中國西部水泥有限公司

WEST CHINA CEMENT LIMITED

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

Interim Report 2012

Contents

CORPORATE INFORMATION

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

Non-Executive Directors
Ma Zhaoyang
Ma Weiping

Independent Non-Executive Directors
Lee Kong Wai Conway
Wong Kun Kau
Tam King Ching Kenny

COMPANY SECRETARY
Chan King Sau *HKICPA*

AUTHORIZED REPRESENTATIVES
Low Po Ling *FCCA*
Chan King Sau *HKICPA*

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
Wong Kun Kau
Lee Kong Wai Conway

MEMBERS OF THE NOMINATION COMMITTEE
Zhang Jimin *(Chairman)*
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PRINCIPAL BANKER
Agricultural Bank of China Limited
Bank of China
Bank of Xi'an

FINANCIAL HIGHLIGHTS

RMB' Million (unless otherwise specified)	**Six months ended 30 June 2012**	Six months ended 30 June 2011	% Change
Cement Sales Volume (million tons)	**6.4**	5.9	8.5%
Revenue	**1,590.1**	1,713.0	(7.2%)
Gross Profit	**301.9**	566.9	(46.7%)
EBITDA	**479.8**	691.3	(30.6%)
Profit Attributable to Shareholders	**148.5**	419.0	(64.6%)
Basic Earnings Per Share	**0.03**	0.10	(70.0%)
Interim Dividend	**Nil**	0.02	(100.0%
Gross Profit Margin	**19.0%**	33.1%	(14.1 ppt)
EBITDA Margin	**30.2%**	40.4%	(10.2 ppt)
Net Profit Margin	**9.5%**	24.6%	(15.1 ppt)

	30 June 2012	31 December 2011	% Change
Total Assets	**9,655.7**	8,420.7	14.7%
Net Debt[1]	**3,636.2**	2,745.7	32.4%
Net Gearing[2]	**79.6%**	65.7%	13.9 ppt
Net Assets Per Share	**1.07**	0.98	9.2%

Notes:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the six months ended 30 June 2012, West China Cement Limited (the "Company") and its subsidiaries (together, the "Group") has taken significant steps in consolidating its position as the largest cement producer in Shaanxi Province as well as expanding into Xinjiang Province, where economic and infrastructure growth promoted by the PRC Government's Western Development Policy remains a key feature of the 12th Five-Year Plan. This expansion and consolidation has been executed against a backdrop of a tough cement pricing environment carried over from the second half of 2011. Whilst average selling prices ("ASPs") of cement for the six months ended 30 June 2012 are significantly lower than the corresponding period in 2011, the Group has seen some gradual improvement in this pricing environment, particularly in the second quarter of 2012. Cement sales volumes have been reasonable, and the Group has continued to benefit from a resilient rural market in the absence of a significant pick up in the infrastructure market.

The Group's focus during the six months ended 30 June 2012 has been on consolidating its core markets in Shaanxi Province. The Shifeng Cement Plant and the Fuping Cement Plant acquisitions, described in more detail below, have been particularly significant in extending the Group's core market reach in eastern Shaanxi Province and represent an important step in the supply rationalisation process in Shaanxi Province. Outside of Shaanxi Province, the Group has completed the construction of the 2 million ton cement capacity Yutian Plant in Hotan, Xinjiang Province and this plant will commence production in the second half of 2012.

The Group's capacity as at 30 June 2012 has reached 21.7 million tons, including 650,000 tons of capacity in Xinjiang Province. This capacity further increased to 23.7 million tons with the commissioning of the Xinjiang Yutian Plant in July 2012, taking the Group closer to its medium term target of 30 million tons of capacity by 2015.

Operating Environment

The market backdrop to this has been one of oversupply in Shaanxi Province which has affected the Group's ASP and profitability. In spite of this oversupply, reasonable levels of cement demand coupled with an increasingly disciplined supply scenario have resulted in gradually improving prices and profit margins since the fourth quarter of 2011 and first quarter of 2012.

The Group exited 2011 facing a tough operating environment. A significant level of production capacity additions had come on stream in 2011, concentrated in Central Shaanxi in particular. This had precipitated competition amongst producers, resulting in a decrease in the price of cement products. These supply additions coincided with two other factors that exacerbated competition and price falls. Firstly, credit tightening and lower growth levels of fixed asset investment ("FAI") in China as a whole had led to some slowdown in infrastructure projects. Secondly, Shaanxi Province experienced its highest rainfall for over 50 years in the second half of 2011, leading to further construction slowdowns and high levels of cement inventory resulting in weak cement prices.

The low pricing environment has resulted in two distinct long-term benefits for the Shaanxi cement industry. Firstly, consolidation has proceeded rapidly. The Group has been a prime mover in this process, acquiring two 2 million ton cement plants in the first half of 2012, resulting in Shaanxi Province now at a level of market concentration for the top four producers of approximately 80% of NSP production. In addition, the low pricing has resulted in the continued eradication of small scale, non-NSP kilns in the province.

After the 2012 Chinese New Year holidays, following the traditional low season months of January and February, Shaanxi Province saw the first of three rounds of gradual price increases for cement products across the province and the Group has been able to increasingly benefit from these through the first half of 2012. The Group sees this improving pricing environment as evidence of some pricing discipline returning to the Shaanxi market and, whilst gradual, these price increases have held into the second quarter.

Sales volumes to rural markets have remained particularly resilient. The low pricing environment has allowed the Group to take over a significant portion of the rural market from smaller, inefficient producers, and this has been especially evident in the Southern Shaanxi regions of Shangluo, Ankang and Hanzhong, core market areas where market dominance allows the Group to retain high levels of market share and thus maintain certain pricing premiums. The "Southern Shaanxi Resettlement Project," which has been proceeding according to Government plans, has remained a strong driver of demand for the Group's cement products in the south and the Group maintains its target of supplying approximately 1.2 million tons of cement, approximately 12% of the Group's cement capacity in Southern Shaanxi, to this project alone in 2012. The infrastructure market, however, has not seen a strong pick up in the first half of 2012. Some projects, especially water conservancy ones related to the "Hanjiang to Weihe River Project," have proceeded in the first half, but the Group has not yet seen a significant return of infrastructure construction. The Company expects more activity on this front in the second half of 2012, as described in the section headed "Prospects" below.

This has resulted in the Group's sales of low-grade cement accounting for approximately 70% of total cement sales for the six months ended 30 June 2012, with high-grade cement accounting for approximately 30%, a similar proportion to the second half of 2011. Whilst reflecting the fact that infrastructure construction in Shaanxi Province has yet to pick up significantly, this ratio also reflects the inherent strength of construction in the rural markets in Shaanxi Province. This adds a defensive quality to earnings and the Group is able to benefit from the continued policy of value added tax ("VAT") rebates on low-grade cement products that use recycled industrial waste as a production input.

Expansion and Acquisitions in Shaanxi Province

In the first half of 2012, the Group has maintained its focus as a prudent consolidator in its core markets in the eastern and southern parts of Shaanxi Province.

In April 2012, the newly constructed Shangluo Danfeng Line 2 plant, with an annual capacity of 1.5 million tons of cement, was commissioned. This plant raises the Group's capacity in Shangluo Region, a remote mountainous area with some of the highest cement prices in Shaanxi Province, to 3.3 million tons, maintaining a dominant position in this region.

In March and June 2012, the Group completed two important acquisitions — the Shifeng Cement Plant and the Fuping Cement Plant, respectively. These two acquisitions considerably strengthen the Group's position and pricing power in the Weinan Region and eastern central Shaanxi Province, eliminating competition in the Weinan Region, and extending market reach into the Fuping County and northeastern Xi'an metropolitan markets. The Group sees these acquisitions as a significant step in the supply consolidation process in Shaanxi Province.

The purchase consideration for the Shifeng Cement Plant, a facility with an annual cement production capacity of 2 million tons and a 9MW residual heat recycling system, situated in Fuping County, was approximately RMB365 per ton of cement capacity on an enterprise value ("EV") basis, financed by internal cash flow and bank borrowings. The 2 million ton cement capacity Fuping Cement Plant, also in Fuping County, was valued at RMB337 per ton of cement capacity on an EV basis. The Fuping Cement Plant was acquired from the Italcementi Group and this transaction included a 35% interest in the above-mentioned Shifeng Cement Plant. The acquisition was executed on a share for asset basis with the Italcementi Group, whereby the Group issued 284,200,000 new shares, representing 6.25% of the then enlarged share capital of the Group, to Italcementi Group at HK$2.1815, representing a 27.2% premium to the prevailing 20 day moving average price. As part of this agreement, the Italcementi Group has agreed to a three-year lock-up in the shares and has nominated a non- executive director to the Board. The directors of the Company (the "Directors") are very pleased to welcome one of the world's largest international cement producers as a substantial shareholder of the Group.

Further details of these acquisitions are discussed in the "Material Acquisitions and Disposals" section below and in the announcements of the Company dated 15 March 2012, 16 April 2012 and 4 May 2012, respectively.

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 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. FAI 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, with an annual production of 650,000 ton, has been operating at normal capacity during the first half of 2012. The Yutian Plant, also located in the Hotan Region with an annual production capacity of 2 million tons, commenced construction in April 2011 and was commissioned in July 2012. The Group expects to ramp up the Yutian Plant to a normal production capacity during the third quarter of 2012.

Other Expansion and Acquisitions

As part of the Group's medium term target of reaching 30 million tons of capacity by 2015, the Group has identified and obtained licences for three further projects in provinces outside of Shaanxi in the west of China. All of these projects follow the industry trends of consolidation, have superior locations in high growth areas and potentially represent low acquisition cost projects for the Group in the current environment. These projects are currently at the preliminary stages of appraisal, due diligence and project planning and the Group has committed no more than a total of RMB100 million of capital expenditure to all three of these projects. The Board's decision on proceeding with these projects will be taken with careful consideration given to the Group's cash flow and funding abilities going forward, and the Group will not be committing further expenditure over and above the RMB100 million already committed in fiscal year 2012.

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 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.

During the first half of 2012, the Group has continued constructing residual heat recovery systems and three more of these are due to be installed and come into operations by year end 2012. These systems reduce the Group's production lines' 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 30 June 2012, residual heat recovery systems have been installed at 9 out of 16 production lines, and with systems for three more due to be completed in the second half of 2012, the Group expects to achieve a rate of close to 75% of capacity with heat recovery systems installed by the end of the year.

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 first half of 2012, charitable donations made by the Group amounted to RMB2.5 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 7.2% from RMB1,713.0 million for the six months ended 30 June 2011 to RMB1,590.1 million for the six months ended 30 June 2012. This was in spite of a growth in cement sales volume of approximately 8.5% from approximately 5.9 million tons to approximately 6.4 million tons for this period. The Group's capacity expanded in both existing and new markets in Shaanxi Province as well as a small contribution from the expansion into Xinjiang Province. New production facilities that have commenced operation, have been ramping up production, or were acquired since 30 June 2011, include:

- 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
- Shangluo Danfeng Line 2 — commenced operation in April 2012
- Weinan Shifeng Plant — acquired in March and June 2012
- Weinan Fuping Plant — acquired in June 2012

There has been little revenue contribution in the reporting period from the Weinan Shifeng and Weinan Fuping Plants as these plants were acquired in March and June, with operations not being taken over by the Group until acquisition date.

The Group's decrease in revenue as compared with the increase in sales volume has been due to significant declines in the Group's ASPs in Shaanxi Province as compared with the corresponding period in 2011. Reasons for this decline are discussed in the "Operating Environment" section above. ASP for the Group's cement products in the six months ended 30 June 2012 was RMB234 per ton as compared with RMB289 per ton in the six months ended 30 June 2011.

Cost of Sales

Cost of sales increased by 12.4% from RMB1,146.1 million for the six months ended 30 June 2011 to RMB1,288.2 million for the six months ended 30 June 2012. The increase was primarily due to the 8.5% growth in sales volume, as well as higher raw material costs, electricity costs and increases in unit production costs as a result of lower productivity. These increases have been partially offset by lower coal cost.

Due to a more competitive operating environment, the Group has raised the quality standards of its cement products. This has resulted in higher production costs, especially relating to raw material costs. The total cost of raw material has increased by approximately 26%, partly due to higher sales and production volumes and partly due to this higher raw material consumption as a result of the higher standards of cement products produced by the Group.

This was due to higher sales and production volumes, as well as increases in unit electricity prices. The average unit electricity cost, after taking into account of the savings from the heat recycling system, increased from approximately RMB0.43 per kwh in the six months ended 30 June 2011 to approximately RMB0.45 per kwh in the six months ended 30 June 2012. Whilst electricity consumption per ton of cement has improved slightly, the higher unit electricity cost has resulted in an approximate 2.1% increase in the cost of electricity per ton of cement. The installation of residual heat recovery systems has continued to minimise the Group's electricity costs.

Total depreciation cost and other plant overheads for the six months ended 30 June 2012 were significantly higher as compared with the corresponding period in 2011 due to the increase in operating plants and capacity. However, as productivity levels have been lower in the current period, this has resulted in higher unit depreciation cost and other plant overheads.

Staff costs, though only accounting for approximately 3% to 4% of total costs of sales, have increased by approximately 33.4% during the period under review. This is due to the increase of the number of operating plants and wage inflation over the period.

The average unit coal cost decreased by approximately 7.9% from approximately RMB636 per ton in the six months ended 30 June 2011 to approximately RMB586 per ton in the six month ended 30 June 2012. This decrease was mainly due to general falls in coal prices in the PRC during the reporting period under review as well some as some efficiencies gained through new procurement methods.

Gross Profit and Gross Profit Margin

Despite the increase in the sales volume, gross profit decreased by RMB265.0 million, or 46.7%, from RMB566.9 million for the six months ended 30 June 2011 to RMB301.9 million for the six months ended 30 June 2012. Gross profit margins decreased from 33.1% for the six months ended 30 June 2011 to 19.0% for the six months ended 30 June 2012.

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

(i) decreases in ASP by approximately 19.0%;

(ii) increases in input costs such as electricity and 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. These expenses increased by 9.5% from RMB91.7 million for the six months ended 30 June 2011 to RMB100.4 million for the six months ended 30 June 2012. This was mainly due to the increase in staff salaries, the number of production facilities in Shaanxi and Xinjiang Provinces, as well as additional legal and professional fees incurred for acquisitions during the reporting period under review.

Other Income

Other income comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as a production input, and government grants. Other income decreased by 2.8% from RMB82.4 million for the six months ended 30 June 2011 to RMB80.1 million for the six months ended 30 June 2012. The decreases in the Group's revenue has resulted in lower levels of VAT refunds, although this has been partially offset by a shift in sales mix towards lower grade cement products which are entitled to VAT refunds. Therefore, the percentage of VAT refunds over sales has improved, resulting in only a modest decline in other income as compared with the decline in revenues.

Other Gains and Losses — net

Other losses increased by RMB59.6 million from a RMB45.9 million gain for the six months ended 30 June 2011 to a RMB13.7 million loss for the six months ended 30 June 2012. The losses were primarily due to exchange losses of RMB10.0 million (six months ended 30 June 2011: exchange gain of RMB40.7 million) arising from foreign exchange translation of the Senior Notes.

Interest Income

Interest income decreased by RMB6.0 million from RMB7.0 million for the six months ended 30 June 2011 to RMB1.0 million for the six months ended 30 June 2012. The prior period balance was primarily due to bank deposit interest income arising from the Senior Notes issued in January 2011. The funds raised from the Senior Notes issuance have been mostly utilised in the Company's expansion.

Finance Costs

Finance costs decreased by RMB37.7 million or 35.0% from RMB107.8 million for the six months ended 30 June 2011 to RMB70.1 million for the six months ended 30 June 2012. Included in the prior period finance costs were early repayment charges of RMB28.8 million. No such expenses were incurred during the current period under review.

The interest capitalised as part of the costs of assets for the six months ended 30 June 2012 was RMB59.8 million, representing an increase of RMB27.0 million as compared with RMB32.8 million for the six months ended 30 June 2011.

Taxation

Income tax expenses decreased by RMB28.4 million or 43.8% as a result of the Group's lower profitability. The effective tax rate for the six months ended 30 June 2012 increased to 19.5% (2011: 13.4%). The effective tax rate of the Group is lower compared to the PRC national tax rate of 25% as most of the Group's operating entities enjoy various preferential tax rates, such as the preferential rate of 15% for qualifying entities under the Western Development Policy.

The detailed income tax expenses for the Group are outlined in note 8 to the consolidated financial statements below.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased by 64.6% from RMB419.0 million for the six months ended 30 June 2011 to RMB148.5 million for the six months ended 30 June 2012. Basic earnings per share decreased by 70.0% from RMB0.1 for the six months ended 30 June 2011 to RMB0.03 for the six months ended 30 June 2012.

FINANCIAL AND LIQUIDITY POSITION

As at 30 June 2012, the Group's total assets increased by 14.7% to RMB9,655.7 million (31 December 2011: RMB8,420.7 million) while total equity grew by 9.3% to RMB4,567.5 million (31 December 2011: RMB4,178.5 million). In June 2012, 284.2 million of new ordinary shares were issued to Cimfra (China) Limited as part of the purchase consideration for Fuping Cement Plant, resulting in an increase in total equity of RMB346.7 million.

As at 30 June 2012, the Group had cash and cash equivalents, as well as restricted bank deposits, amounting to RMB174.1 million (31 December 2011: RMB566.1 million). After deducting total borrowings and Senior Notes of RMB3,810.3 million (31 December 2011: RMB3,311.8 million), the Group had net debt of RMB3,636.2 million (31 December 2011: RMB2,745.7 million). None (31 December 2011: 9.6%) of borrowings are at a fixed interest rate. Please refer to notes 19, 20 and 26 of the consolidated financial statements below for the details of the borrowings, Senior Notes and the respective pledge of assets.

As at 30 June 2012, the Group's net gearing ratio, measured as net debt to equity, was 79.6% (31 December 2011: 65.7%). The increase in the net gearing ratio was mainly attributable to the increase in onshore bank borrowings by RMB482.7 million, primarily as a result of the Shifeng and Fuping Cement Plant acquisitions described in detail above and in the "Material Acquisitions and Disposals" section below.

Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern. As at 30 June 2012, bank borrowings of RMB1,250.7 million have been classified as current liabilities, and as a result, the Group has net current liabilities of RMB1,266.0 million. The Group intends to rollover part of these bank borrowings, as permitted under the existing facility terms, when they fall due.

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

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure for the six months ended 30 June 2012 amounted to RMB327.9 million (2011: RMB916.0 million) and capital commitments as at 30 June 2012 amounted to RMB701.2 million (2011: 571.9 million). Both capital expenditure and capital commitments were mainly related to the construction of new production facilities, installation of residual heat recovery systems, upgrading of existing production facilities and investment in subsidiaries. The Group has funded these commitments from the proceeds of the Senior Notes issuance, operating cash flow and available banking facilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group employed a total of 4,198 full time employees (2011: 4,335). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2012, the employees benefit expenses were RMB83.9 million (2011: RMB68.6 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

MATERIAL ACQUISITION AND DISPOSALS

In March 2012, the Group acquired a 55% equity interest in the Shifeng Cement Company Limited (陝西實豐水泥有限公司) from an independent third party for a consideration of RMB401.5 million. Shifeng Cement Company Limited comprises the Shifeng Cement Plant, a cement facility in the Weinan Region of Shaanxi Province with annual cement capacity of approximately 2 million tons.

Subsequently in the same month, the Group acquired a further 10% equity interest in the Shifeng Cement Company Limited for a consideration of RMB73 million.

In May 2012, the Group entered into an agreement to acquire a 100% equity interest in the Shaanxi Fuping Cement Company Limited (陝西富平水泥有限公司) from Cimfra China and Ciments Français. The Shaanxi Fuping Cement Company Limited comprises the Fuping Cement Plant, a cement facility with annual cement production capacity of approximately 2 million tons in the Weinan Region of Shaanxi Province, and a 35% equity interest in the Shifeng Cement Company Limited.

For further details in relation to the above acquisitions, please also refer to the announcements of the Company dated 15 March 2012, 16 April 2012 and 4 May 2012, respectively.

Save as disclosed above, the Group had no other significant material acquisitions or disposals during the six months ended 30 June 2012.

FOREIGN EXCHANGE RISK MANAGEMENT

During the six months ended 30 June 2012, the Group's sales and purchases were all denominated in Renminbi. However, some of the Group's bank borrowings and the proceeds raised through the Senior Notes 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 year of gradual recovery in the Shaanxi cement market. Following the increased supply and pricing dislocation experienced in 2011, the consolidation process has proceeded to the point that over 80% of current capacity in the Province is concentrated in the hands of the top 4 producers and, during the six months ended 30 June 2012, there has been evidence of pricing discipline returning to the Shaanxi market. The Group expects pricing power to be maintained and potentially improve into the second half of 2012.

The Group has led Shaanxi Province consolidation activity in the six months ended 30 June 2012, with the acquisitions of the Shifeng Cement Plant and the Fuping Cement Plant being a significant move in this rationalisation process. The operation of the Shifeng Cement Plant was taken over by the Group in April 2012 and of the Fuping Cement Plant in late June 2012, and the benefits of these acquisitions are expected to begin to accrue in the second half of 2012 as these plants are consolidated into the Group's activities in the Weinan Region. These benefits are expected to include improved selling prices of cement products in Weinan as the Group co-ordinates its pricing and transportation advantages between its different facilities in the region; and an increased proportion of high end cement sales as these plants serve the more urbanized markets of northern Xi'an, where high end cement demand and ready mix station customers dominate.

On the demand side in Shaanxi Province, whilst the rural and low-grade cement market has been a prominent part of the Group's sales in the six months ended 30 June 2012, a pick up in infrastructure demand into the second half of 2012 is still expected. There is increasing visibility of infrastructure project start-ups in the third and fourth quarter of 2012, including both railway projects and road construction. The Group has been supplying cement to the Lanzhou to Chongqing Railway project since the end of 2011 and has won further tenders for this project in June 2012 with supply expected to commence in September 2012. The Group also expects to be tendering for a number of other projects in the third quarter of 2012, including the Xi'an to Hefei Railway amongst others. The Group is also awaiting updates on the construction of the high speed Xi'an to Chengdu passenger line railway, which the Group conservatively expects to commence construction in 2013. This will be the first high speed railway that runs through the Qingling Mountains, with bridges and tunnels accounting for over 85% of total construction length, and is expected to consume approximately 2.5 million tons of cement in the Shaanxi Province sections. For the time being though, the Group expects the pick up in infrastructure demand to be modest. Combined with the Group's current good sales into water projects and the rural low-grade cement market, and an increasingly disciplined supply scenario, the Group expects this to result in a gradually improving cement pricing environment through the second half of 2012, with further improvements into 2013.

In spite of slowdowns in government spending in China as a whole, the "Western Development Policy" of the 12th Five-Year Plan and the "Guanzhong-Tianshui Economic Zone" remain key development priorities for the PRC Government and 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. Coupled with the fact that current cement oversupply in Shaanxi Province is less acute than in the eastern seaboard provinces, the Group expects a healthier cement market moving into 2013.

The macro backdrop of the "Western Development Policy" is also significant in terms of the Group's move into Xinjiang Province in the far west of China. The Yutian Plant, in Hotan District, with an annual capacity of 2 million tons of cement, was completed in July 2012 and together with the existing Hetian Plant, the Group expects to sell approximately 1 million tons of cement in Hotan in 2012.

The Group maintains its medium term target of reaching 30 million tons of cement capacity by 2015, focusing on its core markets in Shaanxi Province plus selected growth opportunities in other western provinces with a predominance of infrastructure, urbanisation and rural development growth. The Group will assess each opportunity on a case-by-case basis and will manage any future possible capital expenditure with careful due consideration given to its cash flow and funding abilities.

The six months ended 30 June 2012 have also been significant in that the Group has welcomed a new large shareholder, Italcementi Group, as part of its acquisition of Fuping Cement Plant. Italcementi Group is one of the world's largest cement and aggregate producers and the Group looks to benefit from the industry expertise of the Italcementi Group and future co-operation between the two groups.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2012, being the date of this report, the interests and short positions of the Directors and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") at set forth in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

(1) Interests in shares of the Company

As at 30 June 2012:

Name of director	Capacity	Number of ordinary shares held as at 30 June 2012 Total *(Note 1)*	Approximate % of issued share capital of the Company as at 30 June 2012
Zhang Jimin	Interest of a controlled corporate	1,744,873,900 (L) *(Note 2)*	38.37%
Ma Zhaoyang	Interest of a controlled corporate	213,679,950 (L) *(Note 3)*	4.70%
Low Po Ling	Beneficial Owner	11,180,000 (L)	0.25%

Notes:

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

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

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

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

As at 30 June 2012:

Name of Director	Capacity	Number of underlying shares in respect of the share options granted under the Post-IPO Share Option Scheme	Approximate % of issued share capital of the Company as at 30 June 2012
Tian Zhenjun	Beneficial Owner	3,000,000	0.066%
Wang Jianli	Beneficial Owner	2,000,000	0.044%
Ma Zhaoyang	Beneficial Owner	300,000	0.007%
Lee Kong Wai, Conway	Beneficial Owner	300,000	0.007%
Wong Kun Kau	Beneficial Owner	300,000	0.007%
Tam King Ching, Kenny	Beneficial Owner	300,000	0.007%

Save as disclosed above, as at 30 June 2012, none of the Directors, chief executives of the Company and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 June 2012, being the date of this report, the persons other than a director or chief executive of the Company who had an interest or short position in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of SFO were as follows:

		As at 30 June 2012	
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)	38.37%
Zhang Jimin *(Note 2)*	Interest of a controlled corporation	1,744,873,900 (L)	38.37%
Cimfra (China) Limited ("Cimfra") *(Note 3)*	Beneficial owner	284,200,000 (L)	6.25%
Ciments Français SA ("Ciments") *(Note 3)*	Interest of a controlled corporation	284,200,000 (L)	6.25%
Italcementi S.p.A. ("Italcementi") *(Note 3)*	Interest of a controlled corporation	284,200,000 (L)	6.25%
Genesis Asset Managers, LLP	Beneficial owner	309,161,184 (L)	6.80%
Genesis Fund Managers, LLP	Beneficial owner	263,898,000 (L)	5.80%

Note:

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

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

(3) Cimfra is beneficially and wholly-owned by Ciments and Italcementi.

Save as disclosed above, the Company has not been notified by any person who had interests or short position in the shares or underlying shares of the Company as at 30 June 2012 which were required to be notified to the Company pursuant to part XV of the Securities and Futures Ordinance or which are recorded in the register required to be kept by the Company under the section 336 of the Securities and Futures Ordinance.

SHARE OPTION SCHEMES

The Company has adopted a share option scheme (the "Share Option Scheme") and a post-IPO share option scheme (the "Post-IPO Share Option Scheme") on 27 October 2006 and 31 March 2012, respectively.

A. Share Option Scheme

The Share Option Scheme was an old scheme adopted on 27 October 2006, when the Company was listed on the Alternative Investment Market (the "AIM") of the London Stock Exchange. All of the share options granted under this scheme have been exercised as at 30 June 2012. 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.

B. Post-IPO Share Option Scheme

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

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

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

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

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

2. Participants of the Post-IPO Share Option Scheme:

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

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

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

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

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

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

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

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

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

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

7. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid:**
Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant.

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

9. **The remaining life of the Post-IPO Share Option scheme:**
It will remain in force for a period of 10 years.

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

During the six months ended 30 June 2012:

				Number of ordinary shares subject to share options granted under the Post-IPO Share Option Scheme				
Category and name of participant	Date of grant of share options	Exercise price (HKD)	Exercise period	Outstanding as at 1 January 2012	Granted during the period ended 30 June 2012	Exercised during the period ended 30 June 2012	Lapsed during the period ended 30 June 2012	Outstanding as at 30 June 2012
Directors								
Tian Zhenjun	23 March 2012	3.41	23 March 2012 to 22 March 2021	—	3,000,000	—	—	3,000,000
Wang Jianli	23 March 2012	3.41	23 March 2012 to 22 March 2021	—	2,000,000	—	—	2,000,000
Ma Zhaoyang	23 March 2012	3.41	23 March 2012 to 22 March 2021	—	300,000	—	—	300,000
Lee Kong Wai, Conway	23 March 2012	3.41	23 March 2012 to 22 March 2021	—	300,000	—	—	300,000
Wong Kun Kau	23 March 2012	3.41	23 March 2012 to 22 March 2021	—	300,000	—	—	300,000
Tam King Ching, Kenny	23 March 2012	3.41	23 March 2012 to 22 March 2021	—	300,000	—	—	300,000
Other employees (Group A)	23 March 2012	3.41	23 March 2012 to 22 March 2021	—	9,000,000	—	—	9,000,000
Other employees (Group B)	23 March 2012	3.41	23 March 2014 to 22 March 2021	—	3,200,000	—	1,000,000	2,200,000
Total				—	18,400,000	—	—	17,400,000

Note:

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2012 (2011: RMB0.02 per share).

CORPORATE GOVERNANCE PRACTICE

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

During the period from 1 January 2012 till 31 March 2012, the Company has applied the principles of and has complied with all code provisions of the Code on Corporate Governance Practices (the "Old Code") as set forth in Appendix 14 of the Listing Rules and for the period from 1 April 2012 till 30 June 2012, the Company has complied with the code provisions included in the amendments to the Old Code which took effect since 1 April 2012 (the "New Code") and there has been no deviation from the code provisions as set forth and on the Old Code and the New Code for the six months ended 30 June 2012.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written term of reference in compliance with the New Code, the primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management systems of the Group and to provide advice and comments to the Board, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Wong Kun Kau and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2012.

AUDITORS

The condensed consolidated financial statements for the six months ended 30 June 2012 have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the auditors of the Company.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in compliance with paragraph B1 of the New Code. 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.

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

NOMINATION COMMITTEE

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiries have been made with all the Directors, all the Directors confirmed and declared that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2012.

On behalf of the Board of Directors
Zhang Jimin
Chairman
15 August 2012

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF WEST CHINA CEMENT LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of West China Cement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong

15 August 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	Six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Revenue	4	**1,590,121**	1,712,973
Cost of sales		**(1,288,198)**	(1,146,069)
Gross profit		**301,923**	566,904
Selling and marketing expenses		**(12,123)**	(16,854)
Administrative expenses		**(100,375)**	(91,651)
Other income	5	**80,148**	82,417
Other (losses) gains, net		**(13,655)**	45,932
Finance income	6	**927**	6,969
Finance costs	7	**(70,068)**	(107,840)
Profit before tax		**186,777**	485,877
Income tax expense	8	**(36,477)**	(64,874)
Profit and total comprehensive income for the period	9	**150,300**	421,003
Profit and total comprehensive income attributable to			
— Owners of the Company		**148,454**	418,980
— Non-controlling interests		**1,846**	2,023
		150,300	421,003
Earnings per share			
Basic earnings per share (RMB)	11	**0.03**	0.10
Diluted earnings per share (RMB)	11	**0.03**	0.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Notes	**30 June 2012 RMB'000 (Unaudited)**	31 December 2011 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	**7,592,998**	6,352,020
Prepaid lease payments	13	**382,728**	292,269
Mining rights	14	**138,554**	131,663
Other intangible assets	15	**169,925**	110,293
Deposit for an acquisition		**50,000**	—
Deferred tax assets	16	**44,240**	24,901
		8,378,445	6,911,146
Current assets			
Inventories		**426,041**	381,926
Trade and other receivables and prepayments	17	**677,106**	561,474
Restricted bank deposits		**62,740**	36,526
Cash and cash equivalents		**111,407**	529,612
		1,277,294	1,509,538
Total assets		**9,655,739**	8,420,684
EQUITY			
Share capital	21	**124,715**	119,119
Share premium		**2,196,887**	1,855,759
Share option reserve		**7,213**	4,812
Equity reserve		**(302,264)**	(333,180)
Statutory reserve		**376,274**	376,274
Retained earnings		**2,134,719**	2,046,690
Equity attributable to owners of the Company		**4,537,544**	4,069,474
Non-controlling interests		**29,997**	109,067
Total equity		**4,567,541**	4,178,541

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2012

	Notes	**30 June 2012 RMB'000 (Unaudited)**	31 December 2011 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	19	**3,000**	205,000
Senior notes	20	**2,477,506**	2,462,009
Provisions for environmental rehabilitation		**12,625**	10,446
Deferred tax liabilities	16	**9,628**	10,964
Other liabilities		**42,105**	44,251
		2,544,864	2,732,670
Current liabilities			
Trade and other payables	18	**1,182,378**	841,774
Senior notes	20	**79,101**	78,762
Income tax liabilities		**31,175**	22,937
Borrowings	19	**1,250,680**	566,000
		2,543,334	1,509,473
Total liabilities		**5,088,198**	4,242,143
Total equity and liabilities		**9,655,739**	8,420,684
Net current (liabilities) assets		**(1,266,040)**	65
Total assets less current liabilities		**7,112,405**	6,911,211

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Equity reserve RMB'000	Share option reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012 (Audited)	**119,119**	**1,855,759**	**(333,180)**	**4,812**	**376,274**	**2,046,690**	**4,069,474**	**109,067**	**4,178,541**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**148,454**	**148,454**	**1,846**	**150,300**
Acquisition of additional interests in a subsidiary	**—**	**—**	**30,916**	**—**	**—**	**—**	**30,916**	**(80,916)**	**(50,000)**
Acquisition of subsidiaries *(Note 24)*	**5,596**	**341,128**	**—**	**—**	**—**	**—**	**346,724**	**—**	**346,724**
Recognition of equity-settled share-based payments	**—**	**—**	**—**	**2,401**	**—**	**—**	**2,401**	**—**	**2,401**
Dividend recognised as distribution	**—**	**—**	**—**	**—**	**—**	**(60,425)**	**(60,425)**	**—**	**(60,425)**
At 30 June 2012 (Unaudited)	**124,715**	**2,196,887**	**(302,264)**	**7,213**	**376,274**	**2,134,719**	**4,537,544**	**29,997**	**4,567,541**
At 1 January 2011 (Audited)	118,850	2,001,917	(341,304)	593	220,388	1,540,448	3,540,892	33,124	3,574,016
Profit and total comprehensive income for the period	—	—	—	—	—	418,980	418,980	2,023	421,003
Acquisition of additional interests in a subsidiary	—	—	8,124	—	—	—	8,124	(33,124)	(25,000)
Acquisition of subsidiaries *(Note 24)*	—	—	—	—	—	—	—	110,793	110,793
Recognition of equity-settled share-based payments	—	—	—	1,394	—	—	1,394	—	1,394
New shares issued for exercise of share options	269	4,090	—	(593)	—	—	3,766	—	3,766
Dividend recognised as distribution	—	—	—	—	—	(65,033)	(65,033)	—	(65,033)
At 30 June 2011 (Unaudited)	119,119	2,006,007	(333,180)	1,394	220,388	1,894,395	3,908,123	112,816	4,020,939

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	Six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Net cash from operating activities		**664,003**	267,307
INVESTING ACTIVITIES:			
Interest received		**927**	6,969
Purchase of property, plant and equipment		**(327,884)**	(916,013)
Addition of prepaid lease payments		**—**	(16,659)
Purchase of mining rights		**—**	(15,361)
Purchase of other intangible assets		**(66)**	—
Proceeds from disposal of property, plant and equipment		**958**	3,494
Withdrawal of restricted bank deposits		**18,991**	6,129
Placement of restricted bank deposits		**(45,205)**	(13,971)
Deposit paid for acquisition		**(50,000)**	—
Acquisition of subsidiaries, net of cash acquired	24	**(43,558)**	(665,252)
Advance to a subsidiary before the acquisition date	24	**(590,200)**	—
Acquisition of mining rights	25	**—**	(50,000)
Net cash used in investing activities		**(1,036,037)**	(1,660,664)
FINANCING ACTIVITIES:			
New borrowings raised		**576,900**	616,900
Repayment of borrowings		**(386,900)**	(1,072,337)
Net proceeds from issuance of senior notes		**—**	2,563,240
Proceeds from exercise of share options		**—**	3,766
Interest paid		**(125,746)**	(57,711)
Dividend paid		**(60,425)**	(65,033)
Acquisition of additional interest in a subsidiary		**(50,000)**	(25,000)
Others		**—**	14,782
Net cash (used in) from financing activities		**(46,171)**	1,978,607
Net (decrease) increase in cash and cash equivalents		**(418,205)**	585,250
Cash and cash equivalents at 1 January		**529,612**	374,459
Cash and cash equivalents at 30 June, represented by bank balances and cash		**111,407**	959,709

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

As of 30 June 2012, the Company has net current liabilities of approximately RMB1,266,040,000. As of the period end, the Company has unutilised loan facilities totaling RMB130,000,000 readily available for drawdown within the next twelve months. The Company will also enter into loan renewal discussions with the banks in due course for its short-term borrowings totaling RMB625,000,000 and has, at this stage, not sought any written commitment that the loan facilities will be renewed. The Company has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. Based on the Company's forecasts and projections, taking account of reasonably possible changes in business performance, operating as well as capital expenditure and availability of bank facilities, the directors of Company are of the view that the Company is able to operate within the level of its current capacity.

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Excepted as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Report Standards ("IFRSs").

Amendments to IFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets; and
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets

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

4. 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 China.

The revenue represents the sale of cement during the periods of six months ended 30 June 2012 and 2011.

5. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Tax refund *(note)*	**73,383**	74,046
Government grant	**6,765**	8,371
	80,148	82,417

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

6. FINANCE INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Interest income from bank deposits	**927**	6,969

7. FINANCE COST

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Interest expenses on bank and other borrowings	**28,636**	25,779
Interest expenses on senior notes	**100,970**	86,085
Expenses incurred on early repayment of borrowings	**—**	28,507
Unwinding of discount	**310**	251
Less: amount capitalised	**(59,848)**	(32,782)
	70,068	107,840

Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.86% (six months ended 30 June 2011: 2.31%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

The Group is subject to enterprise income tax ("EIT") on an entity basis on profits arising on or derived from the jurisdictions in which subsidiaries of the Group are domiciled and operate.

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current tax	**32,157**	74,093
Deferred tax *(Note 16)*	**4,320**	(9,219)
Income tax expense	**36,477**	64,874

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**201,472**	137,777
Amortisation of prepaid lease payments	**4,597**	3,024
Amortisation of mining rights included in cost of sales	**4,298**	1,998
Amortisation of other intangible assets included in administrative expenses	**1,042**	1,035
Total depreciation and amortisation	**211,409**	143,834
Reversals of write-down of inventories	**—**	(2,129)
Impairment loss provided (reversed) in respect of trade receivables	**2,538**	(376)
Cost of inventories recognised as expenses	**1,081,491**	947,757
Loss on disposal of property, plant and equipment	**97**	61
Bargain purchase gain on acquisition of subsidiaries	**—**	(3,173)
Share option expenses	**2,401**	1,394
Exchange loss (gain)	**10,033**	(40,678)

10. DIVIDEND

During the current period, a final dividend of RMB1.42 cents per share in respect of the year ended 31 December 2011 (six months ended 30 June 2011: RMB1.53 cents in respect of the year ended 31 December 2010) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to RMB60,425,000 (six months ended 30 June 2011: RMB65,033,000).

The directors do not recommend the payment of an interim dividend for current interim period.

An interim dividend of approximately RMB85,260,000 at RMB0.02 per share for six months ended 30 June 2011 was approved and paid in September 2011.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**148,454**	418,980

	Six months ended 30 June	
	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purposed of calculation of basic and diluted earnings per share	**4,281,841,839**	4,254,919,740

The calculation of diluted earnings per share did not take into account the share options of the Company for the period ended 30 June 2012 and 2011 because the exercise price of the Company's share options was higher than the average market price of the Company's share during those periods, and hence their effects would have been anti-dilutive.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group purchased property, plant and equipment of approximately RMB27,617,000 (six months ended 30 June 2011: RMB49,224,000) from third parties and acquired property, plant and equipment of approximately RMB1,027,916,000 (determined on provisional basis) on acquisition of subsidiaries (six months ended 30 June 2011: RMB981,231,000) and disposed of property, plant and equipment of approximately RMB1,055,000 (six months ended 30 June 2011: RMB3,555,000) to third parties.

In addition, the Group spent approximately RMB387,972,000 on the construction of its new product lines and power plant in the current period (six months ended 30 June 2011: RMB847,467,000).

13. PREPAID LEASE PAYMENTS

During the current period, the Group did not make any lease prepayment for leasehold land (six months ended 30 June 2011: RMB16,659,000), and acquired prepaid leases of approximately RMB91,742,000 (determined on provisional basis) on acquisition of subsidiaries (six months ended 30 June 2011: RMB122,837,000).

14. MINING RIGHTS

During the current period, the Group acquired mining rights of approximately RMB11,189,000 (determined on provisional basis) on acquisition of a subsidiary (six months ended 30 June 2011: RMB1,207,000 on acquisition of a subsidiary, RMB15,361,000 by way of purchase from third parties, and RMB50,000,000 from a shareholder of non-controlling interest of a subsidiary).

15. OTHER INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationships RMB'000	Computer software RMB'000	Total RMB'000
Cost				
At 1 January 2011	45,274	20,610	108	65,992
Addition	—	—	166	166
Acquisition of subsidiaries	49,133	—	46	49,179
At 30 June and 31 December 2011	94,407	20,610	320	115,337
Addition	—	—	66	66
Acquisition of subsidiaries (determined on provisional basis) *(Note 24)*	60,072	—	535	60,607
At 30 June 2012	154,479	20,610	921	176,010
Accumulated amortisation				
At 1 January 2011	—	2,874	41	2,915
Provided for the period	—	1,031	4	1,035
At 30 June 2011	—	3,905	45	3,950
Provided for the period	—	984	110	1,094
At 31 December 2011	—	4,889	155	5,044
Provided for the period	—	1,008	33	1,041
At 30 June 2012	—	5,897	188	6,085
Carrying amount				
At 30 June 2012	154,479	14,713	733	169,925
At 31 December 2011	94,407	15,721	165	110,293

16. DEFERRED TAX

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

	Allowance and accrued expenses RMB'000	Deferred income RMB'000	Loans recorded at amortised cost RMB'000	Non-current assets booked at fair value on acquisitions RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2011	8,245	8,879	(1,593)	(7,366)	—	8,165
Credit to profit or loss	5,554	1,715	1,593	357	—	9,219
Acquisition of subsidiaries	—	—	—	(8,116)	—	(8,116)
At 30 June 2011	13,799	10,594	—	(15,125)	—	9,268
Credit to profit or loss	(8,803)	49	—	357	9,262	865
Acquisition of subsidiaries	—	—	—	3,804	—	3,804
At 31 December 2011	4,996	10,643	—	(10,964)	9,262	13,937
Charge to profit or loss	(1,288)	(3,991)	—	357	602	(4,320)
Acquisition of subsidiaries (determined on provisional basis)	9,682	—	—	(16,744)	32,057	24,995
At 30 June 2012	13,390	6,652	—	(27,351)	41,921	34,612

The following is analysis of deferred tax balance for financial reporting purpose:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Deferred tax assets	**44,240**	24,901
Deferred tax liabilities	**(9,628)**	(10,964)
	34,612	13,937

At the end of the reporting period, the Group has unused tax losses of RMB268,921,000 (30 June 2011: RMB42,921,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB262,374,000 (30 June 2011: RMB37,049,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB6,547,000 (30 June 2011: RMB5,872,000) due to the unpredictability of future profit streams. The tax losses unrecognised for deferred income tax assets that will expire as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Expire in 2014	**737**	737
Expire in 2015	**2,837**	2,837
Expire in 2016	**2,298**	2,298
Expire in 2017	**675**	—
	6,547	5,872

17. TRADE AND BILLS RECEIVABLES

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade receivables	**156,400**	131,900
Less: provision for impairment of trade receivables	**(9,099)**	(6,561)
Bills receivable	**26,204**	29,874
	173,505	155,213

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
0 to 90 days	**63,817**	40,199
91 to 180 days	**8,474**	51,948
181 to 360 days	**43,005**	21,735
361 to 720 days	**28,545**	11,457
Over 720 days	**3,460**	—
	147,301	125,339

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

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

Bills receivable are aged within six months.

18. TRADE AND BILLS PAYABLES

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade payables	**501,742**	328,328
Bills payable	**105,000**	17,580
	606,742	345,908

18. TRADE AND BILLS PAYABLES (Cont'd)

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
0 to 90 days	**337,322**	232,021
91 to 180 days	**98,703**	61,084
181 to 360 days	**57,597**	24,538
361 to 720 days	**6,293**	9,862
Over 720 days	**1,827**	823
	501,742	328,328

Bills payable are aged within six months.

19. BORROWINGS

During the current period, the Group obtained new bank loans amounting to approximately RMB576,900,000 (six months ended 30 June 2011: RMB616,900,000) and repaid bank loans amounting to approximately RMB386,900,000 (six months ended 30 June 2011: RMB1,072,337,000). The new loans are carrying interest at variable market rates from 5.87% to 7.93% (six months ended 30 June 2011: from 6.06% to 7.04%) and repayable within one year.

20. SENIOR NOTES

On 25 January 2011, the Company issued 7.5%, five-year senior notes with an aggregate principal amount of US$400,000,000 (the "Senior Notes") at 100% of the face value. The Senior Notes are listed on the Singapore Exchange Securities Trading Limited. The Senior Notes are 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 fair value of Senior Notes is RMB2,295,939,000 at 30 June 2012 (31 December 2011: RMB2,066,695,000). It represents the market price of the Senior Notes at the end of the reporting period.

21. SHARE CAPITAL

Ordinary shares of GBP0.02 each	Number of shares '000	Issued and fully paid RMB'000
As at 1 January 2011	4,250,500	118,850
Exercise of share options *(Note 22)*	12,500	269
As at 30 June 2011	4,263,000	119,119
As at 1 January 2012	4,263,000	119,119
Acquisition of subsidiaries *(Note 24)*	284,200	5,596
As at 30 June 2012	4,547,200	124,715

22. SHARE-BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

The Company has adopted a share option scheme on 27 October 2006 (the "Pre-IPO Share Option Scheme"). All outstanding options under the Pre-IPO Share Option Scheme have been exercised during the six months period ended 30 June 2011.

(b) Post-IPO Share Option Scheme

The Company's share option scheme was adopted pursuant to a resolution of board of directors passed on 23 March 2011 (the "Post-IPO Share Option Scheme"). The Company granted options to directors, senior management and staff, to subscribe for shares of the Company with a payment of HK$1 for each person who was granted and with an exercise price of HK$3.41 per share. The total 18,400,000 options granted are exercisable from 23 March 2011, the date of grant, within a period of ten years after the vesting periods, subject to the terms and conditions of the plan, the relevant PRC laws and regulations and any conditions of the grant as stipulated by the board of directors. The fair values of the options using the Black-Scholes option pricing model were approximately HK$19,069,000 (equivalent to approximately RMB15,858,000). 1,000,000 options of Post-IPO Share Option Scheme lapsed during the period ended 30 June 2012. No options are exercised during the current period.

At the end of each reporting date, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share option reserve. For the six months ended 30 June 2012, the Group has recognised approximately RMB2,401,000 of share-based payments expense in the profit or loss (six months ended 30 June 2011: RMB1,394,000).

23. CAPITAL COMMITMENTS

	30 June 2012 RMB'000	31 December 2011 RMB'000
Capital expenditure contracted for but not provided in respect of purchase of property, plant and equipment	**601,631**	571,426
Capital expenditure contracted for but not provided in respect of investment in subsidiaries	**99,600**	—
	701,231	571,426

24. ACQUISITION OF SUBSIDIARIES

(a) On 29 March 2012, the Group acquired 65% interest in Shifeng Cement Co. Ltd. (實豐水泥有限公司, "Shifeng Cement") from independent third parties for a consideration of RMB103,148,000. Shifeng Cement is principally engaged in cement manufacturing and was acquired with the primary objective of improving the Group's market position. This acquisition has been accounted for using the acquisition method. The assets and liabilities recognised at the date of acquisition, determined on a provisional basis, are as follows:

	Fair value (Provisional) RMB'000
Cash and cash equivalents	154
Trade and other receivables	37,308
Inventories	11,559
Property, plant and equipment	576,177
Prepaid lease payments	30,154
Mining rights	11,189
Deferred tax assets	7,434
Trade and other payables	(6,338)
Amount due to the Group *(note 1)*	(590,200)
	77,437
<u>Goodwill arising on acquisition:</u>	
Consideration *(note 2)*	103,148
Non-controlling interests	27,103
Less: Net assets acquired	(77,437)
Goodwill	52,814
<u>Net cash outflow arising on acquisition:</u>	
Consideration paid in cash	53,800
Less: Cash and cash equivalents acquired	(154)
Cash outflow on acquisition	53,646

24. ACQUISITION OF SUBSIDIARIES (Cont'd)

(a) (Cont'd)

Acquisition-related costs of RMB80,000 are recognised in profit or loss as incurred.

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

Note 1: The Group has provided funds of approximately RMB590,200,000 to Shifeng Cement before the acquisition date for the repayment of (a) amounts due to the previous owners of approximately RMB454,758,000, and (b) external payables of RMB135,442,000.

Note 2: Subsequent to the acquisition date, the Group reached a separate arrangement with the previous owners of Shifeng Cement to pay the balance of the consideration of approximately RMB49,348,000 on a date to be mutually agreed later, which was included in other payables as of 30 June 2012.

Goodwill arising on acquisition of Shifeng Cement allows the Group to extend its market presence 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 RMB37,308,000 had gross contractual amounts of RMB37,308,000. None of the trade and other receivables has been impaired and it is expected that the full contractual amount can be collected.

Included in the profit for the period are RMB8,282,000 attributable to the additional business generated by Shifeng Cement. Revenue for the period includes RMB76,242,000 in respect of Shifeng Cement.

Had the acquisition been effected at 1 January 2012, the revenue of the Group for the six months ended 30 June 2012 would have been RMB1,634,225,000, and the profit for the period would have been RMB124,717,000.

24. ACQUISITION OF SUBSIDIARIES (Cont'd)

(b) On 26 June 2012, the Group acquired 100% interest in Fuping Cement Co. Ltd. (富平水泥有限公司, "Fuping Cement") from a non-controlling shareholder of Shifeng Cement for a consideration satisfied by the issuance of 284,200,000 ordinary shares of the Company. Fuping Cement is principally engaged in cement manufacturing and was acquired with the primary objective of improving the Group's market position. This acquisition has been accounted for using the acquisition method. The net assets recognised at the date of acquisition, determined on a provisional basis, are as follows:

	Fair value (Provisional) RMB'000
Cash and cash equivalents	10,088
Trade and other receivables	89,840
Inventories	61,460
Investment in an associate – 35% interest in Shifeng Cement	27,103
Property, plant and equipment	451,739
Prepaid lease payments	61,588
Other intangible assets	535
Deferred tax assets	17,561
Trade and other payables	(87,647)
Borrowings	(292,680)
Deferred income	(121)
	339,466
Goodwill arising on acquisition:	
284,200,000 ordinary shares issued, at fair value	346,724
Less: Net assets acquired	(339,466)
Goodwill	7,258
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	10,088
Cash inflow on acquisition	10,088

The Company issued 284,200,000 ordinary shares as consideration for the 100% interest in Fuping Cement. The fair value of the shares is the published price of the shares of the Company at the acquisition date, which was HKD1.50 each, equivalent to approximately RMB1.22 each. The fair value of the consideration given is therefore approximately HKD426,300,000, or equivalent to approximately RMB346,724,000.

Acquisition-related cost of RMB3,917,000 are recognised in profit or loss as incurred.

The trade and other receivables acquired with a fair value of RMB89,840,000 had gross contractual amounts of RMB92,374,000.

There was no significant revenue or profit for the period from the additional business generated by Fuping Cement. Had the acquisition been effected at 1 January 2012, the revenue of the Group for the six months ended 30 June 2012 would have been RMB1,762,606,000, and the profit for the period would have been RMB99,704,000.

24. ACQUISITION OF SUBSIDIARIES (Cont'd)

(c) Subsequent to the Group's acquisition of 100% interest in Fuping Cement from the non-controlling shareholder of Shifeng Cement on 26 June 2012, the Group holds, together with its 65% interest of Shifeng Cement acquired on 29 March 2012, a 100% interest in Shifeng Cement. The acquisition of 35% interest in Shifeng Cement is accounted for as equity transaction.

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

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

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

As at 6 January 2011, Yaobai Jianghua received the following assets and liabilities:

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

24. ACQUISITION OF SUBSIDIARIES (Cont'd)

(d) (Cont'd)

Gain arising on acquisition:

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

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

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

Had the acquisition been effected at 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have been RMB1,712,973,000, and the profit for the period would have been RMB421,003,000.

(e) On 30 June 2011, the Group acquired 80% equity interests in a cement production business through establishing a new company, namely Hancheng Yaobai Yangshanzhuang Cement Company Limited (韓城堯柏楊山莊水泥有限公司, "Hancheng Yangshanzhuang"), together with a 20% non-controlling interest, 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 contributes cement production business which has engaged in producing and selling cements for years. This transaction has been accounted for as a business combination and using the acquisition method.

24. ACQUISITION OF SUBSIDIARIES (Cont'd)

(e) (Cont'd)

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

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

Gain arising on acquisition:

	RMB'000
Consideration transferred	—
Non-controlling interests (20% in Hancheng Yangshanzhuang) issued to the former equity holder	30,790
Less: net assets acquired from Yangshanzhuang	(33,953)
Gain arising on acquisition	(3,163)
Cash outflow arising on acquisition in the period	
Paid in cash to settle the amount due to the former equity holder	530,000

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

Had the acquisition been effected at 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have been RMB1,821,371,000, and the profit for the period would have been RMB443,302,000.

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

24. ACQUISITION OF SUBSIDIARIES (Cont'd)

(f) (Cont'd)

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

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

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

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

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

Had the acquisition been effected at 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have been RMB1,749,479,000, and the profit for the period would have been RMB426,522,000.

25. RELATED PARTY DISCLOSURES

(a) A subsidiary of the Group, Yaobai Jianghua 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:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**4,487**	3,665
Post-employment benefits	**62**	47
Share-based payments	**1,398**	1,087
	5,947	4,799

26. PLEDGE OF ASSETS

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

	30 June	31 December
	2012	2011
	RMB'000	RMB'000
Prepaid lease payments	**119,185**	47,345
Property, plant and equipment	**2,092,727**	1,609,640
	2,211,912	1,656,985

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

27. SUBSEQUENT EVENTS

On 27 April 2012, Shanghai Branch, Unicredit S.p.A. granted a short term loan amounted to RMB292,680,000 to Fuping Cement, which was acquired by the Group on 26 June 2012. The loan was originally repayable on 31 July 2012. Subsequently on 31 July 2012, Shanghai Branch, Unicredit S.p.A. agreed to extend the maturity date of the loan to 26 September 2012. This loan is restricted to be used to finance working capital of Fuping Cement.

On 13 July 2012, the Group has further drawn down RMB25,000,000 from a loan facility amounted to RMB450,000,000 granted by Shaanxi Branch, Agriculture Bank of China in 2010. The new loan is repayable on 12 July 2013. As of 30 June 2012, an amount of RMB425,000,000 was drawn down from this loan facility and included in borrowings.