Preliminary Results 2009

RNS Number : 1455I
West China Cement Limited
05 March 2010

West China Cement Limited ("WCC" or "The Company")

Full Year 2009 Preliminary Results

5 March 2010

West China Cement, the AIM listed cement production and sales company located in Shaanxi Province, China, today announces its preliminary results for the year ended 31 December 2009.

Key Financial Highlights

*Revenue increased by 75% from RMB866 million in 2008 to RMB1,517 million in 2009.

*Operating profit increased by 118% from RMB283 million in 2008 to RMB616 million in 2009.

*Gross profit margins improved from 36% to 42% and operating profit margins improved from 33% to 41%, reflecting strong product prices, efficiency gains and economies of scale.

* Redemption of the 7.8 million warrants in November 2009, giving rise to an exceptional charge of RMB168 million, removing liquidity risk and risk of substantial dilution to our shareholders.

*Pre-tax profit increased by 111% to RMB544million before the exceptional item and 45% to RMB375 million after the exceptional item. Earnings per share amounted to RMB7.73 before this exceptional charge and RMB5.12 after the exceptional charge.

*Return on Capital Employed (EBIT/Net Assets) of 47.6% (2008: 30.5%).

*We are on schedule for listing on the Main Board of the Hong Kong Stock Exchange before 30 June, 2010.

Key Operational Highlights

*We sold a total of 5.08million tonnes of cement in 2009 (2008: 3.45 million tonnes).

*Our Pucheng and Lantian plants produced around capacity, with Pucheng producing 1.38 million tonnes (2008: 1.43 million tonnes) and Lantian producing 2.15 million tonnes (2008: 2.03 million).

*Our new Ankang plant, commissioned in January, contributed 1.34 million tonnes of production in its first year of operation compared with design capacity in 2009 of 1.8 million tonnes.

*In the Hanzhong Region, in the South West of Shaanxi, the Yangxian plant will start cement production ahead of schedule this month and the Mianxian plant is due to be commissioned in the third quarter. Both plants have a design capacity of 1.1 million tonnes.

*We embarked on our first strategic acquisitions in 2009 - the Xiushan Cement Plant with a capacity of 700,000 tonnes and an 80% investment in the Lonqiao Cement Plant which has a capacity of 1.1 million tonnes. Both of these plants are in Shangluo Region, allowing us to achieve a market leading position in Southern Shaanxi.

CHAIRMAN'S REVIEW

2009 was a momentous year for your company. We achieved an Operating Profit of RMB616 million, more than double that of 2008, which itself was 62% higher than 2007. Sales increased by 48% to 5.08 million tonnes. The Ankang plant was completed and produced 1.34 million tonnes, compared with its 2009 design capacity of 1.8 million tonnes. Work began on the Yangxian and Mianxian plants, near Hanzhong in the South West of the province. Located approximately 100 kilometres to the South of the provincial capital, Xi'an, the 700,000 tonne Xiushan cement plant in Zhen'an County ("the Zhen'an Plant") was acquired and subsequently the investment was announced of an 80% stake in the 1.1 million tonne Shangluo Longqiao Yaobai Cement Plant in Danfeng county ("the Danfeng Plant"), South East of Xi'an. I am delighted to report that the Yangxian plant kiln was fired up at the end of the year and commissioning is scheduled for the current quarter. This, and the neighbouring Mianxian plant, which is due to start up in the third quarter, are on budget.

The effect of all this may be quantified in tonnage terms as increasing our capacity from 3.6 million tonnes at the start of 2009 to 9.6 million tonnes by mid 2010, after adding Yangxian, Mianxian and Danfeng. In addition, we have two 1.1 million tonne lines in the late stages of consideration. We are therefore on track to exceed our objective of getting to production of 8 to 10 million tonnes by 2010. Equally importantly, these expansions give the company market leadership across the South of the province, as well as in Weinan to the North.

It is against this background that the board decided to list the company on the Main Board of the Hong Kong Stock Exchange (HKEx). At the time of the Company's admission to the AIM market in 2006, the Company was relatively small with capacity of 1.5 million tonnes. AIM enabled the Company to take advantage of the remarkable growth opportunity afforded by its local market. It has now matured such that a main board listing is appropriate. We considered the alternatives of London and Hong Kong, with appropriate input from advisers, and decided that Hong Kong was its natural home. The Hong Kong investment community will better understand the company, and be able to value it against a peer group of Chinese cement producers. We believe that a dual listing would give rise to unnecessary complexity, and therefore intend to delist on AIM at the time of the Hong Kong listing. We are anxious to ensure that current shareholders are able to retain their shares, and have access to a market in them, and have made arrangements to ensure this.

In preparation for the relisting, we redeemed the warrants which were granted to loan creditors in 2008. This gave rise to an exceptional charge of RMB168 million to our 2009 consolidated statement of comprehensive income. Pre-tax profit before this exceptional item amounted to RMB544 million, an increase of 111% on the prior year. Pre-tax profit after the exceptional item was RMB375 million, a 45% increase. Earnings per share amounted to RMB7.73 before this exceptional charge and RMB5.12 after the exceptional charge.

I would like to draw your attention to the notice of annual general meeting, being sent out with this report. This sets out in some detail the proposed listing on the HKEx, ca ncellation of the listing on AIM (conditional on and with effect from HKEx Listing), and the steps shareholders may wish to take relative to their shares on the Hong Kong market if and when the relisting there takes place.

WCC has made significant progress in terms of health and safety during the year. Sadly there was a fatal injury. The company is committed to eradicating injuries of any sort, and has embarked on a new safety strategy to this end.

Finally, and with some sadness, I have to report that Brett Miller and I intend to stand down from the board at the time of the Hong Kong listing. At that time I expect that Mr. Jimin Zhang, the Chief Executive, will assume the role of Chairman, Mr. Zhenjun Tian will rejoin the board as Chief Operating Officer, and that a number of well qualified Chinese non-executive directors will join the board. It is absolutely appropriate that the board will be based in China and Hong Kong. Furthermore I believe that Mr. Zhang has proved his credentials as an outstanding leader, and that he has a great team. I think the company's record speaks for itself.

This year in which WCC 'came of age' would not have happened without an exceptional level of commitment from the management and all employees of WCC. I thank them on behalf of shareholders for their outstanding achievements.

Robert Robertson

Non Executive Chairman

CHIEF EXECUTIVE'S REVIEW

Whilst 2009 has proved to be an extremely difficult year for the global economy, I am pleased to report that West China Cement ("WCC") has been able to build on its excellent operational performance and acquisition and organic growth execution capabilities to gain an increasingly strong position in the Southern Shaanxi cement market. The Shaanxi economy has remained robust during the global financial crisis - due to a lower reliance on exports compared to the coastal provinces as well as the continued focus on infrastructure development underlined by the PRC Government's fiscal stimulus measures. We have been able to take full advantage of this macro economic backdrop to significantly strengthen our competitive position in our market.

Our operating environment has remained buoyant. We have sold a total of 5.08 million tonnes of cement in 2009 (2008: 3.45 million tonnes). Our new Ankang plant contributed 1.34 million tonnes of production in its first year of operation. Our margins have strengthened as a result of increased production efficiencies, stability in our input costs and maintaining the higher prices achieved in the second half of 2008. Gross profit margins rose from 36% to 42% and operating profit margins rose from 33% to 41%, reflecting efficiency gains and economies of scale.

Our expansion in 2009 has been rapid. We have continued our organic growth strategy of new build plants in key areas in the South of our Province with the completion of our Ankang plant. The construction of our Yangxian and Mianxian plants are on schedule. We have also embarked on our first strategic acquisitions, both of these in Shangluo Region - the acquisition of the Xiushan cement plant and business in Zhen'an county ("the Zhen'an plant") and the investment in an 80% stake of the Longqiao plant in Danfeng county ("the Danfeng plant").

On the financial side we have taken two extremely significant steps for the future development of our company. Firstly, in October we negotiated redemption of the 7.8 million warrants held by the lenders of the US$60 million loan facility entered into in May 2008. We believe that the redemption of these Warrants secures the long term interest of the Company and its shareholders, not only facilitating our proposed Hong Kong Listing, but also removing the effect of volatility on earnings in future periods, cash flow risk and the possibility of dilution at a low share price. Secondly, we have in late 2009 commenced work on a listing of our shares on the Main Board of the Hong Kong Stock Exchange (HKEx). Whilst the London AIM market has served the company and its shareholders very well since 2006, we feel that the HKEx will provide us with a larger, more liquid equity platform that allows our shares to be benchmarked against our HKEx listed Chinese cement peer group.

Financial Results

2009 has been another record year in terms of our financial performance. We again achieved our highest ever sales revenue of RMB1,517 million (2008: RMB866 million), operating profit of RMB616 million (2008: RMB283 million) and profit after tax of RMB330 million (2008: RMB246 million). This is especially commendable considering the costs of the redemption of the 7.8 million warrants took RMB168 million off our bottom line. The cash cost for the warrant redemption was US$30.2 million (RMB206million) of which the difference of RMB38million has been written off against warrants classified as liabilities.

Some of the years significant financial highlights include:

*Revenue increased by 75% from RMB866 million in 2008 to RMB1,517 million in 2009.

*Operating profit increased by 118% from RMB283 million in 2008 to RMB616 million in 2009.

*Gross profit margins improved from 36% to 42% and operating profit margins improved from 33% to 41%, reflecting strong product prices, efficiency gains and economies of scale.

* Redemption of the 7.8 million warrants in November 2009, giving rise to an exceptional charge of RMB168 million, removing liquidity risk and risk of substantial dilution to our shareholders.

*Pre-tax profit increased by 111% to RMB544 million before the exceptional item and 45% to RMB375 million after the exceptional item. Earnings per share amounted to RMB7.73 before this exceptional charge and RMB5.12 after the exceptional charge.

*Return on Capital Employed (EBIT/Net Assets) of 47.6% (2008: 30.5%).

Expansion and Acquisitions

We have continued to make significant progress in our organic expansion strategy. The Ankang plant, in the South East of Shaanxi, was commissioned in January and has produced 1.34 million tonnes of cement in 2009 compared with design capacity of 1.8 million tonnes. The waste heat recycling plant was completed in August, generating 11 gigawatt hours of electricity, equivalent to RMB4 million electricity cost savings in 2009. The conveyor belt between the quarry and the plant was completed in November, further reducing cement production costs.

In the Hanzhong Region, in the South West of Shaanxi, the Yangxian plant started clinker production in January 2010 and will start to sell cement in March 2010. The Mianxian plant is due to be commissioned in the third quarter of 2010. Both plants have a design capacity of 1.1 million tonnes.

We also completed our first acquisitions, moves that we see as strategically crucial in achieving a market leading position in southern Shaanxi. We completed the acquisition of the Zhen'an plant, a 700,000 tonne facility situated in between our Lantian and Ankang plants. The results from this plant have been consolidated into the Group's financial statements with effect from 1 August 2009. We have also entered into a joint venture arrangement whereby we acquired an 80% investment in the Danfeng plant, located approximately 150km east of the Zhen'an plant. These are the only two modern cement facilities in Shangluo County and give us a very strong position in this market.

Operational and Financial Review

2009 has been a remarkable year for the Company. Driven by continued strong fixed asset investment growth, demand for our cement products remained buoyant and prices have remained stable. Our cement has been used in numerous infrastructure projects - including the Zhengzhou (Henan) to Xi'an Rail Passenger Line, the Baotou (Inner Mongolia) to Xi'an Railway and the Shiyan (Hubei) to Tianshui (Gansu) Expressway. In addition, we have also won tenders for new projects such as the Xi'an to Ankang and Xi'an to Chengdu (Sichuan) Railway lines. For the year ended 31

December 2009, we produced 5.13 million tonnes (2008: 3.47 million tonnes) of cement. The increased volume represents contribution from our new Ankang and Zhen'an plants.

Selling prices

Our selling prices are primarily affected by the supply and demand for cement in the regions where we operate. The average selling price of our cement was RMB297 (2008: RMB255) per tonne in 2009. In mid 2008, we increased prices of our cement products to pass on the increased cost of coal to the end user. Prices remained stable in 2009 as a result of increased building and construction activity in the region.

Costs

Our operations are significantly affected by the cost of coal and electricity. The cost of coal remained stable throughout 2009. In 2009, coal prices declined compared with 2008 due to reduced demand as a result of the global financial crisis. Our average purchase price of coal was RMB 443 per ton in 2009 (2008: RMB 521 per ton). In November 2009, the Shaanxi Electric Power Company increased the electricity tariff by RMB 0.0367 per kwh. This is equivalent to an addition of approximately RMB 3 per ton of cement produced. During the period of increasing electricity prices, the contribution from our waste heat recycling plants has become more evident.

Capital Expenditure

In order to meet the growing demand for our products, we have expanded our capacity both through the construction of new production lines and through acquisitions.

After receiving board approval in March 2009, we embarked on the construction of the Yangxian and Mianxian plants. The kiln at Yangxian plant was successfully fired up on 31 December 2009 and clinker production has met designed capacity levels with production and sales of cement expected to commence in March after the Chinese New Year holiday. I am pleased that our Yangxian plant has been completed ahead of schedule and within budget. The Mianxian plant is due for completion in the third quarter of this year and to date construction is within the planned timetable and budget.

We have also completed improvements to some of our existing plants with the aim of increasing productivity during peak season periods and reducing production costs during normal operations. In early 2009, we installed new grinding machines at the Lantian and Pucheng plants. In December of 2009 we modified the cement milling facility, which was part of the Xiushan acquisition and is located approximately 10 kilometres from our Ankang plant, to grind slag. The ground slag will be mixed into our Ankang cement production, allowing us to increase sales by 200,000 tonnes per annum.

In connection with this expansion, we incurred capital expenditure of RMB750 million in 2009 (2008: RMB669 million). We plan to continue our expansion strategy, by acquisition or the addition of new capacity, in order to strengthen our market position in Shaanxi Province, where we are now the second largest producer. We are currently planning the construction of two additional 2500t/d production lines which are subject to Board approval. On completion at year end our total production capacity will increase to 11.8 million tonnes per annum and we expect to be the largest cement producer in Shaanxi.

Financing

In addition to cash flow generated from operations, we have raised additional debt financing in order to finance our working capital needs, expansion, acquisitions and the redemption of the warrants. We raised net bank borrowings of RMB776 million during 2009, comprising an offshore loan of US$50 million and Renminbi loans. Our gearing (total debts, net of cash and restricted cash, divided by total capital which comprises net debt and total equity) has increased from 41% in 2008 to 50% in 2009. I believe the gearing ratios are at a reasonable level for a fast growing cement business in the PRC. I am also glad that WCC has gained recognition and support from major financial institutions both in China and internationally.

Since the year end, a number of steps have been taken to extend the term of our debt, including an agreement to raise a two-year facility to repay the US$60 million loan facility in full before June and agreements to lengthen the terms of existing loans. The effect of these arrangements will be to reduce our current liabilities by at least RMB1 billion and reduce the interest rates payable on our debt.

Research and Development

Our primary focus in our research and development efforts is to increase the percentage of additives in our clinker, thus lowering our production costs. We conduct research on various materials and their compatibility as additives to clinker. We substitute natural gypsum by recycling desulfurised gypsum - a waste product from power stations. We also use shale and mine tailings in our production of clinker.

In addition to our own research and development efforts, we leverage our cooperation with leading research institutions, such as the Xi'an University of Architecture and Technology and The Tianjin Cement Industrial Design Institute. We believe that continuous technological innovation will allow us to further lower our production costs and improve the quality of our products.

Safety and Environment

We continue in our efforts to reduce emissions and energy consumption. The Lantian waste heat recycling plant, which was completed in August 2008, generated 14 gigawatt hours of electricity during the reporting period, cutting our consumption of electricity at Lantian by approximately 20% over the year. The Ankang waste heat recycling plant started running in the third quarter of 2009 and will cut our electricity consumption by a similar amount at the Ankang plant in 2010 and going forward. We are planning the construction of waste heat recycling plants at our other plants in the future.

We continue to focus on safety and other environmental procedures. During 2009, we have set up the Safety and Environmental Protection Department, as a separate department from our Production Department where this function was located previously. This Department will continuously monitor and review our safety procedures and we will continue to strive for the best safety standards possible in our industry.

People

Our operations continue to grow rapidly - from 2 operational plants at the end of 2008 to 6 operational plants at the end of 2009. This has led to a growth in our headcount to 2,600 people by the end of 2009 (2008: 1,353 people). We believe that our staff are the Company's most valuable assets and they are essential to the long term success of the Group. We continue to invest in the development of our people and to attract and retain the best talents in the region and beyond.

At the senior management and board level, there will be some changes in preparation for the HKEx listing. I will be taking up the position of Chairman and will be focusing on the strategic aspects of the business. Mr Tian Zhenjun, who was the Financial Director prior to Ms Low Po Ling, will take up the position of COO and will focus on the day to day operational issues. We will also be joined on the board by one new non-executive director and three independent non-executive directors upon Listing on the HKEx.

I would also like to express my deepest gratitude to our Non Executive Chairman Robbie Robertson and Non Executive Director Brett Miller, who subject to our successful listing on the Main Board of the HKEx will step down from the Board. Whilst we have all identified that it is appropriate that the board of directors is based in Hong Kong and China for our HKEx listing, the company remains indebted to Robbie and Brett for their hard work, expertise and guidance over the past 3 years.

2010 Outlook

We plan to continue our growth strategy into 2010. If reasonable opportunities arise, this may include expansion of our production through new capacity construction or acquisitions, within Shaanxi Province or into neighbouring provinces. Subject to the Board's approval, we plan to embark on the construction of two additional 2500t/d production lines. Based on this, our planned production capacity will increase to 11.8 million tonnes per annum by the end of 2010. Our trading in the first two months of this year has the reflected the normal seasonal patterns influenced by the winter weather and the Chinese New Year holidays. We expect continued robust demand for our cement products in 2010, led by infrastructure growth and urbanisation trends in Shaanxi Province.

Another major event for WCC in 2010 is the planned Listing of WCC's shares on the HKEx. On 9 February 2010, we submitted our application for a new listing of the shares of the Company on the main board of HKEx (the "Listing"). The Listing is subject to, amongst other things, the approval of the listing sub-committee of the board of directors of the HKEx, and, subject to this approval, it is expected that the Listing on the HKEx may occur by June 2010.

WCC has grown from a RMB0.3 billion revenue company in 2006 to RMB 1.5 billion in 2009.. This remarkable achievement is attributable to all our hard-working employees, our dedicated management team, our customers and suppliers, the various government authorities, our bankers, our advisers, and last but not least, our supportive shareholders. My many thanks to all of you. I would like to reassure all stakeholders that WCC's dedication to growth and excellence remains resolute.

Jimin Zhang

Chief Executive

Consolidated statement of comprehensive income

For the year ended 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

	Year ended 31 December	
	2009	2008 (Restated)
Revenue	1,516,766	866,126
Cost of sales	(878,087)	(556,073)
Gross profit	638,679	310,053
Selling and marketing expenses	(15,064)	(12,018)
Administrative expenses	(77,846)	(55,224)
Other income	71,526	40,617
Other gainslosses- net	(1,057)	(184)
Operating profit	616,238	283,244
Finance income	1,190	2,600
Finance costs		
- Loss on redemption of warrants	(168,451)	-
- Other finance costs	(73,830)	(28,115)
Finance costs - net	(241,091)	(25,515)
Profit before income tax	375,147	257,729
Income tax expense	(44,687)	(11,566)
Profit for the year	330,460	246,163
Other comprehensive income	-	-
Total comprehensive income for the year	330,460	246,163
Attributable to shareholders of the Company	330,460	246,163
Earnings per share for profit attributable to the shareholders of the Company during the year		

(expressed in Renminbi per share)		
Basic earnings per share	5.12	3.84
Diluted earnings per share	5.07	3.83
Dividends	-	-

Consolidated balance sheet

As at 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

	As at 31 December	
	2009	2008 (Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	2,611,502	1,540,533
Land use rights	124,571	76,521
Mining rights	46,373	27,907
Other intangible assets	65,104	-
Deferred income tax assets	13,540	798
	2,861,090	1,645,759
Current assets		
Inventories	128,979	81,507
Trade and other receivables and prepayments	317,670	125,770
Cash and cash equivalents	346,258	37,038
Restricted cash	19,582	35,999
	812,489	280,314
Total assets	3,673,579	1,926,073
EQUITY		
Capital and reserves attributable to shareholders of the Company		
Share capital	97,623	96,811
Share premium	672,775	662,636
Share options reserve	5,439	6,708
Reverse acquisition reserve	(341,304)	(341,304)
Statutory reserves	118,140	63,163
Retained earnings	717,553	442,070
	1,270,226	930,084
Minority interest	25,000	-
Total equity	1,295,226	930,084

LIABILITIES		
Non-current liabilities		
Borrowings	360,058	407,069
Warrants classified as liabilities	-	32,908
Provisions for other liabilities and charges	6,265	-
Deferred income tax liabilities	8,079	-
Other liabilities	117,049	17,317
	491,451	457,294
Current liabilities		
Trade and other payables	559,395	269,511
Current income tax liabilities	38,639	-
Borrowings	1,288,868	269,184
	1,886,902	538,695
Total liabilities	2,378,353	995,989
Total equity and liabilities	3,673,579	1,926,073
Net current liabilities	(1,074,413)	(258,381)
Total assets less current liabilities	1,786,677	1,387,378

Company Balance sheet

As at 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

	As at 31 December	
	2009	2008 (Restated)
ASSETS		
Non-current assets		
Investments in subsidiaries	447,285	447,285
Current assets		
Amounts due from subsidiary undertakings	726,691	658,647
Other receivables	14,592	26
Dividend receivable	44,078	3,026
Cash and cash equivalents	27,758	4,200
Restricted cash	14,572	14,659
	827,691	680,558

Total assets	1,274,976	1,127,843
EQUITY		
Capital and reserves attributable to the Company's shareholders		
Share capital	97,623	96,811
Share premium	672,775	662,636
Share options reserves	5,439	6,708
Accumulated losses	(211,977)	(50,705)
Total equity	563,860	715,450
LIABILITIES		
Non-current liabilities		
Borrowings	77,258	371,269
Warrants classified as liabilities	-	32,908
	77,258	404,177
Current liabilities		
Trade and other payables	10,790	8,216
Borrowings	623,068	-
	633,858	8,216
Total liabilities	711,116	412,393
Total equity and liabilities	1,274,976	1,127,843
Net current assets	193,833	672,342
Total assets less current liabilities	641,118	1,119,627

Consolidated statement of changes in equity

For the year ended 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

	Share capital	Share premium	Reverse acquisition reserve	Share options reserve	Statutory reserve	Retained earnings	Total	Minority interest	Total equity
At 1 January	96,811	662,636	(341,304)	6,708	63,163	442,070	930,084	-	930,084

2009									
Profit for the year	-	-	-	-	-	330,460	330,460	-	330,460
Transfer to statutory reserve	-	-	-	-	54,977	(54,977)	-	-	-
Share options scheme	-	-	-	1,161	-	-	1,161	-	1,161
Proceeds from shares issued	812	10,139	-	(2,430)	-	-	8,521	-	8,521
Capital contribution from minority interest	-	-	-	-	-	-	-	25,000	25,000
At 31 December 2009	97,623	672,775	(341,304)	5,439	118,140	717,553	1,270,226	25,000	1,295,226
At 1 January 2008 (Restated)	96,811	662,636	(341,304)	5,228	36,420	222,650	682,441	-	682,441
Profit for the year	-	-	-	-	-	246,163	246,163	-	246,163
Transfer to statutory reserve	-	-	-	-	26,743	(26,743)	-	-	-
Share options scheme	-	-	-	1,480	-	-	1,480	-	1,480
At 31 December 2008 (Restated)	96,811	662,636	(341,304)	6,708	63,163	442,070	930,084	-	930,084

Consolidated cash flow statement

For the year ended 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

	Year ended 31 December	
	2009	2008 (Restated)
Cash flows from operating activities		
Cash generated from operations	696,738	349,709
Interest paid	(57,975)	(26,617)
Income tax paid	(19,087)	-
Net cash generated from operating activities	619,676	323,092
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1,899	138
Interest received	803	1,023
Acquisition of subsidiary, net of cash acquired	(120,922)	-
Holding deposit for potential acquisition	(100,000)	-
Purchase of property, plant and equipment	(599,998)	(603,246)
Purchase of land use rights	(27,398)	(61,731)
Purchase of mining rights	(1,807)	(4,107)
Purchase of other intangible assets	(80)	-
Net cash used in investing activities	(847,503)	(667,923)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	8,521	-
Proceeds from bank borrowings	1,066,205	625,104
Proceeds from other borrowings	8,374	10,031
Decrease/ (increase) in restricted cash	16,417	(11,663)
Repayments of bank borrowings	(302,848)	(260,400)
Repayments of other borrowings	(53,167)	(11,200)
Redemption of the warrants	(206,455)	-
Net cash generated from financing activities	537,047	351,872
Net increase in cash and cash equivalents	309,220	7,041
Cash and cash equivalents at beginning of year	37,038	29,997
Cash and cash equivalents at end of year	346,258	37,038

Selected Notes from the Consolidated Financial Statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise

stated.

1.1 Basis of preparation

The consolidated financial statements of the Company and its subsidiaries have been prepared in

accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European

Union and have been prepared in accordance with the Companies (Jersey) Law 1991.

The consolidated financial statements have been prepared under the historical cost convention, as

modified by the revaluation of financial instruments at fair value through profit or loss.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of

certain critical accounting estimates. It also requires management to exercise its judgement in the

process of applying the group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and

estimates are significant to the Consolidated financial statements are disclosed in Note 2.

Standards, amendments and interpretations that have been issued but are not yet effective and have

not been early adopted by the Group for the relevant period are as follows:

	Effective for annual periods beginning on or after
IFRS 3 (Revised) Business Combinations	1 July 2009 2009
IAS 27 (Revised) Consolidated and Separate Financial Statements	1 July 2009 2009
IFRIC 17 Distribution of Non-cash Assets to Owners	1 July 2009 2009
IFRIC 18 Transfers of Assets From Customers	1 July 2009 2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2009 2009

Amendment to IFRS 2 Group Cash-settled Share-based Payment Transactions	1 January 2010 2010
Amendment to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010 2010
Amendment to IFRS 8 Operating Segments	1 January 2010 2010
Amendment to IAS 1 Presentation of Financial Statements	1 January 2010 2010
Amendment to IAS 7 Statements of Cash Flows	1 January 2010 2010
Amendment to IAS 17 Leases	1 January 2010 2010
Amendment to Appendix to IAS 18 Revenue	1 July 2009 2009
Amendment to IAS 36 Impairment of Assets	1 January 2010 2010
Amendment to IAS 38 Intangible Assets	1 July 2009 2009
Amendment to IAS 39 Financial Instrument: Recognition and Measurement	1 July 2009 2009
Amendment to IFRIC 9 Reassessment of Embedded Derivatives	1 July 2009 2009
Amendment to IFRIC 16 Interpretation Hedges of a Net Investment in a Foreign Operation	1 July 2009 2009

The application of these standards, amendments and interpretations is not expected to have a material effect on the Group's operating results or financial position.

Going concern basis

As at 31 December 2009, the Group's current liabilities exceeded its current assets by approximately RMB 1.074 billion. The Group's current liabilities mainly included bank borrowings, trade and other payables and advance from customers. Since the year end the Group has reached a number of agreements to extend its current borrowings and to obtain new loan facilities, such as to reduce current liabilities by RMB 1.1 billion.

The management have also prepared cash flow projections for the 18 month period ending 30 June

2011. The Group's projections, taking account of reasonably possible changes in trading

performance, required capital expenditure and other commitments, show that the Group should be

able to operate within the levels of current facilities and required banking covenants.

On the above basis, the directors believe that the Group will continue as a going concern and

consequently have prepared the financial statements on a going concern basis.

Prior year adjustments

During the year ended 31 December 2009, the Group identified a number of errors in accounting

estimations relating to previous years. The Group has corrected these errors in the current year and

the comparative figures have been adjusted retrospectively. These prior year adjustments are

summarised below.

(i) Bank borrowings

The Group recognised some borrowings of RMB230,400,000 as long-term borrowings in prior years.

These borrowings actually had a maturity of less than one year and were subject to renewal at the end

of their term. Accordingly, these borrowings have been reflected as short term borrowings in the

current year and the comparative figure of RMB230,400,000 adjusted from long term to short

term liabilities. The impact of this adjustment was to increase current liabilities as at 31 December 2008, by RMB230,400,000.

(ii) Functional currency translation

The group's primary economic environment and primary source of income is China. Management has

assessed the group's functional currency to be RMB as opposed to GBP and HKD used previously. The

company (an offshore holding company) and West China Cement Company Limited (an intermediate

holding company incorporated in BVI) should have recorded transactions in currency other than RMB as

foreign currency transactions.

In the year ended 31 December 2009, the Group retrospectively adjusted the comparative figures. As

a consequence of this change, the share premium account increased as at 31 December 2008 by

RMB24,566,000 and the foreign currency translation reserve decreased as at 31 December 2008 by

RMB37,471,000.

(iii) Reclassify lease prepayments to Land Use Rights

Lease prepayments represent payments made to acquire Land Use Rights. The Group recorded

such prepayments as other receivables as at 31 December 2008 of RMB27,035,000. These have

been reclassified during the current year to non-current assets (Land Use Rights).

As a consequence of the reclassification, as at 31 December 2008 non-current assets (

Land

Use Rights) increased by RMB40,242,000, current assets (other receivables) decreased by

RMB27,035,000 and other payables increased by RMB13,207,000.

(iv) Understatement of construction in progress

The cost of construction in progress should be recognised on a percentage completion basis. This method was not used in the past and as a result, construction in progress was

understated as at 31 December 2008. This method has been adopted for the year ended

31 December 2009 and the comparative figures restated accordingly. As a consequence of

this restatement, the cost of construction in progress as at 31 December 2008 increased by

RMB18,599,000 and other payables increased by RMB18,599,000.

(v) Other reclassifications

During the year, management identified a number of other incorrect classifications in the

balance sheet as at 31 December 2008. These errors have been corrected for 2009

and the comparative figures for 2008 adjusted accordingly.

1.2 Consolidation

The consolidated financial statements include the financial statements of the Company and

its subsidiaries.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the

power to govern the financial and operating policies generally accompanying a

shareholding of more than one half of the voting rights. The existence and effect of p otential

voting rights that are currently exercisable or convertible are considered when assessing

whether the Group controls another entity. Subsidiaries are fully consolidated from the

date on which control is transferred to the Group. They are de-consolidated from the

date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries

by the Group. The cost of an acquisition is measured at the fair value of the assets given,

equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and

contingent liabilities assumed in a business combination are measured initially at their fair

values at the acquisition date, irrespective of the extent of any minority interest. The excess

of the cost of acquisition over the fair value of the Group's share of the identifiable net

assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value

of the net assets of the subsidiary acquired, the difference is recognised directly in the

consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between

group companies are eliminated. Unrealised losses are also eliminated. Accounting

policies of subsidiaries have been changed where necessary in the consolidated

financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less

provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the consolidated statement of comprehensive income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

1.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

1.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional and the presentation currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange

rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains/ (losses) - net'.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair valuegain or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the

cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.5 Property, plant and equipment ("PPE")

Property, plant and equipment, other than construction in progress, is stated at historical cost less accumulated depreciation and provision for any impairment in value. Historical cost includes its purchase price and any other expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated statement of comprehensive income during the period in which they are incurred.

Except for mining assets (Note (a) and (b)), depreciation on property and plant, motor vehicles, electronic and other equipment and machinery is calculated using the straight-line method to allocate their costs to their residual values of 5% over their estimated useful lives, as follows:

- Property and plant 20 years

- Motor vehicles 8 years

- Electronic and other equipment 5 years

- Machinery 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress ("CIP") represents buildings, machinery and equipment on which construction work has not been completed. It is carried at cost which includes construction expenditure and other direct costs less any impairment loss. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost. No depreciation is provided for construction in progress until it is completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/ (losses) - net", in the consolidated statement of comprehensive income.

Mining assets include development stripping costs and decommission and restoration provisions.

(a) Stripping costs

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

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

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

1.6 Lease prepayments - land use rights

Lease prepayments represent payments made to acquire land use rights. Land use rig hts are stated at cost less accumulated amortisation and impairment losses. Amortisation of land use rights is charged to the consolidated statement of comprehensive income on a straight-line basis over the respective periods of the land use rights.

1.7 Mining rights

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

1.8 Other intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the acquisition date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gai ns and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire the specific software. These costs are amortised over the estimated useful lives of the licences.

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationships.

1.9 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, which are not subject to amortisation, are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the a mount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Impairment testing of investments in subsidiaries is required when a company becomes entitled to dividends from the investments and the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

1.10 Financial assets - loan and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' and 'restricted cash' in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will become bankrupt, financial reorganisation, and default of payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

1.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

1.14 Restricted cash

Restricted cash is short-term cash deposits held in a separate reserve account to be used only for a specific purpose. These monies are pledged to the bank for issuance of trade facilities such as bills payable and bankers' guarantee, and as security deposits under bank borrowing agreement. Restricted cash cannot be withdrawn until the relevant trade facilities or loan interests are repaid.

1.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn d own. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs that are directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to be ready for their intended use or sale are capitalised as part of the costs of the assets. All other borrowing costs are expensed.

1.18 Derivative

Derivative financial instruments are recognised at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement of fair value is charged immediately to the consolidated statement of comprehensive income.

1.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is co ntrolled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.20 Employee benefits

(a) Pension obligations

The full-time employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees become entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) Housing benefits

The full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the employees' salaries. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the services received in exchange for the grant of the options is recognised as an expense on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. These share-based payments are measured at fair value at the date of grant. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income with a corresponding adjustment to equity.

For equity-settled transactions with non-employees, the costs are recognised through the consolidated statement of comprehensive income (or where they relate to issue costs, taken against the share premium account if appropriate) with measurement based on the fair value of goods or services received.

1.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are recognised in the consolidated statement of comprehensive income. Grants with no future related costs are recognised on receipt basis.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

1.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods

The Group produces and sells cement products to customers in the Shaanxi Province of the PRC. Customers include distributors, constructors and property development companies. Sales of goods are recognised when a group entity has delivered products and transferred the significant risks and rewards of ownership of the product to the customers, when there is no unfulfilled obligation that could affect the customers' acceptance of the products, and collectability of the related receivables is reasonably assured.

(b)Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

1.23 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

1.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or Board of Directors, where appropriate.

1.25 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, a contingent liability is then recognised as a provision.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Carrying value of non-current assets

Non-current assets, including property, plant and equipment, land use rights, mining rights and other intangible assets, are carried at cost less accumulated depreciation/amortisation. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts are revised, and this may have an impact on the Group's results of operations or financial position.

(b) Useful lives of property, plant and equipment

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

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates including budgeted gross margin, growth rate and discount rate. Management determine budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks.

(d) Income tax

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

(e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various financial instruments that are not traded in active markets.

(f) Allowance for bad and doubtful debts

The Group performs ongoing credit evaluations of its customers and adjusts credit li mits based on payment history and customers' current credit-worthiness, as determined by a review of current credit information.

(g) Estimated impairment of inventories

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

(h) Environmental provision

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

(i) Operating licences

The group's licenses to operate at each of mines expire at various dates from November 2013 to December 2022. Management believes that the Group will be able to renew these licenses at their option and at minimal cost, provided the Group complies with the terms of the licence. The useful life of some of the Group's tangible and intangible assets would be reduced if any licenses could not be renewed.

3. Borrowings

	2009	2008
Non-current		
Bank borrowings-secured (Note (a))	704,522	430,069
Other borrowings (Note (b))	32,000	-
Less: current portion of non-current borrowings	(376,464)	(23,000)
	360,058	407,069
Current		
Bank borrowings-secured (Note (a))	790,604	230,400
Other borrowings (Note (b))	121,800	15,784
Current portion of non-current borrowings	376,464	23,000
	1,288,868	269,184

Total borrowings	1,648,926	676,253

(a) Bank borrowings:

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

	2009	2008
RMB		
- borrowing by subsidiaries	745,600	289,200
- transferred from minority equity holder of a subsidiary	49,200	-
USD		
-USD 60 million	358,921	371,269
-USD 50 million	341,405	-
	1,495,126	660,469

Bank borrowings were secured as follows:

	As at 31 December	
	2009	2008
Jointly secured by land use rights and PPE (i)	478,000	289,200
Jointly secured by land use rights, PPE and equity interests of subsidiaries (ii)	316,800	-
Secured by a subsidiary's equity interests (iii)	358,921	371,269
Secured by the Company's shares (iv)	341,405	-
	1,495,126	660,469

(i) The bank borrowings were secured by certain land use rights and property and plant and equipment of the Group, with total carrying values of RMB681,764,000 as at 31 December 2009 (2008: RMB 389,109,000).

(ii) The Group's bank borrowings of RMB330,000,000 as at 31 December 2009 were jointly secured by certain land use rights, property and plant and equipment of the Group with total carrying values of RMB987,091,000 as at 31 December 2009, and secured by 100% equity interests of Lantian Yaobai, Ankang Yaobai, Hanzhong Yaobai and Mianxian Yaobai. The loan was also guaranteed by Lantian Yaobai, Ankang Yaobai, Hanzhong Yaobai and Mianxian Yaobai.

(iii) The Group's bank borrowings of USD60,000,000 as at 31 December 2008 and 2009 were secured by 100% of the equity interest of its subsidiary Shaanxi Yaobai as at 31 December 2008 and 2009.

(iv) The Group's bank borrowings of USD50,000,000 as at 31 December 2009 were secured by 19,393,776 ordinary shares of the Company held by Mr. Zhang Jimin as at 31 December 2009. The expire date of this borrowing was extended to 26 July 201

1 according to an extension agreement signed on 1March 2010.

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

	2009	2008
6 months or less	626,563	168,000
6-12 months	540,505	85,400
1-5 years	328,058	407,069
	1,495,126	660,469

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

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

	As at 31 December	
	2009	2008
Carrying amount		
-USD bank borrowings	93,888	410,076
-RMB bank borrowings	264,000	35,800
	357,888	445,876
Fair value		
-USD bank borrowings(i)	77,258	371,269
-RMB bank borrowings(ii) (iii)	250,800	35,800
	328,058	407,069

(i) The fair value of bank borrowings of USD60,000,000 as at 31 December 2009 is based on cash flows discounted using an effective rate of 20.23% (2008: 20.23%) per annum.
(ii) The fair value of the bank borrowing of RMB330,000,000 is based on the cash flows discounted using an effective rate of 8.29% per annum.
(iii) The fair value of RMB bank borrowings as at 31 December 2008 approximates to the carrying amount as the borrowing carry floating interest rates.
The weighted average effective interest rates at each balance sheet date were as follows:

	As at 31 December	
	2009	2008
RMB bank borrowings	6.03%	8.44%
USD bank borrowings	12.94%	20.23%

	As at 31 December	
	2009	2008
Loan from employees	-	15,784

Loan from third parties		
-transfer from minority equity holder of a subsidiary	150,800	-
-other	3,000	-
	153,800	15,784

Other borrowings are all unsecured and denominated in RMB.

Other borrowings are repayable as follows:

	As at 31 December	
	2009	2008
6 months or less (i)	92,800	15,784
6-12 months	29,000	-
1-5 years	32,000	-
	153,800	15,784

i) According to supplemental agreements on 25 February 2010, certain borrowings will be repaid on 31 December 2011.

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

The weighted average effective interest rates for other borrowings as at 31 December 2009 was 9.16% (2008: 11.64%).

4. Loan facility and warrants reclassified as liabilities

Bank borrowing of USD60 million

On 29 May 2008, the Company entered into a loan facility agreement for USD 60 million with a financial institution. The interest rate was 13.5% per annum, 50% of the loan was repayable on a date falling 24 months from the date of utilisation and the remaining 50% on a date falling 36 months from the date of utilisation of the facility.

According to the loan facility agreement, the Company should use its commercially reasonable efforts to achieve a "Qualifying Re-listing" ("'QRL") with various other conditions within 30 months from the date of utilisation of the facility. No assurance is, however, given by the Company to investors as to the achievability of this undertaking. However, should such a QRL not take place, the Company must repay the principal of the loan outstanding together with accrued interests and break costs on the date falling 30 months from the date of agreements, if the Company issues any equity interest upon a QRL, the Company must pay 50% of the outstanding loan to gather with accrued interest and break costs immediately after QRL.

QRL means any initial public offering and/or secondary offering of shares of the Company with a resulting listing of shares in the Borrower on (i) the Hong Kong Stock Exchange, the Singapore Stock Exchange, the London Stock Exchange, the New York Stock Exchange and the Frankfurt Stock Exchange or (ii) any other internationally recognised stock exchange provided that such stock exchange shall have reasonably sufficient liquidity which is acceptable to the lender.

Warrant instrument agreement

On 29 May 2008, as part of the loan facility the Company also entered into a warrant agreement as part of the loan facility. According to the warrant agreement, the warrant holders had the following rights:

(1) Rights to subscribe warrant shares and strike price ("subscription right")

The warrant holders received warrants to subscribe for 7,802,142 ordinary shares in the Company at a strike price of USD 2.6916, representing a 15% premium to the average equivalent closing price per share over the 20 trading days immediately preceding the date of the warrant agreement, subject to strike price resets under certain circumstances. The warrants may could have been exercised at any time up to 36 months after issuance.

(2) Cash settlement option

The warrant holder had the option to require the Company to pay cash to it in lieu of issuing warrant shares. The warrant holder could only elect for cash settlement in respect of all, but not only part, of the warrant shares in respect of which such subscription rights are exercised.

(3) Put option

The warrant holders were also given the option to put the outstanding warrants ("Put

Option") for an amount that would provide an internal rate of return of 19% on the bank borrowing of USD60 million. The Put Option could have been exercised after 30 months in certain circumstances, or earlier in the event of default.

As the exercise price of the warrants is denominated in a currency ("USD") other than the Group's functional currency ("RMB"), IFRS requires that it be classified as a liability in the Group's balance sheet and adjusted to fair value at each balance sheet date, with the change in fair value recorded within the consolidated statement of comprehensive income.

The directors have identified that the warrants attached to the bank borrowing of USD 60 million was an embedded derivative. The value of the warrant was derived from the strike price, the Company's share performance and the cash flow relating to the Put Option. The warrant was therefore a financial derivative, which is classified as a financial liability at fair value through profit and loss.

The directors have identified that the warrants attached to the bank borrowing of USD60 million are embedded derivatives. The value of the warrants derived from the strike price, the Company's share performance and the cash flow relating to the Put option. The warrants are therefore a financial derivative, classified as a financial liability at fair value through profit and loss.

Redemption of warrants

On 21 October 2009, the Company agreed an amendment deed with the warranty holder. Under the amendment deed, the Company redeemed the warrants by paying the warrant holder with total amount, of approximately USD30,188,000. On 3 November 2009, the Company completed the settlement of warrant redemption with total payment of RMB 206,435,000.

The difference between the redemption amount and fair value of the put option as at 31 December 2008 was recognised as finance costs in the consolidated statement of comprehensive income.

The loss on the redemption of the warrants was approximately RMB168,451,000. It is expected that the Group's business will sustain continuous growth in the future years. The directors believe the growth of the Group will have a positive impact on the performance of the Group's future share price, and as a result, more loss will incur if no redemption happens and warrant holders exercise their rights in the future.

Fair values of the bank borrowing of USD60 million and the warrant

As at 31 December 2008, the directors concluded that Qualifying Re-listing was not within the control of the Company, the bank borrowings of USD60 million and warrants (put option) were the obligations to the Company that arose 30 months from the date of utilisation of the bank borrowing of USD60 million. Accordingly the bank borrowing of USD60 million was initially recorded at cost of USD53,106,000, being the fair value, and subsequently at amortised cost. The put option was recognised as an other liability at cost, USD4,414,000, being the fair value, and amortised over a 30 month period. The fair values of the bank borrowing of USD60 million and put option were calculated by discounting the future cash flow of the loan and interest payments. Directly attributable transaction costs were debited to the loan liability.

IAS 39 does not permit the initial value of the derivative be recognised as a loss at initiation. The Group's accounting policy in respect of this initial loss is to recognise it through the statement of comprehensive on a straight-line basis except to the extent of any subsequent reversal (if higher). Given the considerably lower share price at the 2008 year end, the directors were of the opinion that the value of the derivative at the 2008 year end was approximately nil, and consequently no net gain or loss had been recognised in this respect in the year and an insignificant amount has been deferred as loss to future periods.

After the redemption of the warrants, the warrants classified as liabilities were derecognised.

As at 31 December 2009, 75% of the bank borrowing of USD60 million was classified as current liabilities.

The fair value and effective interest rate of bank borrowings of USD60 million and the put option as 31 December 2008 and 2009 are as follows:

	31 December 2009	31 December 2008
Fair value of bank borrowing of USD60 million	358,922	371,269
Fair value of put option	N/A	32,908
	31 December 2009	31 December 2008
Effective interest rate of bank borrowing of USD60 million	20.23%	20.23%
Effective interest rate of put option	N/A	17.78%

The Company repaid bank borrowings of USD5 million in December 2009.

5. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding share options granted to directors or selected employees during the periods.

	2009	2008
Profit attributable to equity holders of the Company	330,460	246,163
Weighted average number of ordinary shares in issue (thousands)	64,531	64,113
Basic earnings per share (RMB per share)	5.12	3.84

(b) Diluted

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

	2009	2008
Profit attributable to equity holders of the Company	330,460	246,163
Profit used to determine diluted earnings per share	330,460	246,163
Weighted average number of ordinary shares in issue (thousands)	64,531	64,113
Adjustments for share options (thousands)	653	81
Weighted average number of ordinary shares for diluted earnings per share (thousands)	65,184	64,194
Diluted earnings per share (RMB per share)	5.07	3.83

6. Cash generated from operations

	2009	2008
Profit for the year after income tax	330,460	246,163
Adjustments for:		
- Income tax expense	44,687	11,566
- Depreciation	99,286	62,317
- Amortisation	3,817	2,066
- Loss on disposal of PPE	2,733	74

- Provision for impairment loss for receivables	1,372	914
- Provision for impairment loss for inventories	-	-
- Share-based payment	1,161	1,480
- Finance costs - net	241,091	25,515
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
- Inventories	(29,881)	(35,854)
- Trade and bills receivable	(4,936)	(14,655)
- Other receivables and prepayments	(52,632)	(10,954)
- Trade and other payables	59,580	61,077
Cash generated from operations	696,738	349,709

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2009	2008
Net book amount	4,632	212
Profit/(loss) on disposal of property, plant and equipment	(2,733)	(74)
Proceeds from disposal of property, plant and equipment	1,899	138

7. Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date, but not yet incurred was as follows:

	2009	2008
Property, plant and equipment	558,336	449,035

(b) Operating lease commitments - Group companies as lessee

The Group leases various buildings and land as offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the period at market rate.

The Group also leases various plant and machinery under cancellable operating lease agreements. The Group is required to give six-month notice for the termination of these agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2009	2008
No later than 1 year	74	484

Later than 1 year and no later than 5 years	209	217
Later than 5 years	446	496
	729	1,197

8. Business combination

(a) Acquisition of Xiushan Cement
Shaanxi Yaobai, a wholly owned subsidiary of the Company entered into Equity Transfer Agreements with Shaanxi Xiushan Yaobai Cement Group Limited (" Xiushan Cement") to acquire 100% of its equity interest on 15 August 2009. The total consideration for the acquisition of Xiushan Yaobai was RMB 180,700,000, according to the Equity Transfer Agreements. There is no contingent consideration.

On 1 August 2009, the Group took control of Xiushan Cement, and therefore the acquisition date was 1 August 2009. After the acquisition, Xiushan Cement was renamed to Xiushan Yaobai.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
- Cash paid	130,000
- Consideration pay to Xiushan Yaobai	14,650
- Consideration payable	36,050
Total purchase consideration	180,700
Provisional fair value of assets acquired (see below)	135,426
Goodwill	45,274

(a) Accordingly to the Equity Transfer Agreement and revised agreements between Shaanxi Yaobai and the original equity holders of Xiushan Cement, certain trade and other receivables due from original equity holders or third parties were transferred as amounts due from Shaanxi Yaobai on the acquisition date. This balance is eliminated in the consolidated balance sheet.

(b) The balance represents the outstanding payables to the original equity holders of Xiushan Cement.

The goodwill is attributable to the economies of scale anticipated as a result of combining the operations within the Group.

Management considers the fair value of the business acquired has not changed since acquisition and accordingly the value of goodwill is not impaired.

The fair values of the acquired assets and liabilities as of 1 August 2009 are as follows:

Provisional fair value Acquiree's carrying

		amount
	RMB'000	RMB'000
Cash and cash equivalents	9,078	9,078
Property, plant and equipment	140,475	130,542
Land use rights	6,924	5,176
Trademarks	-	461
Mining rights	5,250	3,576
Customer relationship	20,610	-
Long term deferred expenditure	266	266
Inventories	17,591	17,591
Trade and other receivables	35,555	35,555
Trade and other payables	(59,938)	(59,938)
Borrowings	(32,009)	(32,009)
Deferred tax liabilities	(8,376)	-
Fair value of net assets	135,426	110,298
Goodwill	45,274	-
Total purchase consideration	180,700	110,298
Purchase consideration settled in cash	-	130,000
Cash and cash equivalents in subsidiary acquired	-	(9,078)
Cash outflow on acquisition	-	120,922

Following acquisition, Xiushan Yaobai Contributed revenue of RMB86,329,000 and profit of RMB15,773,000 to the Group during the year ended 31 December 2009.

9. Formation of a subsidiary

On 28 December 2009, Shaanxi Yaobai entered into an agreement with Shaanxi Danshui Jiancai Co., Ltd. ("DJ") to form a new company, Longqiao Yaobai. The registered paid-in capital of Longqiao Yaobai is RMB 125,000,000. Shaanxi Yaobai and DJ hold 80% and 20% of the equity interests of Longqiao respectively. According to the agreement, Shaanxi Yaobai is required to contribute cash amounting to RMB100,000,000 and DJ is required to contribute certain machinery with a fair value of to RMB25,000,000. In addition to the captital contribution, DJ transferred a number of assets and liabilities to Longqiao Yaobai.

As at 31 December 2009, Longqiao Yaobai received the following assets and liabilities:

	RMB'000
Cash contributed from Shaanxi Yaobai (Note (a))	50,000
PPE contributed from DJ	25,000
	75,000
Assets transferred from DJ:	
PPE	312,226
Land use rights	15,165
Mining rights	12,930
	340,321
Liabilities transferred from DJ:	
Bank borrowings	(49,200)
Other borrowing	(150,800)
	(200,000)
Amount due to DJ	(140,321)

(a) Shaanxi Yaobai contributed another RMB50,000,000 of cash to Longqiao Yaobai in February 2010.

(b)The amount due to DJ represented the difference between the assets and the liabilities transferred from DJ, and was recorded as a non-interest bearing amount due to a minority equity holder of a subsidiary. 50% of the payable will be repaid in 2010 , and the remaining 50% of the payable will be repaid in 2011. On 25 February 2010, Longqiao Yaobao entered into a supplementary agreement with DJ. The amount due to DJ will be totally repaid on 31 December 2011.

10. Events after the balance sheet date

On 15 January 2010, Shaanxi Yaobai entered into a credit facility arrangement with a local financial institution. According to the facility arrangement, Shaanxi Yaobai has been granted a working capital facility of no more than RMB300,000,000. The facility is valid for two years from 1 January 2010.

On 25 February 2010, Longqiao Yaobai entered into three supplementary agreements with DJ and other two creditors. According to the supplementary agreements, the amount due to DJ of RMB140,321,000 and other borrowings of RMB 70,000,000 will be repaid on 31 December 2011.

On 26 February 2010, the Company entered into a USD50 million term loan facility agreement with financial institutions. It is the Company's intention to utilise this loan to repay the existing USD60 million facility. The drawdown of this facility is subject to satisfying certain conditions precedent, one of which is obtaining consent from the USD 60 million lenders for making an early repayment. At date of this report, the USD50 million loan has not been drawn down.

On 1 March 2010, the Company reached extension agreement with a financial institut ion to extend the expiry date of the original USD50 million loan to 26 July 2011.

- end -

For further information please contact:

West China Cement Limited

Anthony Schindler

Anthony.schindler@wcc_uk.com

Tel: +44 7710 1789 28

NCB Stockbrokers Ltd

Christopher Caldwell

Christopher.caldwell@ncb.ie

Tel: + 44 20 7071 5200

Citigate Dewe Rogerson Asia

Pui Shan Lee

Tel: +86 21 6340 4186

ps.lee@citigate.com.cn