conway*(iv)*	248	—	—	84	332
Wong Kun Kau*(iv)*	248	—	—	84	332
Tam King Ching Kenny*(iv)*	248	—	—	84	332
	992	3,750	59	1,729	6,530

2010	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Share options scheme accrued RMB'000	Total RMB'000
Directors					
Zhang Jimin	—	1,200	—	—	1,200
Low Po Ling	—	720	—	221	941
Wang Jianli	—	466	—	—	466
Tian Zhenjun*(ii)*	—	500	—	—	500
Ma Zhaoyang*(iii)*	58	—	—	—	58
Independent non-executive directors					
Lee Kong Wai Conway*(iv)*	58	—	—	—	58
Wong Kun Kau*(iv)*	58	—	—	—	58
Tam King Ching Kenny*(iv)*	58	—	—	—	58
Robert Sinclair Robertson*(i)*	—	853	—	88	941
Brett Lance Miller*(i)*	—	597	—	22	619
	232	4,336	—	331	4,899

15. DIRECTORS' EMOLUMENTS (Cont'd)

No directors waived any emoluments in both years.

The changes of the directors for the year ended 31 December 2010 were as follows:

(i) Resigned as non-executive director on 29 July 2010.

(ii) Appointed as executive director on 17 May 2010.

(iii) Appointed as non-executive director on 29 July 2010.

(iv) Appointed as independent non-executive director on 29 July 2010.

There is no change in the year ended 31 December 2011.

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2010: five) were directors of the Company whose emoluments are included in the disclosures in Note 15 above. The emoluments of the remaining two (2010: Nil) individuals were as follows:

	2011 RMB'000	2010 RMB'000
Basic salaries and allowances	1,485	—
Pension costs — defined contribution plans	31	—
Share-based payment	665	—
	2,181	—

The above employees' emoluments were within the following bands:

	Number of employees	
	2011	2010
Nil to HKD1,000,000	1	—
HKD1,000,001 to HKD1,500,000	—	—
HKD1,500,001 to HKD2,000,000	1	—

17. PROPERTY, PLANT AND EQUIPMENT

	Property and plant RMB'000	Motor vehicles RMB'000	Electronic and other equipment RMB'000	Machinery RMB'000	Mining assets RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2010	874,493	23,511	21,742	1,293,466	167,446	524,877	2,905,535
Additions	890	9,441	3,781	24,728	10,574	1,367,548	1,416,962
Transfers	513,951	—	17,281	611,933	199,868	(1,343,033)	—
Eliminated on disposals	—	(3,747)	—	(814)	—	—	(4,561)
At 31 December 2010	1,389,334	29,205	42,804	1,929,313	377,888	549,392	4,317,936
Additions	76,043	19,584	6,960	35,207	6,880	1,727,328	1,872,002
Arising from acquisition of subsidiaries *(Note 33)*	363,960	5,144	67,769	543,358	1,000	—	981,231
Transfers	224,293	4,455	55,582	283,514	250,420	(818,264)	—
Eliminated on disposals	(36)	(4,150)	(269)	(910)	—	—	(5,365)
At 31 December 2011	2,053,594	54,238	172,846	2,790,482	636,188	1,458,456	7,165,804
DEPRECIATION							
At 1 January 2010	75,756	3,876	4,950	196,541	12,910	—	294,033
Provided for the year	56,118	3,056	5,302	128,935	12,516	—	205,927
Eliminated on disposals	—	(1,214)	—	(426)	—	—	(1,640)
At 31 December 2010	**131,874**	**5,718**	**10,252**	**325,050**	**25,426**	**—**	**498,320**
Provided for the year	**88,549**	**5,461**	**19,953**	**159,156**	**43,809**	**—**	**316,928**
Eliminated on disposals	**(11)**	**(769)**	**(158)**	**(526)**	**—**	**—**	**(1,464)**
At 31 December 2011	**220,412**	**10,410**	**30,047**	**483,680**	**69,235**	**—**	**813,784**
CARRYING VALUES							
At 31 December 2011	**1,833,182**	**43,828**	**142,799**	**2,306,802**	**566,953**	**1,458,456**	**6,352,020**
At 31 December 2010	**1,257,460**	**23,487**	**32,552**	**1,604,263**	**352,462**	**549,392**	**3,819,616**

The annual rate of depreciation for above items of property, plant and equipment, other than construction in progress and mining assets, are as follows:

Category of property, plant and equipment	Rate
Property and plant	5%
Motor vehicles	12%
Electronic and other equipment	19%
Machinery	8%

Details of property, plant and equipment pledged are set out in Note 38.

18. PREPAID LEASE PAYMENTS

	2011 RMB'000	2010 RMB'000
Current asset *(Note 24)*	**18,633**	1,808
Non-current asset	**292,269**	176,246
	310,902	178,054

	RMB'000
COST	
Balance at 1 January 2010	127,410
Addition	56,368
Balance at 31 December 2010	183,778
Addition	16,701
Acquisition of subsidiaries *(Note 33)*	122,837
Balance at 31 December 2011	323,316
AMORTISATION	
Balance at 1 January 2010	2,839
Charge for the year	2,885
Balance at 31 December 2010	5,724
Charge for the year	6,690
Balance at 31 December 2011	12,414
CARRYING AMOUNT	
As at 31 December 2011	310,902
As at 31 December 2010	178,054

Prepaid lease payment are amortised over periods ranging between 36 years to 50 years.

Details of prepaid lease payments pledged are set out in Note 38.

19. MINING RIGHTS

	RMB'000
COST	
Balance at 1 January 2010	49,594
Addition	21,691
Balance at 31 December 2010	71,285
Addition	71,629
Acquisition of a subsidiaries *(Note 33(c))*	1,207
Balance at 31 December 2011	144,121
AMORTISATION	
Balance at 1 January 2010	3,221
Charge for the year	3,197
Balance at 31 December 2010	6,418
Charge for the year	6,040
Balance at 31 December 2011	12,458
CARRYING AMOUNT	
As at 31 December 2011	131,663
As at 31 December 2010	64,867

Mining rights are granted from the respective Land and Resource Bureaus. The useful lives of the mining rights range from 8 years to 55 years.

20. OTHER INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationships RMB'000	Computer software RMB'000	Total RMB'000
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 33(c))*	49,133	—	46	49,179
Addition	—	—	166	166
At 31 December 2011	94,407	20,610	320	115,337
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 year	—	2,015	114	2,129
At 31 December 2011	—	4,889	155	5,044
Carrying amount				
At 31 December 2011	94,407	15,721	165	110,293
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 December 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 of the Company 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 in this year.

21. IMPAIRMENT TESTING ON GOODWILL AND CUSTOMER RELATIONSHIPS

For the purposes of impairment testing, goodwill and customer relationships set out in Note 20 have been allocated to two individual cash generating units (CGUs). The carrying amounts of goodwill and customer relationship allocated to these units are as follows:

The management regularly determines if there is impairment of any of its CGUs containing goodwill or customer relationships.

	Goodwill		Customer relationships	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cement plant-Xiushan Yaobai	**45,274**	45,274	**15,721**	17,736
Cement plant-Luxin	**49,133**	—	**—**	—
	94,407	45,274	**15,721**	17,736

During the year, the directors of the Company determine that there is no impairment of any of its CGUs containing goodwill or customer relationships.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of the above CGUs have been determined based on the value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period with growth rate of 5% (2010: 3%), and discount rate of 15.43% (2010: 10%). This growth rate is based on the industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using zero growth rates. The key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the above CGUs to exceed their recoverable amounts.

22. DEFERRED INCOME TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2011	2010
	RMB'000	RMB'000
Deferred tax assets	**24,901**	17,124
Deferred tax liabilities	**(10,964)**	(8,959)
	13,937	8,165

22. DEFERRED INCOME TAX (Cont'd)

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

	Allowance and accrued expenses RMB'000	Deferred income RMB'000	Loans recorded at amortised cost RMB'000	Tax losses RMB'000	Assets booked at fair value on acquisition RMB'000	Other RMB'000	Total RMB'000
At 1 January 2010	3,477	9,357	—	—	(8,079)	706	5,461
Credited (charge) to profit or loss	4,768	(478)	(1,593)	—	713	(706)	2,704
At 31 December 2010	8,245	8,879	(1,593)	—	(7,366)	—	8,165
Credited (charge) to profit or loss	(3,249)	1,764	1,593	9,262	714	—	10,084
Acquisition of subsidiaries	—	—	—	—	(4,312)	—	(4,312)
At 31 December 2011	**4,996**	**10,643**	**—**	**9,262**	**(10,964)**	**—**	**13,937**

At the end of the reporting period, the Group has unused tax losses of RMB42,921,000 (2010: RMB3,574,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB37,049,000 (2010: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB5,872,000 (2010: RMB3,574,000) due to the unpredictability of future profit streams. The tax losses unrecognised for deferred income tax assets that will expire as follows:

	2011 RMB'000	2010 RMB'000
Expire in 2014	**737**	737
Expire in 2015	**2,837**	2,837
Expire in 2016	**2,298**	—
	5,872	3,574

22. DEFERRED INCOME TAX (Cont'd)

Deferred taxation was not provided for in the consolidated financial statements of the Group for the year ended 31 December 2010 in respect of undistributed profits of relevant PRC subsidiaries, as the management confirmed that profits generated by the relevant PRC subsidiary in 2008, 2009 and 2010 will not be distributed to its foreign investor in the foreseeable future.

During the current year, the management of the Group has reassessed the dividend policy of its PRC subsidiaries based on the Group's current business plan and financial position. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiary has been distributed to its foreign investor and as such, current tax liability in this respect was been provided for accordingly in the consolidated financial statements of the Group (see Note 12(C)).

The aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately RMB2,157,349,000 (2010: RMB1,845,420,000).

23. INVENTORIES

	2011 **RMB'000**	2010 RMB'000
Raw materials and consumables	**193,726**	114,166
Work in progress	**111,283**	25,127
Finished goods	**76,917**	27,605
	381,926	166,898

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2011 **RMB'000**	2010 RMB'000
Trade receivables	**131,900**	230,609
Less: provision for impairment of trade receivables	**(6,561)**	(11,714)
Bills receivable	**29,874**	23,218
VAT recoverable	**94,655**	44,679
VAT refund receivable	**35,752**	17,173
Other receivables	**60,292**	20,592
Prepayments	**196,929**	220,900
Prepaid lease payment	**18,633**	1,808
Trade and other receivables and prepayments — net	**561,474**	547,265

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Cont'd)

The Group allows a credit period of 60-90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2011 RMB'000	2010 RMB'000
0 to 90 days	**40,199**	159,559
91 to 180 days	**51,948**	31,585
181 to 360 days	**21,735**	14,770
361 to 720 days	**11,457**	10,211
Over 720 days	**—**	2,770
	125,339	218,895

Bills receivable are mainly aged within six months.

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. RMB31,650,000 (2010: RMB136,205,000) of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB93,689,000 (2010: RMB82,690,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 116 days (2010: 98 days).

Ageing of trade receivables which are past due but not impaired

	2011 RMB'000	2010 RMB'000
0 to 90 days	**8,548**	60,991
91 to 180 days	**51,948**	21,431
Over 180 days	**33,193**	268
	93,689	82,690

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Cont'd)

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. Movement in the allowance for doubtful debts:

	2011 RMB'000	2010 RMB'000
1 January	**(11,714)**	(4,881)
Impairment losses recognised on receivables	**—**	(7,058)
Amounts written off as uncollectible	**—**	225
Impairment losses reversed	**5,153**	—
31 December	**(6,561)**	(11,714)

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB6,561,000 (2010: RMB11,714,000) which have financial difficulties.

25. BANK BALANCES AND CASH/RESTRICTED BANK DEPOSITS

	2011 RMB'000	2010 RMB'000
Restricted bank deposits		
— denominated in RMB	**36,526**	16,122
Bank balances and cash		
— denominated in RMB	**499,197**	354,314
— denominated in USD	**25,019**	17,939
— denominated in other currency	**5,396**	2,206
	529,612	374,459

Bank balances and cash and restricted bank deposits carry interest at market rates of 0.50% (2010: 0.36%) per annum.

Restricted bank deposits represent cash set aside as a result of issuance of trade facilities and as securities for the trade facilities granted to the Group by banks. The Group used the trade facilities in projects bidding process which were required by contractors.

26. SHARE CAPITAL

	Note	Number of shares '000	Share capital GBP'000
Authorised			
Ordinary shares of GBP0.1 each at 1 January 2010		200,000	20,000
Increase on subdivision of shares on 20 July 2010	*(a)*	9,800,000	—
Ordinary shares of GBP0.002 each at 31 December 2010 and 2011		10,000,000	20,000

	Note	Number of shares '000	Share capital Shown in the consolidated financial statements GBP'000	RMB'000
Ordinary shares of GBP0.1 each as at 1 January 2010		64,862	6,486	97,623
Increase on subdivision of shares on 20 July 2010	*(a)*	3,178,238	—	—
New shares issued for new listing of the Company's shares	*(b)*	946,588	1,893	19,972
Exercise of share options *(Note 35)*		60,812	122	1,255
Ordinary shares of GBP0.002 each as at 31 December 2010		4,250,500	8,501	118,850
Exercise of share options *(Note 35)*		12,500	25	269
Ordinary shares of GBP0.002 each as at 31 December 2011		**4,263,000**	**8,526**	**119,119**

(a) On 20 July 2010, shareholders approved a 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 subdivision came into effect upon the commencement of trading of the Company's ordinary shares on the HKSE on 23 August 2010.

(b) On 23 August 2010, the Company issued 946,588,000 new ordinary shares of GBP0.002 each at a subscription price of HKD1.69 per share under a global offering. The new ordinary shares of the Company were listed on the HKSE on 23 August 2010.

27. OTHER RESERVES

Equity Reserve

(i) On 27 October 2006, the Company became the legal parent of West China BVI by way of a share exchange agreement. According to the share exchange agreement, the shareholders of West China BVI transferred the entire issued share capital of West China BVI to the Company. This business combination is regarded as a reverse acquisition whereby West China BVI, the legal subsidiary, is the acquirer and has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities. The difference between the fair value and carrying amount of net assets of West China BVI at the acquisition date amounted to RMB341,304,000 resulting from this reverse acquisition was represented in equity reserve.

(ii) On 10 January 2011, the Group signed an agreement with the non-controlling shareholder of Longqiao to acquire the remaining 20% equity interests in Longqiao from the non-controlling shareholder. The difference amounted to RMB8,124,000 between the consideration paid of RMB25,000,000 and the non-controlling interest decreased of RMB33,124,000 was recognised directly in equity reserve.

Statutory Reserve

In accordance with relevant rules and regulations in the PRC and provision of the articles of association of the group companies established in the PRC, the group companies in the PRC are required to appropriate 10% of the profit after taxation determined under the accounting principles and financial regulations applicable in the PRC to the statutory reserve until the balances reach 50% of their respective registered capital. The reserve can be used to offset losses incurred or to increase their respective paid-in capital. Except for offset of losses incurred, any other usage should not result in the reserve balance falling below 25% of registered capital.

28. BORROWINGS

	2011 RMB'000	2010 RMB'000
Bank loans	**765,000**	1,205,436
Other loans	**6,000**	6,000
	771,000	1,211,436
Secured	**765,000**	1,205,436
Unsecured	**6,000**	6,000
	771,000	1,211,436
Carrying amount repayable as follows:		
Within one year	**566,000**	1,080,181
More than one year but not more than two years	**202,000**	126,255
More than two years but not more than five years	**3,000**	5,000
	771,000	1,211,436
Less: Amount due for settlement within one year and shown under current liabilities	**566,000**	1,080,181
Amount due after one year	**205,000**	131,255

	2011 RMB'000	2010 RMB'000
Bank Loans:		
The analysis of the terms of the bank loans were as follows:		
Fixed rate borrowings		
— within one year	**—**	110,000
Variable rate borrowings		
— within one year	**565,000**	970,181
— more than one year but not more than two years	**200,000**	125,255
	765,000	1,205,436
Analysis of borrowings by currency:		
Denominated in RMB	**765,000**	667,255
Denominated in USD *(a)*	**—**	538,181

28. BORROWINGS (Cont'd)

(a) On 14 December 2010, the Group entered into a bridge loan agreement of USD85,000,000 (approximately equal to RMB538,181,000 at 31 December 2010) with ICBCI International Finance Limited (the "ICBCI Bridge Loan"). The ICBCI Bridge Loan is secured by (i) an equity pledge over Shaanxi Yaobai provided by Faithful Alliance Limited ("Faithful Alliance"), a subsidiary of the Group; (ii) a share mortgage over the shares in Faithful Alliance executed by West China BVI; and (iii) a personal guarantee provided by Mr. Jimin Zhang ("Mr Zhang") in favor of the lender. In addition, share certificates of 1,000,000 issued shares of the Company held by the chairman of the board, Mr. Zhang were delivered to the lender under a custody arrangement. The ICBCI Bridge Loan was subsequently repaid on 25 January 2011. The contracted interest rate was 4.30%, with effective interest rate of 13.94% after adjusted for transaction cost.

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

	2011	2010
Effective interest rate per annum:		
Fixed rate borrowings	**—**	5.31% to 6.11%
Variable rate borrowings	**6.06% to 7.22 %**	5.56% to 13.94 %

Other borrowings:

Other borrowings are all lent by third parties, unsecured and denominated in RMB. All of the other borrowings as at 31 December 2011 and 2010 are interest free.

	2011 **RMB'000**	2010 RMB'000
Within one year	**1,000**	—
More than one year but not more than two years	**2,000**	1,000
More than two years but not more than five years	**3,000**	5,000
	6,000	6,000

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

Details of pledge of assets for the Group's secured bank borrowings are set out in Notes 38.

29. SENIOR NOTES

On 25 January 2011, the Company issued 7.5%, five-year senior notes with aggregated principal amount of USD400,000,000 (the "Senior Notes") at 100% of the face value. The Senior Notes are listed on the Singapore Exchange Securities Trading Limited and jointly guaranteed by certain subsidiaries and secured by pledges of the shares of the subsidiaries.

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

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

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

	2011 RMB'000
Net proceeds	2,563,240
Interest expenses	186,145
Interest paid	(97,020)
Exchange gains	(111,594)
Carrying amount at 31 December 2011	2,540,771
Less: Non-current portion	(2,462,009)
Current portion	78,762
Fair value at 31 December 2011	2,066,695

The fair value of Senior Notes represents the market price of the senior notes at the end of report period.

30. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	2011 RMB'000	2010 RMB'000
1 January	**8,444**	6,265
Additional provisions	**1,457**	1,755
Unwinding of discount *(Note 10)*	**545**	424
31 December	**10,446**	8,444

According to a regulation issued in 2009 by the Ministry of Land and Resources of the People's Republic of China, the owner of a mine should undertake the obligation of environmental restoration. A provision is recognised for the present value of costs to be incurred for the restoration of the limestone mines of the Group based on the best estimate of future expenditure by the management. However, so far the local Land and Resource Bureau has not issued specific rules for the restoration standard, and if the restoration standard is released, the estimate of restoration costs may be subject to revision in the future. The amounts provided in relation to restoration and environmental cleanup costs are reviewed at least annually based upon the facts and circumstances available at the time, and the provisions are updated accordingly.

31. OTHER LIABILITIES

	2011 RMB'000	2010 RMB'000
Non-current		
Deferred income for purchase of equipment *(Note(a))*	**44,251**	35,515
Long-term payables for mining rights *(Note(b))*	**—**	3,700
	44,251	39,215

(a) Deferred income represents government grants to the Group's subsidiaries for the purchase of domestic equipment. The balance will be amortised based on the useful life of the equipment of 12 years.

(b) At 31 December2010, long-term payables amount of RMB3,700,000 represented amounts payable for the purchase of mining rights from the Ministry of Land and Resource of Lantian County, which is interest free and repayable in installments up to 2012. The carrying amount of the payable approximates to its fair value. It has been reclassified to current liabilities and included in trade and other payables at 31 December 2011.

32. TRADE AND OTHER PAYABLES

	2011 RMB'000	2010 RMB'000
Trade payables	**328,328**	327,195
Payables for constructions and equipment purchase	**253,804**	127,532
Advance from customers	**133,853**	80,213
Other tax liabilities	**25,238**	27,587
Bills payable	**17,580**	—
Payroll and welfare payable	**17,225**	12,813
Accrued expenses	**7,490**	9,823
Other payables	**58,256**	58,893
	841,774	644,056

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

	2011 RMB'000	2010 RMB'000
0 to 90 days	**232,021**	174,258
91 to 180 days	**61,084**	66,934
181 to 360 days	**26,313**	28,506
361 to 720 days	**8,087**	44,594
Over 720 days	**823**	12,903
	328,328	327,195

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

33. ACQUISITION OF SUBSIDIARIES

(a) On 6 January 2011, a subsidiary of the Group, 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, "Ankang Yaobai Jianghua"), together with a 20% non-controlling shareholder, 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 fellow subsidiary, 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 Ankang Yaobai Jianghua as paid-in-capital, respectively.

The above group of assets and liabilities injected by Jianghua constitute cement production business covering in producing and selling cements. This transaction has been accounted for as a business combination using the acquisition method.

As at 6 January 2011, Ankang Yaobai Jianghua was injected to the following assets and liabilities:

	Contributed by		
	Jianghua	The Group	Total
	RMB'000	RMB'000	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 Jianghua	(298,468)	—	(298,468)
Net assets	80,013	320,000	400,013

	RMB'000
Gain arising on acquisition:	
Non-controlling interests (20% in Ankang Yaobai Jianghua)	80,003
Less: net assets contributed by Jianghua	(80,013)
Gain arising on acquisition	(10)

The amount of approximately RMB298,468,000 due to Jianghua represents the value of assets contributed by Jianghua in excess of its share of paid-in-capital.

Since the Group have paid advances to Jianghua for this acquisition for amount of RMB100,000,000 and RMB200,000,000 in November 2009 and December 2010, respectively, there is no cash flow arising on the acquisition in current year.

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

33. ACQUISITION OF SUBSIDIARIES (Cont'd)

(a) (Cont'd)

Included in the profit for the year is RMB4,568,000 attributable to the additional business generated by Ankang Yaobai Jianghua. Revenue for the year includes RMB274,641,000 in respect of Ankang Yaobai Jianghua.

Had the acquisition been effected at 1 January 2011, the revenue of the Group for the year would have been RMB3,190,479,000, and the profit for the year would have been RMB671,411,000. The proforma information is for illustrative purposes 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.

(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 (韓城曉柏陽山莊水泥有限公司, "Hancheng Yangshanzhuang"), together with a 20% non-controlling shareholder, namely Shanxi 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 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 constitute cement production business covering producing and selling cements. This transaction has been accounted for as a business combination and using the acquisition method.

As at 30 June 2011, the Hancheng Yangshanzhuang was injected to the following assets and liabilities:

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

33. ACQUISITION OF SUBSIDIARIES (Cont'd)

(b) (Cont'd)

	RMB'000
Gain arising on acquisition:	
Non-controlling interests (20% in Hancheng Yangshanzhuang)	30,790
Less: net assets contributed by Yangshanzhuang	(33,953)
Gain arising on acquisition	(3,163)
Cash outflow arising on acquisition	
Cash paid to Yangshanzhuang	530,000

The amount of approximately RMB530,000,000 due to Yangshanzhuang represents the value of assets contributed by Yangshanzhuang in excess of its share of paid-in-capital.

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

Included in profit for the year is loss of RMB13,201,000 attributable to the additional business generated by Hancheng Yangshanzhuang. Revenue for the year includes RMB84,012,000 in respect of Hancheng Yangshanzhuang.

Had the acquisition been effected at 1 January 2011, the revenue of the Group for the year would have been RMB3,298,878,000, and the profit for the year would have been RMB693,710,000. The proforma information is for illustrative purposes 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.

33. ACQUISITION OF SUBSIDIARIES (Cont'd)

(c) On 31 May 2011, the Group acquired 100% interest in Luxin from an independent third party for a consideration of RMB160,000,000. Luxin is principally engaged in cement manufacturing in Xinjiang. This acquisition has been accounted for using the acquisition method. The net assets acquired at the date of acquisition are as follows:

	Fair value RMB'000
Property, plant and equipment	150,596
Prepaid lease payments	11,038
Mining rights	1,207
Other intangible assets	46
Inventories	37,200
Trade and other receivables and preypaments	37,339
Bank balances and cash	24,748
Deferred income tax liabilities	(4,312)
Trade and other payables	(56,995)
Amount due to a former equity holder	(90,000)
	110,867
Goodwill arising on acquisition:	
Consideration transferred	160,000
Less: net assets acquired	(110,867)
Goodwill	49,133
Net cash outflow arising on acquisition	
Consideration paid in cash	160,000
Less: Cash and cash equivalents acquired	(24,748)
Cash outflow on acquisition	135,252

Goodwill arising in the 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.

Acquisition-related costs amounting to RMB350,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of comprehensive income.

33. ACQUISITION OF SUBSIDIARIES (Cont'd)

(c) (Cont'd)

Included in the profit for the year are RMB48,817,000 attributable to the additional business generated by Luxin. Revenue for the year includes RMB111,511,000 in respect of Luxin.

Had the acquisition been effected at 1 January 2011, the revenue of the Group for the year would have been RMB3,226,986,000, and the profit for the year would have been RMB676,930,000. The proforma information is for illustrative purposes 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.

34. CAPITAL COMMITMENTS

	2011 **RMB'000**	2010 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**571,426**	657,890

35. SHARE-BASED PAYMENTS

(a) Pre-IPO Share Option Scheme and warrants

The Company has adopted a share option scheme on 27 October 2006 (the "Pre-IPO Share Option Scheme"), when the Company was listed on the Alternative Investment Market (the "AIM") of the London Stock Exchange. The Share options in Pre-IPO Share Option Scheme are granted to directors and advisors of the Company respectively. They are exercisable starting after two years from the grant date. The options have a contractual option term of five years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All of the share options granted under this scheme have been exercised as at 31 December 2011. The Pre-IPO Share Option Scheme has been terminated with effect from the listing of the Company's shares on the HKSE. No further options will be granted under the Share Option Scheme after such termination.

On 14 April 2008 and 15 July 2009, the Company granted to Mr. Anthony Schindler ("Mr. Schindler") the right to subscribe (the "Warrants") for up to 420,000 ordinary shares of £0.10 each in the capital of the Company before the subdivision of shares (21,000,000 ordinary shares GBP0.002 each in the capital of the Company after subdivision of shares) ("Warrant Shares"), representing approximately 0.49% of the existing issued share capital of the Company after the subdivision of shares upon exercise of the Warrants in full. All the warrants have exercised as at 31 December 2010.

35. SHARE-BASED PAYMENTS (Cont'd)

(a) Pre-IPO Share Option Scheme and warrants (Cont'd)

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

	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 0.03	73,312
Exercised during the period	GBP 0.03	(12,500)	GBP 0.02	(60,812)
Outstanding as at 31 December		—	GBP 0.03	12,500

For each of the year ended 31 December 2011 and 2010, as a result of exercise of share options of Pre-IPO Share Option Scheme and warrants, total exercise price of RMB3,767,000 and RMB14,966,000 were received by the Company.

Share options outstanding at 31 December 2010 will expire in 2014, which have been exercised during this year.

(b) Post-IPO Share Option Scheme

The Company's share option scheme (the "Post-IPO Share Option Scheme"), was adopted pursuant to a resolution passed on 23 March 2011 for the primary purpose of providing incentives to directors and eligible employees, and will expire 10 years after the date of grant. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the Post-IPO Share Option Scheme was 18,400,000. The total number of shares in respect of which options may be granted under the Post-IPO Share Option Scheme is not permitted to exceed 10% of the issued shares capital of the Company as at 23 August 2010, which aggregated at 411,533,185 shares, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 21 days of the date of offer, upon payment of HKD1 per grant. Options 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. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

35. SHARE-BASED PAYMENTS (Cont'd)

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

Details of the share options granted during for the year ended 31 December 2011 with exercise price at HKD3.41 per share 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	

There is no exercising and lapsing of the share options of Post-IPO Share Option Scheme during the year ended 31 December 2011 after granted.

35. SHARE-BASED PAYMENTS (Cont'd)

(c) Fair value of the share options

The fair values of the options determined at the date of grant using the Black-Scholes option pricing model. The following assumptions were used to calculate the fair values of share options:

	2011
Weighted average share price	HKD3.41
Exercise price	HKD3.41
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%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB4,812,000 for the year (2010: RMB418,000) in relation to share options granted by the Company.

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.

36. RETIREMENT BENEFITS PLANS

The employees of the Group's subsidiaries are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute 20% of payroll costs to the retirement benefit scheme to fund the benefits. In addition, the Group participate in the Mandatory Provident Fund Scheme for its employees in Hong Kong. The Group and its employees in Hong Kong contribute 5% of the Hong Kong employees' monthly salary to the scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in the profit or loss of RMB14,719,000 (2010: RMB5,888,000) represents contributions paid or payable under the retirement benefit scheme.

37. RELATED PARTY DISCLOSURES

(a) The Group acquired mining rights from a shareholder of 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:

	2011 RMB'000	2010 RMB'000
Salaries and other short-term employee benefits	8,883	6,932
Post-employment benefits	161	5
Share-based payments	3,061	331
	12,105	7,268

38. ASSETS PLEDGED FOR SECURITY

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:

	2011 RMB'000	2010 RMB'000
Prepaid lease payments	47,345	41,710
Property, plant and equipment	1,609,640	1,435,827
	1,656,985	1,477,537

As at 31 December 2011, the Group provided jointly guarantee through pledge of the shares of certain subsidiaries under the Senior Notes arrangement (Note 29).

39. EVENT AFTER THE REPORTING PERIOD

On 15 March 2012, Shaanxi Yaobai entered into an equity transfer agreement with three independent third parties, Shaanxi Xin Yi Da Investment Company Limited, Shaanxi Shifeng Concrete Company Limited and Shaanxi Chang You Hua Gong Company Limited pursuant to which (i) the three shareholders have conditionally agreed to transfer and Shaanxi Yaobai has conditionally agreed to acquire the a 55% interest in Shaanxi Shifeng Cement Company Limited ("Shifeng Cement") for a total consideration of RMB401,500,000; and Shaanxi Shifeng Concrete Company Limited has conditionally agreed to grant an option to Shaanxi Yaobai to acquire 10% interest in Shifeng Cement for a total consideration of RMB73,000,000. The equity transfer agreement is effective upon satisfying a condition precedent on or before 24 March 2012. Details of the proposed transaction are set out in the Company's announcement on 15 March 2012.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at the end of the reporting period are as follows:

Name of subsidiary	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company 2011	2010	Principal activities
Directly held						
West China Cement Co. Ltd.	Ordinary	British Virgin Islands	HKD7,800	**100%**	100%	Investment holding
Faithful Alliance 集誠有限公司	Ordinary	Hong Kong	HKD100	**100%**	100%	Investment holding
Shannxi Yaobai 堯柏特種水泥集團有限公司	Ordinary	Shaanxi, PRC	RMB1,620,000,000	**100%**	100%	Production and sale of cement
Lantian Yaobai 西安藍田堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB100,000,000	**100%**	100%	Production and sale of cement
Ankang Yaobai 安康堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB345,000,000	**100%**	100%	Production and sale of cement
Hanzhong Yaobai 漢中堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB135,000,000	**100%**	100%	Production and sale of cement
Hanzhong Mianxian Yaobai Cement Co. Ltd. 漢中勉縣堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB140,000,000	**100%**	100%	Production and sale of cement
Xi'an Yaobai Material Co.Ltd. 西安市堯柏物資有限公司	Ordinary	Shaanxi, PRC	RMB135,000,000	**100%**	100%	Purchase and sale of raw material
Hanzhong Xixiang Yaobai Cement Co, Ltd. 漢中西鄉堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB105,000,000	**100%**	100%	Production and sale of cement

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of subsidiary	Class of share held	Place of registration/ incorporation and operation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest/ voting power held by the Company 2011	2010	Principal activities
Shangluo Yaobai Longqiao Cement Co. Ltd ("Longqiao") 商洛堯柏龍橋水泥有限公司	Ordinary	Shaanxi, PRC	RMB125,000,000	**100%** *(Note 27)*	80%	Production and sale of cement
Xiushan Yaobai Cement Co, Ltd. 商洛堯柏秀山水泥有限公司	Ordinary	Shaanxi, PRC	RMB20,000,000	**100%**	100%	Production and sale of cement
Ankang Yaobai Jianghua 安康堯柏江華水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	**80%** *(Note 33)*	—	Production and sale of cement
Hanchen Yaobai Yangshanzhuang 韓城堯柏陽山莊水泥有限公司	Ordinary	Shaanxi, PRC	RMB150,000,000	**80%** *(Note 33)*	—	Production and sale of cement
Luxin 和田魯新建材有限公司	Ordinary	Xinjiang, PRC	RMB200,000,000	**100%** *(Note 33)*	—	Production and sale of cement
Hetian Yaobai Cement Co, Ltd. 和田堯柏水泥有限公司	Ordinary	Xinjiang, PRC	RMB236,000,000	**100%** *(a)*	—	Production and sale of cement
Hancheng Yangshanzhuang Hualong Transportation Co, Ltd. 韓城市陽山莊華龍運輸有限公司	Ordinary	Shaanxi, PRC	RMB1,000,000	**100%** *(a)*	—	Production and sale of cement
Weinan PuchengYaobai. Cement Co, Ltd. 渭南蒲城堯柏水泥有限公司	Ordinary	Shaanxi, PRC	RMB200,000,000	**100%** *(a)*	—	Production and sale of cement

(a) The subsidiaries were newly set up in current year.

41. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2011 RMB'000	2010 RMB'000
ASSETS		
Non-current assets		
Unlisted investments in a subsidiary	**1,582,846**	1,240,532
Amount due from subsidiaries	**2,770,437**	1,045,058
	4,353,283	2,285,590
Current assets		
Dividend receivable from a subsidiary	**170,000**	17,078
Cash and cash equivalents	**23,607**	19,894
	193,607	36,972
Total assets	**4,546,890**	2,322,562
EQUITY		
Share capital	**119,119**	118,850
Share premium	**1,855,760**	2,001,917
Share option reserve	**4,812**	593
Retained earnings	**18,965**	(346,094)
Total equity	**1,998,656**	1,775,266
LIABILITIES		
Non-current liabilities		
Senior notes-non current portion *(Note 29)*	**2,462,009**	—
Current liabilities		
Borrowing	**—**	538,181
Senior notes-current portion *(Note 29)*	**78,762**	—
Other payables	**7,463**	9,115
	86,225	547,296
Total liabilities	**2,548,234**	547,296
Total equity and liabilities	**4,546,890**	2,322,562
Net current assets	**107,382**	(510,324)
Total assets less current liabilities	**4,460,665**	1,775,266

GROUP FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2007 RMB'000 (note 1)	2008 RMB'000 (note 1)	2009 RMB'000 (note 1)	2010 RMB'000	**2011** **RMB'000**
Revenue	525,929	866,126	1,516,766	2,960,781	**3,190,479**
Profit before tax	150,273	257,729	375,147	1,057,604	**763,289**
Income tax expense	—	(11,566)	(44,687)	(124,337)	**(102,888)**
Profit for the year	150,273	246,163	330,460	933,267	**660,401**
Attributable to:					
Owners of the Company	150,273	246,163	330,460	925,143	**662,128**
Minority interests	—	—	—	8,124	**(1,727)**
	150,273	246,163	330,460	933,267	**660,401**

ASSETS AND LIABILITIES

	At 31 December				
	2007 RMB'000 (note 1)	2008 RMB'000 (note 1)	2009 RMB'000 (note 1)	2010 RMB'000	**2011** **RMB'000**
Total assets	1,218,617	1,926,073	3,673,579	5,545,674	**8,420,684**
Total liabilities	(536,176)	(995,989)	(2,378,353)	(1,971,658)	**(4,242,143)**
	682,441	930,084	1,295,226	3,574,016	**4,178,541**
Equity attributable to:					
Owners of the Company	682,441	930,084	1,270,226	3,540,892	**4,069,475**
Minority interests	—	—	25,000	33,124	**109,066**
	682,441	930,084	1,295,226	3,574,016	**4,178,541**

Note:

1. *The figures for the three years ended 31 December 2009 have been extracted from the prospectus of the Company dated 10 August 2010.*