



WEST CHINA CEMENT LIMITED

Annual Report 2009



SOME OF OUR CUSTOMERS' PROJECTS

1. Ankang (Shaanxi) - Langao (Shaanxi) Highway 安嵐公路
2. Ankang (Shaanxi) - Chongqing (Sichuan) Double Track Railway 安重鐵路複線
3. Baotou (Inner Mongolia) - Xi'an (Shaanxi) Railway 包西鐵路
4. Baoji (Shaanxi) - Hanzhong (Shaanxi) Expressway 寶漢高速公路
5. Shiyian (Hubei) - Tianshui (Gansu) Expressway 十天線
6. Xi'an (Shaanxi) - Baoji (Shaanxi) Railway 西寶鐵路
7. Xi'an (Shaanxi) - Chengdu (Sichuan) Railway 西成鐵路
8. Xi'an (Shaanxi) - Ankang (Shaanxi) Railway 西康二線
9. Hanjiang (Shaanxi) - Weihe (Shaanxi) River Project 引漢濟渭水利工程



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DIRECTORS, SECRETARY AND ADVISERS

Directors	<p>Robert Robertson (Non-Executive Chairman) Jimin Zhang (Chief Executive Officer) Jianli Wang (Technical Director) Po Ling Low (Financial Director) Brett Miller (Non-Executive Director)</p>
Registered Office	<p>All of: 47 Esplanade St Helier Jersey JE1 0BD</p>
Company Secretary	<p>Zhenjun Tian</p>
Assistant Secretary	<p>Dominion Corporate Services Ltd 47 Esplanade St Helier Jersey JE1 0BD</p>
Nominated Advisor and Joint Broker	<p>NCB Stockbrokers Ltd 51 Moorgate London EC2R 6BH UK</p>
Joint Broker	<p>Evolution Securities China Ltd 29-30 Cornhill London EC3V 3NF UK</p>
Legal Advisers to the Company (UK)	<p>Halliwells LLP 3 Hardman Square Spinningfields Manchester M3 3EB UK</p>
Legal Advisers to the Company (China)	<p>Zong Heng Room 339 Number 12 East Chang An Avenue Beijing P.R.C. 100742</p>
Auditors (UK)	<p>PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH UK</p>
Registrars	<p>Computershare Investor Services (Channel Islands) Ltd Ordnance House 31 Pier Road St Helier Jersey JE4 8PW</p>

LOCATION OF OUR PLANTS



The annual cement production capacity (in tonnes) are calculated on the basis of a 310-day year at a clinker/cement ratio of 0.7.

The production capacity of certain plants has been further enhanced by additive grinding stations.

HIGHLIGHTS

Another record breaking year...

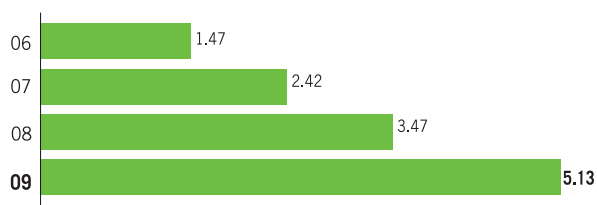
KEY FINANCIAL HIGHLIGHTS

Financial summary	2009 (RMB million)	2008 (RMB million)	Growth rate
Revenue	1,517	866	75%
Profit before tax	375	258	45%
Profit after tax	330	246	34%
Total assets	3,674	1,926	91%
Total equity	1,295	930	39%
Earnings per share (RMB)	5.12	3.84	33%

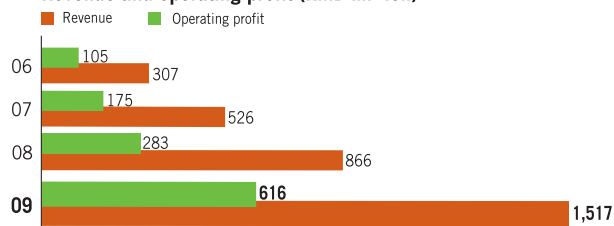
Excellent performance and strong expansion....

- 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%).
- We are on schedule for listing on the Main Board of the Hong Kong Stock Exchange before 30 June 2010.

Output (million tonnes)



Revenue and operating profit (RMB million)



KEY OPERATIONAL HIGHLIGHTS

Operational summary	2009 (million tonnes)	2008 (million tonnes)	Change
Cement production	5.13	3.47	48%
Cement sold	5.08	3.45	48%
Capacity at end of the year	8.50	5.30	60%

- ▶ We sold a total of 5.08 million 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 tonnes).
- ▶ 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.

West China Cement is on track to become the leading cement producer in Shaanxi Province this year.

A momentous year laying a solid foundation for future opportunities



2009 was a momentous year for our 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.

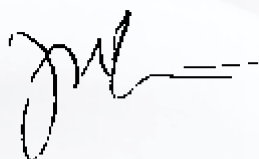
In preparation for the Hong Kong listing, we redeemed the warrants which were granted to loan creditors in 2008. This gave rise to an exceptional charge of RMB168 million to our 2009 consolidated statement of comprehensive income. Pre-tax profit before this exceptional item amounted to RMB544 million, 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, cancellation 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 one 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

*Our growth strategy and our
move to the Hong Kong Main
Board will propel us to the
next stage*



OVERVIEW

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 (RMB206 million) of which the difference of RMB38 million has been written off against Warrants classified as liabilities.

Some of this year 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 residual heat recovery plant was



CHIEF EXECUTIVE OFFICER'S REVIEW

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. 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 150 kilometres 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 Shiyuan (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.

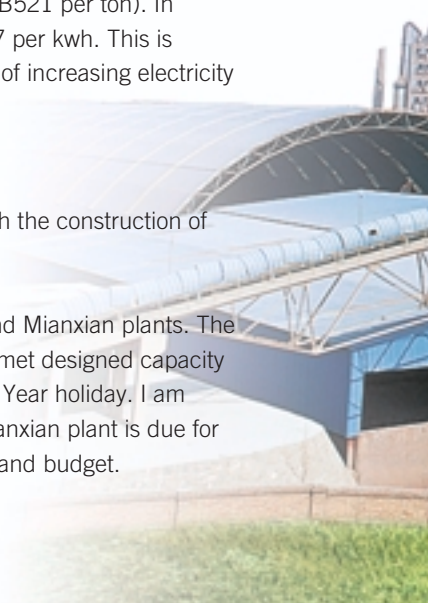
Costs

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 the second half of 2008 due to reduced demand as a result of the global financial crisis. Our average purchase price of coal was RMB443 per ton in 2009 (2008: RMB521 per ton). In November 2009, the Shaanxi Electric Power Company increased the electricity tariff by RMB0.0367 per kwh. This is equivalent to an addition of approximately RMB3 per tonne 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 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



CHIEF EXECUTIVE OFFICER'S REVIEW

cash and restricted cash, divided by total capital which comprise 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 also 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 residual heat recovery 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 residual heat recovery 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 approximately 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 Zhenjun Tian, who was the Financial Director prior to Ms Po Ling Low, 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

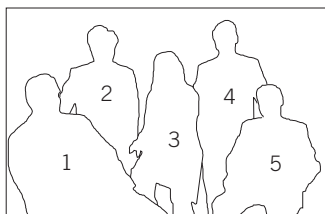
We plan to continue our growth strategy into 2010. If reasonable opportunities arise, this may include expansion of our production through new capacity construction or acquisitions, within Shaanxi Province or into neighbouring provinces. Subject to the Board's approval, we plan to embark on the construction 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 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 RMB1.5 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 Officer

DIRECTORS' BIOGRAPHIES



1. **Robert Robertson** (Non - Executive Chairman, aged 58)
2. **Jimin Zhang** (Chief Executive Officer, aged 55)
3. **Po Ling Low** (Financial Director, aged 35)
4. **Jianli Wang** (Executive Director, Vice General Manager and Chief Engineer, aged 46)
5. **Brett Miller** (Non - Executive Director, aged 42)

Robert Robertson (aged 58, Non-Executive Chairman)

Robert Robertson has over 30 years global experience in the extractive industry. He headed Anglo American's Industrial Minerals division for nine years, during a period of major growth. He was Chief Executive of Tarmac, its building materials subsidiary and major aggregates, concrete, asphalt, cement and lime producer with operations in the EU, Eastern Europe, the Middle East and Asia. Robert is a director of a number of other companies.

Jimin Zhang (aged 55, Chief Executive Officer)

Mr. Zhang Jimin (張繼民) is the chairman and executive Director of our Board. He was appointed as our executive Director on 27 October 2006. He is also our chief executive officer. Mr. Zhang is the founder of our Group

and is also a director of a number of our subsidiaries including West China BVI, Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai, Xiushan Yaobai, Xi'an Yaobai and Longqiao Yaobai. He is responsible mainly for our overall strategy planning and investment decisions. He began his career in the cement industry in Shaanxi Pucheng Hanjing Cement Plant and has more than 20 years of industry experience. From 1992 to 1994, he led the development of lowheat slag cement, moderate-heat Portland cement and highway cement, which won the Second Grade Science and Technology Progress Prize issued by the Shaanxi Province Government. Mr. Zhang has also assumed several social positions, such as being the chairman of Shaanxi Province Cement Association (陝西省水泥協會) and a representative of Xi'an City of the 11th

Standing Committee of Shaanxi Provincial People's Congress (陝西省第十一屆人民代表大會敘務委員會西安市代表).

Jianli Wang (aged 46, Executive Director, Vice General Manager and Chief Engineer)

Mr. Wang Jianli (王建禮) is an executive Director of our Board. He is also our chief engineer and director of a number of our subsidiaries including Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai, Hanzhong Yaobai, Mianxian Yaobai and Xixiang Yaobui. He was appointed as an executive Director of our Company on 2 November 2006. He is responsible mainly for our overall production management, technology quality assurance, safety, environmental protection, efficiency management and project management. Mr. Wang graduated from Xi'an University of Technology (西安理工大學) (formerly known as Shaanxi College of Machinery (陝西機械學院)) with a bachelor's degree in engineering in 1996.

He worked at the Shaanxi Design & Research Institute of Building Materials (陝西省建築材料工業設計研究院) from December 1982 to February 2002 [with a range of positions including technician, assistant engineer, engineer, senior engineer, deputy director of design institute, director of design institute and assistant to the dean.] He has been in his current position at Shaanxi Yaobai since March 2002. Mr. Wang has more than 28 years of experience in the cement industry.

Po Ling Low (aged 35, Financial Director)

Ms. Low Po Ling (羅寶玲) is an executive Director of our Company. She was appointed as an executive Director of our Company on October 20, 2008. She is also our chief financial officer and a director of our subsidiary, Shaanxi Yaobai. She is responsible mainly for supervising our corporate finance, audit, securities and information dissemination. Before joining us, Ms. Low worked in Malaysia, Singapore and the United Kingdom with PricewaterhouseCoopers, BDO Raffles, BDO and PKF (UK) LLP. She was an associate director of an investment company in Beijing before joining our Group. Ms. Low is a fellow member of the Association of Chartered Certified Accountants (ACCA). Ms. Low has more than 10 years of experience in audit practice and corporate finance.

Brett Miller (aged 42, Non-Executive Director)

Brett Miller graduated from the University of the Witwatersrand (South Africa) with a Bachelors degree majoring in law and economics and he also has a degree in law from the London School of Economics. He joined Nabarro Nathanson, a London-based law firm, in 1993 where he specialised in M&A and corporate finance in the energy and natural resources sectors until 1997. In 1999, he joined Ruegg & Co Limited, a corporate finance boutique in London where he was the managing director and a key shareholder until the sale of that company to Astaire Securities in July 2009. Brett is also a director of Pactolus Hungarian Property plc, Globo plc, Directors' Dealing Investment Trust plc and China Growth Opportunities Limited, all London listed companies.

DIRECTORS' REPORT

For the year ended 31 December 2009

The directors present their annual report and the audited financial statements for the Group and the Company for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

West China Cement Limited and its subsidiary undertakings ("the Group") are producers and distributors of cement, based in Shaanxi Province in the People's Republic of China and headquartered in Xi'an, the provincial capital of Shaanxi Province.

There were no significant changes in the Group's principal activities during the year.

BUSINESS REVIEW

The Group performance in 2009 has exceeded the directors' expectations during the year. The operating environment has remained buoyant. The Group sold a total of 5.08 million tonnes of cement in 2009 (2008: 3.44 million tonnes). The Group's expansion in 2009 has been rapid. The Group has continued its organic growth strategy in key areas in the South of our Province with the completion of the Ankang plant and the construction of the Yangxian and Mianxian plants. The Group has also embarked on its first strategic acquisitions, the acquisition of the cement plant in Zhen'an county and the investment in an 80% stake of a plant in Danfeng county, both of these in Shangluo Region.

The directors expect the Group's activities to be sustained through the foreseeable future.

A detailed review of the Group's business during 2009, including the principal risks and uncertainties facing the Group, is set out in the Chairman's review and the Chief Executive Officer's review on page 8 and page 12. The reviews include details of expected future developments in the Group's business and an indication of its activities in the field of research and development.

RESULTS AND DIVIDENDS

The Consolidated Statements of Comprehensive Income for the year is set out on page 21 of this Annual Report. The Group achieved annual sales revenue of RMB1,517 million (2008: RMB866 million). The Group made a profit after tax of RMB330 million (2008: RMB246 million), after an exceptional charge of RMB168 million, being the costs of the redemption of the 7.8 million warrants granted to the US\$60 million loan creditors.

The directors do not recommend the payment of a dividend for the year.

DIRECTORS

The directors who held office throughout the year are:

Robert Robertson	Non-executive chairman, member of audit committee
Jimin Zhang	Chief Executive Officer
Po Ling Low	Chief Finance Officer
Jianli Wang	Chief Engineer
Brett Miller	Non-executive director, chairman of audit committee

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office at 31 December 2009 had the following interests in the shares of the company:

	Number of Ordinary Shares as at	
	31 December 2009	31 December 2008
Robert Robertson	100,000	100,000
Jimin Zhang	34,777,478	34,777,478
Po Ling Low	Nil	Nil
Jianli Wang	Nil	Nil
Brett Miller	Nil	Nil

Pursuant to the Share Option Scheme, Robert Robertson and Brett Miller were granted options of 636,883 and 159,221 Ordinary Shares respectively at the time of IPO. These options are exercisable at the IPO placing price of £1.050 between the 4 December 2008 and 4 December 2011. On 23 April 2009, Po Ling Low was granted 250,000 options at an exercise price of £1.415 under the Share Option Scheme.

PRACTICE ON PAYMENT OF CREDITORS

The Company is a non-trading investment holding company. There are no trade creditors. In practice, the Company makes payment to its other creditors within 30 days after receiving a tax invoice.

It is the policy of the Group to settle terms of payment with suppliers when agreeing the terms of each transaction and abide by the terms of payment. Trade creditors of the Group at 31 December 2009 were equivalent to 58 days' (2008: 56 days') cost of sales.

COMMUNICATION WITH SHAREHOLDERS AND THE MARKET

The annual report and interim financial statements at each half year are the primary vehicles for communication with shareholders. Meetings with significant shareholders are arranged through our corporate brokers, and will take place after the final financial statements are published. Such meetings may also take place after other significant announcements are made to the market.

General information about the Company and its business is also available on the Company's website: www.westchinacement.com

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will take place at 47 Esplanade, St Helier, Jersey JE1 0BD on 31 March 2009 at 11a.m. Full details of the resolutions to be put to the meeting are given in the notice of AGM attached of this annual report.

The Company is not resident in the United Kingdom and is therefore not a close company within the meaning of the United Kingdom Income and Corporation Taxes Act 1988.

DIRECTORS' REPORT

For the year ended 31 December 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Jersey company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the consolidated and parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are required to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and of the group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

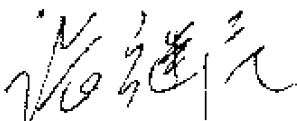
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Jersey and the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

AUDITORS

PKF resigned as the Company's auditors on 15 October 2009. The Directors appointed PricewaterhouseCoopers LLP on 30 October 2009 to fill the casual vacancy arising by reason of the resignation of PKF. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on its behalf



Jimin Zhang

4 March 2010

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEST CHINA CEMENT LIMITED

We have audited the group and parent company financial statements (the "financial statements") of West China Cement Limited for the year ended 31 December 2009 which comprise the consolidated balance sheet and the company balance sheet as of 31 December 2009, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Article 110 of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Review, the Chief Executive Officer's Review and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.


We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's comprehensive income and group's cash flow for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants

London

4 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2009 RMB'000	2008 RMB'000 (Restated)
Revenue		1,516,766	866,126
Cost of sales	23	(878,087)	(556,073)
Gross profit		638,679	310,053
Selling and marketing expenses	23	(15,064)	(12,018)
Administrative expenses	23	(77,846)	(55,224)
Other income	25	71,526	40,617
Other losses - net	26	(1,057)	(184)
Operating profit		616,238	283,244
Finance income	27	1,190	2,600
Finance costs			
- Loss on redemption of warrants	27	(168,451)	-
- Other finance costs	27	(73,830)	(28,115)
Finance costs - net		(241,091)	(25,515)
Profit before income tax		375,147	257,729
Income tax expense	28	(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	29	5.12	3.84
Diluted earnings per share	29	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	
	Note	2009 RMB'000	2008 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,611,502	1,540,533
Land use rights	7	124,571	76,521
Mining rights	8	46,373	27,907
Other intangible assets	9	65,104	–
Deferred income tax assets	10	13,540	798
		2,861,090	1,645,759
Current assets			
Inventories	11	128,979	81,507
Trade and other receivables and prepayments	12	317,670	125,770
Cash and cash equivalents	13	346,258	37,038
Restricted cash	13	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	14	97,623	96,811
Share premium	14	672,775	662,636
Share options reserve	15	5,439	6,708
Reverse acquisition reserve	16	(341,304)	(341,304)
Statutory reserves	16	118,140	63,163
Retained earnings	17	717,553	442,070
		1,270,226	930,084
Minority interest		25,000	–
Total equity		1,295,226	930,084

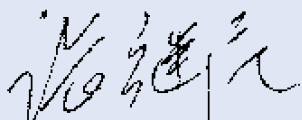
CONSOLIDATED BALANCE SHEET

As at 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December	
		2009 RMB'000	2008 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings	18	360,058	407,069
Warrants classified as liabilities	19	–	32,908
Provisions for other liabilities and charges	20	6,265	–
Deferred income tax liabilities	10	8,079	–
Other liabilities	21	117,049	17,317
		491,451	457,294
Current liabilities			
Trade and other payables	22	559,395	269,511
Current income tax liabilities		38,639	–
Borrowings	18	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

The notes on pages 27 to 78 are an integral part of these consolidated financial statements.

The financial statements on pages 21 to 78 were authorised for issue by the board of directors on 4 March 2010 and were signed on its behalf by:



Jimin Zhang
Chief Executive Officer

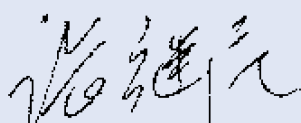


Po Ling Low
Chief Financial Officer

COMPANY BALANCE SHEET

As at 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

	As at 31 December	
	2009 RMB'000	2008 RMB'000 (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
	<u>827,691</u>	<u>680,558</u>
Total assets	<u>1,274,976</u>	<u>1,127,843</u>
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	<u>563,860</u>	<u>715,450</u>
LIABILITIES		
Non-current liabilities		
Borrowings	77,258	371,269
Warrants classified as liabilities	-	32,908
	<u>77,258</u>	<u>404,177</u>
Current liabilities		
Trade and other payables	10,790	8,216
Borrowings	623,068	-
	<u>633,858</u>	<u>8,216</u>
Total liabilities	<u>711,116</u>	<u>412,393</u>
Total equity and liabilities	<u>1,274,976</u>	<u>1,127,843</u>
Net current assets	<u>193,833</u>	<u>672,342</u>
Total assets less current liabilities	<u>641,118</u>	<u>1,119,627</u>



Jimin Zhang

Chief Executive Officer



Po Ling Low

Chief Financial Officer

4 March 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

Note	Share capital RMB'000	Share premium RMB'000	Reverse acquisition reserve RMB'000	Share options reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interest RMB'000	Total equity RMB'000
At 1 January 2009	96,811	662,636	(341,304)	6,708	63,163	442,070	930,084	-	930,084
Profit for the year	17	-	-	-	-	330,460	330,460	-	330,460
Transfer to statutory reserve	17	-	-	-	54,977	(54,977)	-	-	-
Share option scheme	-	-	-	1,161	-	-	1,161	-	1,161
Proceeds from shares issued	14	812	10,139	-	(2,430)	-	8,521	-	8,521
Capital contribution from minority interest	34	-	-	-	-	-	-	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	17	-	-	-	-	246,163	246,163	-	246,163
Transfer to statutory reserve	17	-	-	-	26,743	(26,743)	-	-	-
Share option 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)

	Note	Year ended 31 December	
		2009 RMB'000	2008 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	30	696,738	349,709
Interest paid		(57,975)	(26,617)
Income tax paid		(19,087)	–
Net cash generated from operating activities		<u>619,676</u>	<u>323,092</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	30	1,899	138
Interest received		803	1,023
Acquisition of subsidiary, net of cash acquired	33	(120,922)	–
Holding deposit for potential acquisition	12	(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	8	(1,807)	(4,107)
Purchase of other intangible assets		(80)	–
Net cash used in investing activities		<u>(847,503)</u>	<u>(667,923)</u>
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	13	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		<u>537,047</u>	<u>351,872</u>
Net increase in cash and cash equivalents		<u>309,220</u>	<u>7,041</u>
Cash and cash equivalents at beginning of year	13	<u>37,038</u>	<u>29,997</u>
Cash and cash equivalents at end of year	13	<u><u>346,258</u></u>	<u><u>37,038</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

1. GENERAL INFORMATION

West China Cement Limited (the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in the production and sale of cement.

West China Cement Limited 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, 4th Gaoxin Road, Xi’an Hi-Tech Industrial Development Zone, Xi’an, Shaanxi Province, the People’s Republic of China (the “PRC”).

These consolidated financial statements are presented in thousands of units of Renminbi (“RMB’000”), unless otherwise stated.

The Company is an investment holding company. As at 31 December 2009, the Company has direct or indirect interests in the following subsidiaries:

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Group’s equity interest		Principal activities
			Direct %	Indirect %	
(a) Enterprise incorporated outside the PRC					
West China Cement Co. Ltd (“West China BVI”)	British Virgin Islands 14 July 2006	HKD7,800	100%	—	Investment holding
(b) Enterprises established by the Group in the PRC					
Shaanxi Yaobai Special Cement Co. Ltd (“Shaanxi Yaobai”)	Shaanxi, PRC 21 December 2000	RMB 530,000,000	—	100%	Production and sale of cement
Xi’an Lantian Yaobai Cement Co. Ltd (“Lantian Yaobai”)	Shaanxi, PRC 16 December 2005	RMB 100,000,000	—	100%	Production and sale of cement
Ankang Yaobai Cement Co. Ltd (“Ankang Yaobai”)	Shaanxi, PRC 12 April 2007	RMB 345,000,000	—	100%	Production and sale of cement
Hanzhong Yaobai Cement Co. Ltd (“Hanzhong Yaobai”)	Shaanxi, PRC 10 July 2008	RMB40,000,000	—	100%	Production and sale of cement
Hanzhong Mianxian Yaobai Cement Co. Ltd (“Mianxian Yaobai”)	Shaanxi, PRC 22 December 2008	RMB21,000,000	—	100%	Production and sale of cement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

1. GENERAL INFORMATION (Cont'd)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Group's equity interest		Principal activities
			Direct %	Indirect %	
Xi'an Yaobai Material Co.Ltd ("Xi'an Yaobai")	Shaanxi, PRC 27 July 2009	RMB3,500,000	—	100%	Purchase of raw material
Hanzhong Xixiang Yaobai Cement Co. Ltd ("Xixiang Yaobai")	Shaanxi, PRC 11 August 2009	RMB21,000,000		100%	Production and sales of cement
Shangluo Yaobai Longqiao Cement Co. Ltd ("Longqiao Yaobai")	Shaanxi, PRC 31 December 2009	RMB75,000,000	—	80%	Production and sales of cement
(c) The subsidiary acquired by the Group in August 2009					
Shangluo Yaobai Xiushan Cement Co. Ltd ("Xiushan Yaobai")	Shaanxi, PRC 25 March 2005	RMB20,000,000	—	100%	Production and sales of cement

2. 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.

2.1 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 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

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
IAS 27 (Revised) Consolidated and Separate Financial Statements	1 July 2009
IFRIC 17 Distribution of Non-cash Assets to Owners	1 July 2009
IFRIC 18 Transfers of Assets From Customers	1 July 2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2009
Amendment to IFRS 2 Group Cash-settled Share-based Payment Transactions	1 January 2010
Amendment to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
Amendment to IFRS 8 Operating Segments	1 January 2010
Amendment to IAS 1 Presentation of Financial Statements	1 January 2010
Amendment to IAS 7 Statements of Cash Flows	1 January 2010
Amendment to IAS 17 Leases	1 January 2010
Amendment to Appendix to IAS 18 Revenue	1 July 2009
Amendment to IAS 36 Impairment of Assets	1 January 2010
Amendment to IAS 38 Intangible Assets	1 July 2009
Amendment to IAS 39 Financial Instrument: Recognition and Measurement	1 July 2009
Amendment to IFRIC 9 Reassessment of Embedded Derivatives	1 July 2009
Amendment to IFRIC 16 Interpretation Hedges of a Net Investment in a Foreign Operation	1 July 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 RMB1.074 billion. The Group's current liabilities mainly include bank borrowings, trade and other payables and advances 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 RMB1.1 billion.

Management have also prepared cashflow 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 level of its 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

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 borrowing 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

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) Reclassification of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

Prior year adjustments (Cont'd)

- (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 consolidated balance sheet and the consolidated statement of comprehensive income as at 31 December 2008. These errors have been corrected for 2009 and the comparative figures for 2008 adjusted accordingly.

2.2 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 potential 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 (Note 2.9). The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Consolidation (Cont'd)

(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.

2.3 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 management committee that makes strategic decisions.

2.4 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 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 value gain or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.4 Foreign currency translation (Cont'd)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

- (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.

2.6 Lease prepayments - land use rights

Lease prepayments represent payments made to acquire land use rights. Land use rights 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.

2.7 Mining rights

The cost of acquiring rights for the Group to extract 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.

2.8 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. 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. Gains 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.8 Other intangible assets (Cont'd)

(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.

2.9 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 amount 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.

2.10 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 (note 2.12, 2.13 and 2.14). Loans and receivables are carried at amortised cost using the effective interest method.

2.11 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.17 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 down. 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.

2.18 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.

2.19 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.19 Current and deferred income tax (Cont'd)

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 controlled 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.

2.20 Employee benefits

(a) Pension obligations

The 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.21 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.

2.22 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.

2.23 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.24 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.

2.25 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.

3. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include cash and bank deposits, trade and other receivables and prepayments, trade and other payables, borrowings, other liabilities and warrants classified as liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how the Group mitigates these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) *Foreign exchange risk*

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar. Foreign exchange risk arises from recognised assets and liabilities in foreign operations. The Group does not hedge against any fluctuation in foreign currency.

At 31 December 2009, if RMB had weakened/strengthened by 1% against USD with all other variables held constant, post-tax profit for the year would have been RMB6,634,000 lower/higher (2008: RMB3,562,000), mainly as a result of foreign exchange losses/gains on translation of USD-denominated borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(ii) *Cash flow and fair value interest rate risk*

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from short-term and long-term borrowings. Short-term borrowings are issued at variable floating rates and expose the Group to cash flow interest-rate risk. Long-term borrowings are issued at fixed rates and expose the Group to fair value interest-rate risk. The group does not have formal policies on interest rate risk. During the financial year, the Group's borrowings at variable rate were denominated in RMB and the US dollar.

The Group's long-term borrowings and loans to subsidiaries were issued at fixed rates and interest free respectively, and expose the Group to fair value interest-rate risk.

At 31 December 2009, if interest rates on borrowings had been 10 percent higher/lower with all other variables held constant, post-tax profit for the year would have been approximate RMB2,649,000 lower/higher (2008: RMB2,567,000), mainly as a result of higher/lower interest expense on floating rate borrowing.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group has adopted a policy of only dealing with creditworthy counterparties. The credit risk on trade receivables is low. Based on past experience, the customer payment default rate is low.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. Ongoing credit evaluation is performed on accounts receivable balances. The Group does not hold any collateral for trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
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3. FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing including short-term and long-term bank loans and issuance of new ordinary shares to meet its construction commitments. Due to the dynamic nature of the underlying business, the Group's finance department maintains flexibility in funding by maintaining adequate amounts of cash and cash equivalents and flexibility in funding through ensuring availability of appropriate sources of financing.

The Group has certain alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. The Group will base its assessment on the relevant future costs and benefits, pursuing such options as are appropriate.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2009					
Borrowings	1,288,868	254,888	135,000	-	1,678,756
Trade and other payables	532,421	-	-	-	532,421
Other liabilities	-	73,860	3,700	487	78,047
	1,821,289	328,748	138,700	487	2,289,224
At 31 December 2008					
Borrowings	269,184	240,838	205,038	-	715,060
Warrants classified as liabilities	-	46,593	-	-	46,593
Trade and other payables	241,379	-	-	-	241,379
Other liabilities	-	3,700	7,400	487	11,587
	510,563	291,131	212,438	487	1,014,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
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3. FINANCIAL RISK MANAGEMENT (Cont'd)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents and restricted cash. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2008 and 2009 were as follows:

	2009 RMB'000	2008 RMB'000
Total borrowings and warrants (Note 18 and 19)	1,648,926	709,161
Less: Cash and cash equivalents and restricted cash (Note 13)	<u>(365,840)</u>	<u>(73,037)</u>
Net debt	1,283,086	636,124
Total equity	<u>1,295,226</u>	<u>930,084</u>
Total capital	<u>2,578,312</u>	<u>1,566,208</u>
Gearing ratio	50%	41%

The increase in the gearing ratio during 2009 resulted primarily from the new bank borrowings of USD50 million and RMB330 million (Note 18). The bank borrowings in 2009 were mainly used for redemption of the warrant, the construction of new plants and working capital funding. As the cement industry is a capital intensive industry and the competition is fierce, the directors consider it reasonable to increase the gearing ratio to support the high growth of the Group.

3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date, quoted market prices or dealer quotes for similar instruments or estimated discounted cash flows.

The carrying amounts of trade and other receivables, trade and other payables, and current borrowings approximate to their fair value due to their short term maturity.

The financial instruments that are measured in the balance sheet at fair value are non-current bank borrowings (Note 18) and warrants classified as financial liabilities (Note 19).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
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4. 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 2.8. 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 determines 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

(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 limits 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 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 incurred any amounts for environmental remediation relating to its operations. The environmental provision is based on management's best estimate in accordance with the information provided by a third party (Note 20). 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 licences 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 licences 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 licences could not be renewed.

5. SEGMENT INFORMATION

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Property and plant RMB'000	Motor Vehicles RMB'000	Electronic and other equipment RMB'000	Machinery RMB'000	Mining Assets RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2008							
Cost	336,670	11,296	4,596	529,031	46,635	175,504	1,103,732
Accumulated depreciation	(51,785)	(1,640)	(1,581)	(83,729)	(3,490)	–	(142,225)
Net book amount	<u>284,885</u>	<u>9,656</u>	<u>3,015</u>	<u>445,302</u>	<u>43,145</u>	<u>175,504</u>	<u>961,507</u>
Year ended 31 December 2008							
Opening net book amount	284,885	9,656	3,015	445,302	43,145	175,504	961,507
Transfer from CIP	8,261	–	31	60,456	–	(68,748)	–
Additions	796	2,231	754	6,363	15,510	616,183	641,837
Disposals	–	(183)	–	(29)	–	–	(212)
Depreciation	(16,597)	(1,591)	(844)	(41,014)	(2,553)	–	(62,599)
Closing net book amount	<u>277,345</u>	<u>10,113</u>	<u>2,956</u>	<u>471,078</u>	<u>56,102</u>	<u>722,939</u>	<u>1,540,533</u>
At 31 December 2008							
Cost	345,727	13,103	5,382	595,809	62,145	722,939	1,745,105
Accumulated depreciation	(68,382)	(2,990)	(2,426)	(124,731)	(6,043)	–	(204,572)
Net book amount	<u>277,345</u>	<u>10,113</u>	<u>2,956</u>	<u>471,078</u>	<u>56,102</u>	<u>722,939</u>	<u>1,540,533</u>
Year ended 31 December 2009							
Opening net book amount	277,345	10,113	2,956	471,078	56,102	722,939	1,540,533
Acquisition of subsidiary (Note 33)	69,827	1,905	3,809	52,308	11,500	1,126	140,475
Transferred and contributed from minority equity holder of a subsidiary (Note 34)	176,591	1,869	4,827	153,939	–	–	337,226
Transfer from CIP	291,232	–	–	487,695	85,923	(864,850)	–
Additions	1,108	9,902	7,813	5,319	7,878	665,662	697,682
Disposals	(1,962)	(2,093)	(65)	(512)	–	–	(4,632)
Depreciation	(15,404)	(2,061)	(2,548)	(72,902)	(6,867)	–	(99,782)
Closing net book amount	<u>798,737</u>	<u>19,635</u>	<u>16,792</u>	<u>1,096,925</u>	<u>154,536</u>	<u>524,877</u>	<u>2,611,502</u>
At 31 December 2009							
Cost	874,493	23,511	21,742	1,293,466	167,446	524,877	2,905,535
Accumulated depreciation	(75,756)	(3,876)	(4,950)	(196,541)	(12,910)	–	(294,033)
Net book amount	<u>798,737</u>	<u>19,635</u>	<u>16,792</u>	<u>1,096,925</u>	<u>154,536</u>	<u>524,877</u>	<u>2,611,502</u>

The carrying amounts of the Group's construction in progress included capitalised interest of RMB40,789,000 as at 31 December 2009 (2008: RMB39,607,000).

Interest was capitalised at an effective interest of 19% for the year ended 31 December 2009 (2008: 19%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Certain items within property, plant and equipment were pledged to a bank for securing borrowings (Note 18).

Depreciation of property, plant and equipment has been charged to cost of sales, administrative expenses and capitalised in construction on progress as follows:

	Year ended 31 December	
	2009	2008
Cost of sales	92,035	57,496
Administrative expenses	7,251	4,821
Capitalised in construction in progress (Note (a))	496	282
	<u>99,782</u>	<u>62,599</u>

Note (a):

The depreciation of certain items of property, plant and equipment charged during the course of plant construction was capitalised in construction in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

7. LAND USE RIGHTS

	RMB'000
At 1 January 2008	
Cost	18,843
Accumulated amortisation	(1,037)
	<hr/>
Net book amount	17,806
	<hr/> <hr/>
Year ended 31 December 2008	
Opening net book amount	17,806
Additions	59,081
Amortisation charge	(366)
	<hr/>
Closing net book amount	76,521
	<hr/> <hr/>
At 31 December 2008	
Cost	77,924
Accumulated amortisation	(1,403)
	<hr/>
Net book amount	76,521
	<hr/> <hr/>
Year ended 31 December 2009	
Opening net book amount	76,521
Additions	27,397
Acquisition of subsidiary (Note 33)	6,924
Injected by minority equity holder of a subsidiary (Note 34)	15,165
Amortisation charge	(1,436)
	<hr/>
Closing net book amount	124,571
	<hr/> <hr/>
At 31 December 2009	
Cost	127,410
Accumulated amortisation	(2,839)
	<hr/>
Net book amount	124,571
	<hr/> <hr/>

Certain land use rights with an aggregate carrying amount of RMB41,527,000 for the year ended 31 December 2009 (2008: nil) were pledged to secure bank borrowings (Note 18) to the Group.

Land use rights are amortised over periods ranging between 36 years to 50 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

8. MINING RIGHTS

	RMB'000
At 1 January 2008	
Cost	25,500
Accumulated amortisation	–
Net book amount	<u>25,500</u>
Year ended 31 December 2008	
Opening net book amount	25,500
Additions	4,107
Amortisation charge	(1,700)
Closing net book amount	<u>27,907</u>
At 31 December 2008	
Cost	29,607
Accumulated amortisation	(1,700)
Net book amount	<u>27,907</u>
Year ended 31 December 2009	
Opening net book amount	27,907
Additions	1,807
Acquisition of a subsidiary (Note 33)	5,250
Transfer from minority equity holder of a subsidiary (Note 34)	12,930
Amortisation charge	(1,521)
Closing net book amount	<u>46,373</u>
At 31 December 2009	
Cost	49,594
Accumulated amortisation	(3,221)
Net book amount	<u>46,373</u>

Mining rights are granted from the respective Land and Resource Bureaus in Shaanxi Province. The useful lives of the mining rights range from 10 years to 40 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

9. OTHER INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationships RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2008 and at 31 December 2008				
Cost	–	–	45	45
Accumulated amortisation	–	–	(45)	(45)
Net book amount	–	–	–	–
Year ended 31 December 2009				
Opening net book amount	–	–	–	–
Additions	–	–	80	80
Acquisition of a subsidiary (Note 33)	45,274	20,610	–	65,884
Amortisation charge	–	(859)	(1)	(860)
Closing net book amount	45,274	19,751	79	65,104
At 31 December 2009				
Cost	45,274	20,610	80	65,964
Accumulated amortisation	–	(859)	(1)	(860)
Net book amount	45,274	(19,751)	79	65,104

Customer relationships amounting to RMB20,610,000 are non-contractual customer relationships acquired through the acquisition of Xiushan Yaobai. They are amortised over a period of 10 years, which the directors believe is the period over which the Group can retain the customers.

The goodwill arising on the acquisition of Xiushan Yaobai in 2009 was tested for impairment at the end of the year. The impairment test was carried out using fair value less cost to sell and no impairment was identified as being necessary. Management believes that the fair value of the subsidiary has not fallen since the acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

10. DEFERRED INCOME TAX

	2009 RMB'000	2008 RMB'000
Deferred tax assets:		
- to be recovered after more than 12 months	8,874	–
- to be recovered within 12 months	4,666	798
	<u>13,540</u>	<u>798</u>
Deferred income tax liabilities:		
- to be recovered after more than 12 months	(7,366)	–
- to be recovered within 12 months	(713)	–
	<u>(8,079)</u>	<u>–</u>

Deferred tax assets:

	Unused tax credit Note (a) RMB'000	Allowance & provision RMB'000	Deferred income RMB'000	Others RMB'000	Total RMB'000
At 31 December 2007	11,342	1,022	–	–	12,364
Charged to the consolidated statement of comprehensive income	(11,342)	(224)	–	–	(11,566)
At 31 December 2008	–	798	–	–	798
Credited to the consolidated statement of comprehensive income	–	2,679	9,357	706	12,742
At 31 December 2009	<u>–</u>	<u>3,477</u>	<u>9,357</u>	<u>706</u>	<u>13,540</u>

(a) Unused tax credit represents the remaining balance of deferred tax assets arising from acquiring domestic equipment on an investment project.

Deferred tax liabilities:

	Assets booked at fair value on acquisition RMB'000
At 31 December 2008	–
Acquisition of a subsidiary (Note 33)	(8,376)
Credited to the consolidated statement of comprehensive income	297
At 31 December 2009	<u>(8,079)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

11. INVENTORIES

	2009 RMB'000	2008 RMB'000
Cost:		
Raw materials	81,751	51,719
Work in progress	23,618	18,585
Finished goods	25,739	13,332
	<u>131,108</u>	<u>83,636</u>
Provision for impairment loss:		
Raw materials	(2,129)	(2,129)
Inventories, net	<u>128,979</u>	<u>81,507</u>

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to approximately RMB742,513,000 for the year ended 31 December 2009 (2008: RMB467,713,000).

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2009 RMB'000	2008 RMB'000
Bills receivable	5,370	5,719
Trade receivables (Note (a))	95,676	69,291
Less: provision for impairment of receivables (Note (c))	(4,881)	(3,465)
	<u>96,165</u>	<u>71,545</u>
Other receivables (Note (b))	54,975	28,964
Holding deposit for a potential acquisition (Note (d))	100,000	–
Less: provision for impairment of receivables (Note (c))	(370)	(414)
	<u>154,605</u>	<u>28,550</u>
Prepayments	66,900	25,675
Trade and other receivables and prepayments – net	<u>317,670</u>	<u>125,770</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

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

Note (a)

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

	2009 RMB'000	2008 RMB'000
Within 90 days	64,220	45,340
Over 90 days and within 180 days	9,198	12,651
Over 180 days and within 360 days	6,947	4,880
Over 360 days and within 720 days	11,365	2,923
Over 720 days	3,946	3,497
	<u>95,676</u>	<u>69,291</u>

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

As at 31 December 2009, trade receivables of RMB4,881,000 (2008: RMB3,465,000) were impaired.

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

	2009 RMB'000	2008 RMB'000
Overdue for 1 to 90 days	12,731	15,578
Overdue for 91 to 180 days	6,723	6,742
Overdue for 181 to 360 days	12,045	4,091
Overdue for 360 to 720 days	–	507
	<u>31,499</u>	<u>26,918</u>

Note (b)

The ageing analysis of other receivables at the respective balance sheet dates is as follows:

	2009 RMB'000	2008 RMB'000
Within 90 days	148,988	20,409
Over 90 days and within 180 days	819	3,439
Over 180 days and within 360 days	822	62
Over 360 days and within 720 days	4,341	5,054
Over 720 days	5	–
	<u>154,975</u>	<u>28,964</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

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

Note (c)

Movements in impairment of trade receivables are as follows:

	2009 RMB'000	2008 RMB'000
At 1 January	(3,465)	(2,800)
Provision for impairment of trade receivables	(1,416)	(691)
Receivables written off during the year as uncollectible	-	26
Reversal of impairment of trade receivables	-	-
	<hr/>	<hr/>
At 31 December	(4,881)	(3,465)

Movements in impairment of other receivables are as follows:

	2009 RMB'000	2008 RMB'000
At 1 January	(414)	(191)
Provision for impairment of other receivables	(190)	(486)
Reversal of impairment of other receivables	234	263
	<hr/>	<hr/>
At 31 December	(370)	(414)

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

Note (d)

On 31 October 2009, Shaanxi Yaobai entered into a non-binding memorandum of understanding (the "MOU") for the proposed acquisition of 100% of the registered capital of a third party cement company (the "Target") (the "Proposed Acquisition"). The MOU was effective until 31 December 2009. As the deposit for the Proposed Acquisition, Shaanxi Yaobai made a payment of RMB100 million.

As no formal acquisition agreement for Proposed Acquisition was signed before 31 December 2009, on 25 January 2010, Shaanxi Yaobai entered into an extension agreement (the "Extension Agreement") with the Target, whereby the two parties agreed to extend the exclusive negotiation until 31 December 2010 and the Target will repay Shaanxi Yaobai the RMB100 million deposit if the Company decides to cease the negotiation or Shaanxi Yaobai does not enter into a formal acquisition agreement with the Target within the exclusive negotiation period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2009	2008
	RMB'000	RMB'000
Cash at bank and on hand (Note (a))	365,840	73,037
Less: restricted cash (Note (b))	(19,582)	(35,999)
	<hr/> 346,258 <hr/>	<hr/> 37,038 <hr/>
Cash and cash equivalents	346,258	37,038
	<hr/> 2009	2008
	RMB'000	RMB'000
Denominated in:		
-RMB	318,497	32,832
-GBP	5,378	3,755
-USD	22,380	445
-HKD	3	6
	<hr/> 346,258 <hr/>	<hr/> 37,038 <hr/>

- (a) Bank deposits bear interest at rates based on bank deposit rates as agreed with banks for the years ended 31 December 2008 and 2009. The weighted average effective interest rate range on deposits was 0.37% per annum for the year ended 31 December 2009 (2008: 0.81%).
- (b) Restricted cash represents cash set aside as a result of issuance of trade facilities such as bills payable and bankers' guarantee, and a security deposit pledged to a bank under a bank borrowing agreement.
- (c) Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14. SHARE CAPITAL AND PREMIUM

	Number of issued shares (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 31 December 2007 and 2008	64,113	96,811	662,636	759,447
Employee share option scheme: – proceeds from shares issued	749	812	10,139	10,951
At 31 December 2009	64,862	97,623	672,775	770,398

On incorporation, the authorised share capital of the Company was GBP 10,000 divided into 10,000 ordinary shares of GBP 1 each.

On 27 October 2006, each ordinary share of GBP 1 was subdivided into 10 ordinary shares of 10p each and the authorised share capital of the Company was increased from GBP 10,000 to GBP 20,000,000 by the creation of an additional 199,900,000 ordinary shares of 10p each. The Company issued new ordinary shares of 42,375,965 pursuant to the acquisition of West China BVI. On 4 December 2006, the Company issued new ordinary shares of 20,925,381 by way of placement on AIM.

The total authorised number of ordinary shares is 200 million shares with a par value of GBP 0.1 per share throughout the financial year. All issued shares are fully paid.

The balance in share premium represents the premium arising on the issue of ordinary shares to acquire West China BVI, the premium arising on the issue of ordinary shares on AIM at GBP 1.05 each, less expenses incurred and the premium arising on the exercise of share option.

15. SHARE-BASED PAYMENTS

Share options are granted to brokers, advisors and directors of the Company. The options are exercisable immediately or starting after two years from the grant date. The options have a contractual option term of three or five years. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2009		2008	
	Average exercise price in GBP per share	Options (thousands)	Average exercise price in GBP per share	Options (thousands)
At 1 January	1.13	1,965	1.05	1,645
Granted	1.42	250	1.56	320
Exercised	1.05	(749)	–	–
At 31 December	1.22	1,466	1.13	1,965

The related weighted average share price at the time of exercise in year ended 31 December 2009 was GBP 2.07 (2008: N/A) per share respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
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15. SHARE-BASED PAYMENT (Cont'd)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date – 1 July	Exercise price in GBP per share	Options (thousands)	
		2009	2008
2009	1.05	–	849
2010	1.05	100	–
2011	1.05	796	796
2013	1.56	320	320
2014	1.42	250	–
		1,466	1,965

The weighted average fair value of options granted during year ended 31 December 2009 was GBP 0.64 (2008: GBP 0.26) per option, determined using the Black-Scholes valuation model. The significant inputs into the model were as follows:

	2009	2008
Weighted average share price	GBP 1.39	GBP 0.96
Exercise price	GBP 1.42	GBP 1.56
Expected volatility	51%	42%
Expected dividend yield	0%	0%
Expected option life	5 years	5 years
Annual risk-free interest rate	2.55%	4.09%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the past years.

16. OTHER RESERVES

Reverse acquisition reserve

The acquisition of West China BVI by the Company on 27 October 2006 was accounted for as a reverse acquisition, in accordance with IFRS 3, 'Business Combinations'.

The Company became the legal parent of West China BVI by way of a share exchange agreement. According to the share exchange agreement, the shareholders of West China BVI transferred the entire issued share capital of West China BVI to the Company in consideration for 42,735,965 ordinary shares of GBP 10p each. This business combination is regarded as a reverse acquisition whereby West China BVI, the legal subsidiary, is the acquirer and has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

The reverse acquisition reserve represents the difference between the fair value and carrying amount of net assets of West China BVI at the acquisition date.

Statutory reserve

In accordance with relevant rules and regulation in the PRC and provision of the articles of association of the group companies established in the PRC, the group companies in the PRC are required to transfer 10% of the profit-after-taxation determined under PRC Accounting Standards to the statutory reserve until the balances reach 50% of their paid-up capital. The reserve can be used to reduce any losses incurred or to increase their paid-in capital. Except for reduction of losses incurred, any other usage should not result in the reserve balance falling below 25% of registered capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
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17. RETAINED EARNINGS

	2009 RMB'000	2008 RMB'000
Retained earnings:		
At 1 January	442,070	222,650
Profit for the year	330,460	246,163
Appropriation to statutory reserve	(54,977)	(26,743)
	<hr/>	<hr/>
At 31 December	717,553	442,070
	<hr/> <hr/>	<hr/> <hr/>

18. BORROWINGS

	2009 RMB'000	2008 RMB'000
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)
	<hr/>	<hr/>
	360,058	407,069
	<hr/>	<hr/>
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
	<hr/>	<hr/>
	1,288,868	269,184
	<hr/>	<hr/>
Total borrowings	1,648,926	676,253
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

18. BORROWINGS (Cont'd)

(a) Bank borrowings:

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

	2009 RMB'000	2008 RMB'000
RMB		
– borrowed by subsidiaries	745,600	289,200
– transferred from minority equity holder of a subsidiary (Note 34)	49,200	–
USD		
– USD60 million	358,921	371,269
– USD50 million	341,405	–
	<u>1,495,126</u>	<u>660,469</u>

Bank borrowings were secured as follows:

	As at 31 December	
	2009 RMB'000	2008 RMB'000
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	–
	<u>1,495,126</u>	<u>660,469</u>

- (i) The bank borrowings were secured by certain land use rights (Note 7) and property and plant and equipment (Note 6) of the Group, with total carrying values of RMB681,764,000 as at 31 December 2009 (2008: RMB389,109,000).
- (ii) The Group's bank borrowings of RMB330,000,000 as at 31 December 2009 were jointly secured by certain land use rights (Note 7), property and plant and equipment (Note 6) of the Group with total carrying values of RMB987,091,000 as at 31 December 2009 (2008: nil), 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 (Note 19) 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. Jimin Zhang as at 31 December 2009. The expiry date of this borrowing was extended to 26 July 2011 according to an extension agreement signed on 1 March 2010. (Note 36.)

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For the year ended 31 December 2009
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18. BORROWINGS (Cont'd)

(a) Bank borrowings: (Cont'd)

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

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

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 RMB'000	2008 RMB'000
Carrying amount		
– USD bank borrowings	93,888	410,076
– RMB bank borrowings	264,000	35,800
	<u>357,888</u>	<u>445,876</u>
Fair value		
– USD bank borrowings(i)	77,258	371,269
– RMB bank borrowings(ii) (iii)	250,800	35,800
	<u>328,058</u>	<u>407,069</u>

- (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 (Note 19).
- (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 other RMB bank borrowings as at 31 December 2009 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 RMB'000	2008 RMB'000
RMB bank borrowings	6.03%	8.44%
USD bank borrowings	12.94%	20.23%

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18. BORROWINGS (Cont'd)

(b) Other borrowings

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Loan from employees	–	15,784
Loan from third parties		
– transfer from minority equity holder of a subsidiary (Note 34)	150,800	–
– other	3,000	–
	<u>153,800</u>	<u>15,784</u>

Other borrowings are all unsecured and denominated in RMB.

Other borrowings are repayable as follows:

	As at 31 December	
	2009 RMB'000	2008 RMB'000
6 months or less (i)	92,800	15,784
6-12 months (i)	29,000	–
1-5 years	32,000	–
	<u>153,800</u>	<u>15,784</u>

i) According to supplemental agreements on 25 February 2010, certain borrowings will be repaid on 31 December 2011. (Note 36).

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%).

19. 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 USD60 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 agreement. 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.

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19. LOAN FACILITY AND WARRANTS RECLASSIFIED AS LIABILITIES (Cont'd)

Bank borrowing of USD60 million (Cont'd)

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 USD2.6916, 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 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 USD60 million are embedded derivatives. The value of the warrants was 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.

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19. LOAN FACILITY AND WARRANTS RECLASSIFIED AS LIABILITIES (Cont'd)

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 RMB206,435,000.

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 (Note 27). 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 the QRL 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.

IAS39 does not permit the initial value of the derivative to 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 income 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 a loss to future periods.

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

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

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

	31 December 2009	31 December 2008
	RMB'000	RMB'000
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.

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20. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Environmental Restoration RMB'000
At 31 December 2008	
Provision for the year	–
	6,265
At 31 December 2009	
	6,265

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

21. OTHER LIABILITIES

	2009 RMB'000	2008 RMB'000
Non current		
Long-term payables for mining rights (Note (a))	7,400	11,100
Deferred income for purchase of equipment (Note (b))	39,002	5,730
Payable to minority equity holder of a subsidiary (Note 34)	70,160	–
Other	487	487
	117,049	17,317

- (a) Long-term payables represent amounts payable for the purchase of mining rights from the Ministry of Land and Resource of Lantian County, which is interest free and repayable in instalments up to 2013. The carrying amount of the payable approximates to its fair value.
- (b) Deferred income represents government grants to the Company's subsidiaries for the purchase of domestic equipment. The balance will be amortised based on the useful life of the equipment.

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22. TRADE AND OTHER PAYABLES

	2009 RMB'000	2008 RMB'000
Bills payable	–	15,000
Trade payables	185,950	83,802
Other payables	126,692	43,323
Payable to minority equity holder of a subsidiary (Note 34)	70,161	–
Acquisition consideration payable (Note 33)	36,050	–
Bonus payable	6,000	6,000
Advances from customers	56,920	22,960
Staff salary and welfare payable	17,204	9,219
Interest payable	3,007	1,932
Accrued taxes other than income tax (Note (a))	32,288	32,021
Other liabilities	25,123	55,254
	<u>559,395</u>	<u>269,511</u>

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

The ageing analysis of the trade payables were as follows:

	2009 RMB'000	2008 RMB'000
Within 90 days	147,187	56,622
Over 90 days and within 180 days	21,926	9,198
Over 180 days and within 360 days	12,851	9,821
Over 360 days and within 720 days	3,967	8,161
Over 720 days	19	–
	<u>185,950</u>	<u>83,802</u>

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

	2009 RMB'000	2008 RMB'000
Value added tax (“VAT”)	20,433	24,453
Other taxes	11,855	7,568
	<u>32,288</u>	<u>32,021</u>

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23. EXPENSES BY NATURE

	2009 RMB'000	2008 RMB'000
Changes in inventories of finished goods and work in progress (Note 11)	(17,440)	(12,991)
Raw materials and consumables used (Note 11)	303,015	157,641
Employee benefit expense (Note 24)	57,653	44,870
Depreciation and amortisation (Notes 6, 7, 8 and 9)	103,103	64,383
Utilities and electricity	456,938	323,063
Marketing expense	3,773	5,030
Transportation expenses	7,500	6,259
Vehicle expenses	2,959	2,669
Provisions for bad debt (Note 12)	1,372	914
Administration and advertising expenses	17,190	7,937
Auditor remuneration	1,898	1,480
Taxes and levies	16,220	11,805
Operating lease payments	1,556	488
Other expenses	15,260	9,767
	<hr/>	<hr/>
Total cost of sales, selling and marketing and administrative expenses	970,997	623,315
	<hr/> <hr/>	<hr/> <hr/>

24. EMPLOYEE BENEFIT EXPENSE

	2009 RMB'000	2008 RMB'000
Wages and salaries	52,109	36,880
Social security costs	2,111	2,860
Share options granted to directors (Note (a))	1,161	1,480
Other allowances and benefits	2,272	3,650
	<hr/>	<hr/>
Total including directors' emoluments	57,653	44,870
	<hr/> <hr/>	<hr/> <hr/>

- (a) On 14 April 2008, 320,000 share options were granted to an advisor of the Company (Note 15). On 23 April 2009, 250,000 share options were granted to the director and the Chief Financial Officer of the Company (Note 15).

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24. EMPLOYEE BENEFIT EXPENSE (Cont'd)

(b) Director and senior management emoluments

Directors' remuneration for the years ended 31 December 2008 and 2009 is set out below:

Name of Director	2009 RMB'000	2008 RMB'000
Robert Robertson		
– Salaries	801	960
– Share options scheme accrued	567	1,184
Brett Miller		
– Salaries	561	673
– Share options scheme accrued	144	296
Jimin Zhang	1,200	3,466
Jianli Wang	450	641
Po Ling Low		
– Salaries	720	153
– Share options scheme accrued	265	—
Zhenjun Tian	450	587
	<u>5,158</u>	<u>7,960</u>

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2008 and 2009 are as follows:

	Number of individuals	
	2009	2008
Directors	5	4
Non-director individuals	—	1
	<u>5</u>	<u>5</u>

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24. EMPLOYEE BENEFIT EXPENSE (Cont'd)

(c) Five highest paid individuals (Cont'd)

The details of emoluments paid to the five highest individuals who were directors of the Company during the years ended 31 December 2008 and 2009 have been included in Note (b) above. Details of emoluments paid to the remaining non-director individuals are as follows:

	2009 RMB'000	2008 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	—	638
	—	638

25. OTHER INCOME

	2009 RMB'000	2008 RMB'000
Tax refund (Note (a))	65,035	39,167
Government grant	6,491	1,450
	71,526	40,617

(a) The tax refund mainly represents the refund of VAT for sales of certain types of cement where wasted natural materials have been used.

26. OTHER LOSSES – NET

	2009 RMB'000	2008 RMB'000
Write-back of aged payables	1,344	1,153
Donations	(825)	(1,499)
Net loss from disposal of PPE	(2,733)	(74)
Others	1,157	236
	(1,057)	(184)

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27. FINANCE INCOME AND COSTS

	2009 RMB'000	2008 RMB'000
Finance income		
– Interest income on short-term bank deposits	803	1,023
– Net foreign exchange gains on financing activities (Note (a))	387	1,577
	<u>1,190</u>	<u>2,600</u>
Finance cost		
– Interest expense on bank borrowing	(113,443)	(65,816)
– Interest expense on other borrowings	(1,176)	(1,906)
Less: amounts capitalised in construction-in-progress (Note (b))	40,789	39,607
	<u>(73,830)</u>	<u>(28,115)</u>
Loss on redemption of warrant (Note 19)	(168,451)	—
	<u>(242,281)</u>	<u>(28,115)</u>
Net finance costs	<u>(241,091)</u>	<u>(25,515)</u>

- (a) Net foreign exchange gains mainly relate to the translation of the bank borrowing from USD to Renminbi during the 2009 and 2008. The USD currency was depreciating as compared to Renminbi during the period.
- (b) Interest expense was capitalised as construction in progress at the rate of 19% per annum for the year ended 31 December 2009 (2008: 19% per annum).

28. INCOME TAX EXPENSE

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

	2009 RMB'000	2008 RMB'000
Current tax	57,429	—
Deferred tax (Note 10)	(12,742)	11,566
Income tax expense	<u>44,687</u>	<u>11,566</u>

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28. INCOME TAX EXPENSE (Cont'd)

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

	2009 RMB'000	2008 RMB'000
Profit before tax	<u>375,147</u>	<u>257,729</u>
Tax calculated at statutory income tax	93,787	64,432
Tax effects of:		
Expenses not deductible for tax purposes	614	454
Tax effect of tax exemption and reduced tax rate under tax holiday (Note (a))	(101,429)	(59,654)
Tax credit (Note (b))	(4,355)	(3,772)
Tax losses for which no deferred income tax asset was recognised	56,070	2,536
Reversal of deferred tax assets expired	<u>—</u>	<u>7,570</u>
Tax charge	<u>44,687</u>	<u>11,566</u>

Pursuant to the rules and regulations of Jersey Island and the British Virgin Islands, the Company and West China BVI are not subject to any income tax in those jurisdictions.

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the financial year based on existing legislation, interpretations and practices.

For the year ended 31 December 2007, PRC corporate income tax ("CIT") is provided at the rate of 33% of the profits for the PRC statutory financial reporting purposes, adjusted for those items which are not assessable or deductible for the PRC corporate income tax purpose.

On 16 March 2007, the National Peoples' Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which was effective from 1 January 2008. Under the new CIT Law, the corporate income tax rate applicable to the Group's subsidiaries located in Mainland China from 1 January 2008 is 25%, replacing the applicable tax rate of 33%.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax assets and liabilities of the Group's subsidiaries located in the PRC.

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28. INCOME TAX EXPENSE (Cont'd)

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

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

The actual CIT rates of Shaanxi Yaobai, Xi'an Lantian Yaobai and Ankang Yaobai during the years ended 31 December 2008 and 2009 are as follows:

	Year ended 31 December	
	2009	2008
Shaanxi Yaobai	7.5%	7.5%
Lantian Yaobai	7.5%	0%
Ankang Yaobai	15%	25%

No tax reductions and exemptions were granted to the other subsidiaries of the Company in the PRC during the 2009 and 2008.

- (b) Tax credit represents credit on corporate income tax for purchase of domestically produced equipment pursuant to the applicable PRC tax laws and regulations.

29. 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 (Note 15).

	2009	2008
	RMB'000	RMB'000
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

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29. EARNINGS PER SHARE (Cont'd)

(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 RMB'000	2008 RMB'000
Profit attributable to equity holders of the Company	<u>330,460</u>	<u>246,163</u>
Profit used to determine diluted earnings per share	<u>330,460</u>	<u>246,163</u>
Weighted average number of ordinary shares in issue (thousands)	64,531	64,113
Adjustments for share options (thousands)	<u>653</u>	<u>81</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>65,184</u>	<u>64,194</u>
Diluted earnings per share (RMB per share)	<u><u>5.07</u></u>	<u><u>3.83</u></u>

30. CASH GENERATED FROM OPERATIONS

	2009 RMB'000	2008 RMB'000
Profit for the year after income tax	330,460	246,163
Adjustments for:		
– Income tax expense (Note 28)	44,687	11,566
– Depreciation (Note 6)	99,286	62,317
– Amortisation (Note 7, 8 and 9)	3,817	2,066
– Loss on disposal of PPE	2,733	74
– Provision for impairment loss for receivables (Note 12)	1,372	914
– Share-based payment	1,161	1,480
– Finance costs – net (Note 27)	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	<u>59,580</u>	<u>61,077</u>
Cash generated from operations	<u><u>696,738</u></u>	<u><u>349,709</u></u>

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30. CASH GENERATED FROM OPERATIONS (Cont'd)

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

	2009 RMB'000	2008 RMB'000
Net book amount (Note 6)	4,632	212
Loss on disposal of property, plant and equipment (Note 26)	<u>(2,733)</u>	<u>(74)</u>
Proceeds from disposal of property, plant and equipment	<u><u>1,899</u></u>	<u><u>138</u></u>

31. CONTINGENCIES

As at 31 December 2009, the Group did not have any contingent liabilities.

32. COMMITMENTS

(a) Capital commitments

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

	2009 RMB'000	2008 RMB'000
Property, plant and equipment	<u><u>558,336</u></u>	<u><u>449,035</u></u>

(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 RMB'000	2008 RMB'000
No later than 1 year	74	484
Later than 1 year and no later than 5 years	209	217
Later than 5 years	<u>446</u>	<u>496</u>
	<u><u>729</u></u>	<u><u>1,197</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

33. BUSINESS COMBINATION

(a) Acquisition of Xiushan Cement

Shaanxi Yaobai, a wholly owned subsidiary of the Company, entered into Equity Transfer Agreements with Shaanxi Xiushan Cement Group Limited (“Xiushan Cement”) to acquire 100% of its equity interest on 15 August 2009 (the “Equity Transfer Agreement”). The total consideration for the acquisition of Xiushan Cement was RMB180,700,000, 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:

	RMB'000
Purchase consideration:	
– Cash paid	130,000
– Consideration payable to Xiushan Yaobai (Note (a))	14,650
– Consideration payable (Note (b), Note 22)	36,050
	<hr/>
Total purchase consideration	180,700
Provisional fair value of assets acquired (see below)	135,426
	<hr/>
Goodwill	45,274
	<hr/> <hr/>

(a) According 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

33. BUSINESS COMBINATION (Cont'd)

(a) Acquisition of Xiushan Cement (Cont'd)

Management considers the fair value of the business acquired has not changed since acquisition and accordingly the value of goodwill is not impaired. (Note 9)

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

	Provisional fair value RMB'000	Acquiree's carrying amount RMB'000
Cash and cash equivalents	9,078	9,078
Property, plant and equipment (Note 6)	140,475	130,542
Land use rights (Note 7)	6,924	5,176
Trademarks	–	461
Mining rights (Note 8)	5,250	3,576
Customer relationship (Note 9)	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 (Note 10)	(8,376)	–
	<hr/>	<hr/>
Fair value of net assets	135,426	110,298
Goodwill (Note 9)	45,274	–
	<hr/>	<hr/>
Total purchase consideration	180,700	110,298
	<hr/>	<hr/>
Purchase consideration settled in cash	–	130,000
Cash and cash equivalents in subsidiary acquired	–	(9,078)
	<hr/>	<hr/>
Cash outflow on acquisition	–	120,922
	<hr/>	<hr/>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

34. 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 RMB125,000,000. 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 RMB25,000,000. In addition to the capital 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 (Note 6)	25,000
	<u>75,000</u>
Assets transferred from DJ:	
PPE (Note 6)	312,226
Land use rights (Note 7)	15,165
Mining rights (Note 8)	12,930
	<u>340,321</u>
Liabilities transferred from DJ:	
Bank borrowings (Note 18)	(49,200)
Other borrowings (Note 18)	(150,800)
	<u>(200,000)</u>
Amount due to DJ (Note b)	<u>(140,321)</u>

- (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 this payable will be repaid in June 2010 (Note 22), and the remaining 50% of the payable will be repaid in June 2011 (Note 21). On 25 February 2010, Longqiao Yaobai entered into a supplementary agreement with DJ. The amount due to DJ will be totally repaid on 31 December 2011 (Note 36).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

35. RELATED-PARTY TRANSACTIONS

(a) Key management compensation

Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	2009 RMB'000	2008 RMB'000
Salaries and other short-term employee benefits	5,082	4,124
Bonus	–	3,600
Share-based payments	976	1,480
	<u>6,058</u>	<u>9,204</u>

(b) Loans from key management

	2009 RMB'000	2008 RMB'000
Zhixin Chen	–	900
Wenyu Li	–	580
	<u>–</u>	<u>1,480</u>

(c) Amount due from key management

	2009 RMB'000	2008 RMB'000
Yongji Li	2,662	–
	<u>2,662</u>	<u>–</u>

The above amount is due from Yongji Li within 12 months and carries no interest.

(d) Security provided by Mr. Jimin Zhang (Note 18 (a)(iv))

36. 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 two other creditors. According to the supplementary agreements, the amount due to DJ of RMB140,321,000 (Note 34) and other borrowings of RMB70,000,000 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 (Note 18 and 19). The drawdown of this facility is subject to satisfying certain conditions precedent, one of which is obtaining consent from the USD60 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 an extension agreement with a financial institution to extend the expiry date of the original USD50 million loan (Note 18 (a) (iv)) to 26 July 2011.



中国西部水泥

WEST CHINA CEMENT LIMITED

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www.westchinacement.com

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the contents of this document, or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, independent financial advisor or other person duly authorised under the Financial Services and Markets Act 2000 if you are taking advice in the United Kingdom, under the Financial Services (Jersey) Law 1998 if you are taking advice in Jersey, or from an appropriately authorised independent financial advisor if you are in a territory outside the United Kingdom or Jersey.

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee.

This document does not constitute or contain any offer of securities in the Company or any invitation to apply for securities in the Company. In particular, this document is not an offer of securities for sale in the United States. The securities mentioned in the this document may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended. West China Cement Limited does not intend to register any securities or conduct a public offering in the United States. This document (and the information contained herein) is not for publication or distribution to persons in the United States.

WEST CHINA CEMENT LIMITED
(incorporated and registered in Jersey under number 94796)

Authority to allot shares
Adoption of new Articles of Association
Adoption of new share option scheme
Sub-division of share capital
Proposed cancellation of admission to trading on AIM

and

Notice of Annual General Meeting

Your attention is drawn to the enclosed letter from the Chairman of West China Cement Limited which explains why the Company is proposing the Resolutions at the Annual General Meeting. Before deciding on what voting action to take, you should fully consider all the information in this document.

Notice of the Annual General Meeting, scheduled for 31 March 2010 at 11 a.m. at the registered office of the Company at 47 Esplanade, St Helier, Jersey, JE1 0BD is set out at the end of this document and a Form of Proxy for use at the Annual General Meeting is enclosed. To be valid, the Form of Proxy should be completed in accordance with the instructions printed thereon and returned to Computershare Investor Services (Jersey) Limited of PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW as soon as possible but, in any event, so as to be received no later than 11 a.m. on 29 March 2010.

If you hold your Ordinary Shares in uncertificated form you may use the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of Annual General Meeting set out at the end of this document). Proxies submitted via CREST (under CREST ID 3RA50) must be received by the Company's registrars, Computershare Investor Services (Jersey) Limited, not later than 11 a.m. on 29 March 2010 or, in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting.

Completion and return of a Form of Proxy, or the appointment of a proxy through CREST, will not preclude Shareholders from attending and voting in person at the Annual General Meeting or any adjournment thereof in person if they so wish and are entitled to do so.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Voting Record Time	11 a.m. on 29 March 2010
Latest time and date for receipt of Forms of Proxy for the Annual General Meeting	11 a.m. on 29 March 2010
Annual General Meeting of West China Cement Limited	11 a.m. on 31 March 2010
Last day of trading on AIM of the Ordinary Shares	on or around 21 May 2010*
Cancellation of admission to trading on AIM of the Ordinary Shares expected to be effective	on or around 24 May 2010*
First day of dealing in the Ordinary Shares on HKEx	on or around 24 May 2010*

All references in this document are to London time unless otherwise stated.

* These dates are the earliest expected for these events and are subject to change. The timing of the delisting from AIM is contingent upon the timing of the Hong Kong Listing. In the event that any of these dates is revised, the Company will make an appropriate announcement and the final dates will be confirmed not less than ten clear business days in advance of the relevant date.

Information regarding forward-looking statements

This document contains a number of forward-looking statements relating to West China Cement Limited with respect to, amongst others, the following: financial conditions; results of operations; economic conditions in which West China Cement Limited operates; the business of West China Cement Limited; and management plans and objectives. West China Cement Limited considers any statements that are not historical facts as “forward-looking statements”. They relate to events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of West China Cement Limited to differ materially from the information presented in the relevant forward-looking statement. When used in this document the words “estimate”, “project”, “intend”, “aim”, “anticipate”, “believe”, “expect”, “should”, and similar expressions, as they relate to West China Cement Limited or the management of it, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this document. West China Cement Limited does not undertake any obligation publicly to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, save in respect of any requirement under applicable laws, the AIM Rules, the HKEx Rules and other regulations.

DEFINITIONS

The following definitions apply throughout this document, unless otherwise stated or unless the context requires otherwise:

“AIM Rules”	the rules applicable to companies whose shares are traded on AIM published by the London Stock Exchange, as amended from time to time;
“AIM”	the market of that name which is operated by the London Stock Exchange;
“Annual General Meeting” or “AGM”	the Annual General Meeting of the Company to be held on 31 March 2010 at 11 a.m. at the registered office of the Company at 47 Esplanade, St Helier, Jersey JE1 0BD, or any adjournment thereof, notice of which is set out in Appendix 1;
“Board”	the board of Directors;
“Buy-Back Authority”	the proposed Shareholders’ resolution of the Company to authorise the Company to purchase Ordinary Shares, as more fully set out in Resolution 7;
“CCASS”	the Central Clearing and Settlement System, operated by the Hong Kong Securities Clearing Company Limited;
“Computershare”	Computershare Investor Services (Jersey) Limited;
“De-Listing”	the conditional cancellation of admission to trading on AIM of the Ordinary Shares;
“De-listing Resolution”	the proposed Shareholders’ resolution of the Company to approve the De-Listing, as more fully set out in Resolution 12;
“Directors”	the directors of the Company;
“Existing Option Scheme”	the existing share option scheme of the Company which was adopted on 27 October 2006;
“Form of Proxy”	the form of proxy enclosed with this document for use at the AGM;
“HKEx”	The Stock Exchange of Hong Kong Limited;
“HKEx Listing”	the proposed listing on the HKEx of the existing Ordinary Shares and any new Ordinary Shares to be issued on or prior to the date of such listing;
“HKEx Share Certificates”	share certificates representing the Ordinary Shares following the HKEx Listing and Sub-division;

DEFINITIONS

“HKEx Rules”	the Rules Governing the Listing of Securities on the HKEx, as amended from time to time;
“HK Custody Agent”	a custody agent authorised to hold shares that are listed on the HKEx;
“HKSCC”	the Hong Kong Securities Clearing Company Limited;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Jersey Law”	where applicable and in force, the Companies (Jersey) Law 1991, as amended;
“Jersey Registry”	the Companies Registry in Jersey;
“Listing Committee”	the listing sub-committee of the board of directors of the HKEx;
“London Stock Exchange”	London Stock Exchange plc;
“Main Board”	the HKEx (excluding the option market) operated by the HKEx, which is independent from and operates in parallel with the Growth Enterprise Market of the HKEx;
“New Articles”	the new articles of association of the Company proposed to be adopted pursuant to Resolution 9 conditional on and with effect from the HKEx Listing;
“New Share Option Scheme”	the new share option scheme of the Company, proposed to be adopted pursuant to Resolution 10 conditional on and with effect from the HKEx Listing;
“Notice”	the Notice of AGM set out in Appendix 1;
“Ordinary Shares”	ordinary shares of £0.10 each in the capital of the Company, or, subject to and following the passing of Resolution 5, ordinary shares of £0.001 each in the capital of the Company, as the context requires;
“PRC”	the People’s Republic of China (excluding the Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan for the purposes of this document);
“Proposals”	the principal proposals to be voted on by Shareholders at the AGM ((ii), (iii), (iv) and (v) being conditional on the HKEx Listing), namely: (i) authorising the Directors to issue new Ordinary Shares; (ii) adopting the New Articles; (iii) adopting the New Share Option Scheme; (iv) the Sub-division; and (v) the De-Listing;

DEFINITIONS

“Record Date”	the date falling ten business days before HKEx Listing on which the Company shareholder register for HKEx Listing shall be set by Computershare;
“Resolutions”	the resolutions to be proposed to Shareholders at the AGM which are set out in the Notice;
“Shareholder”	a registered holder of Ordinary Shares of the Company from time to time;
“Shareholder Form”	the form of instruction attached to the Shareholders’ HK Registration Letter;
“Shareholders’ HK Registration Letter”	the letter from the Company to Shareholders to be sent prior to HKEx Listing, setting out the steps to be taken by Shareholders to enable them to trade their shares following HKEx Listing and enclosing the Shareholder Form;
“Sub-division”	the proposed sub-division, conditional on and with effect from the HKEx Listing, of each existing ordinary share of £0.10 each into 100 new ordinary shares of £0.001 each as set out in Resolution 5; and
“WCC” or the “Company”	West China Cement Limited, a public limited company incorporated in Jersey with registered number 94796.

LETTER FROM THE CHAIRMAN OF WEST CHINA CEMENT LIMITED

WEST CHINA CEMENT LIMITED

(incorporated and registered in Jersey under number 94796)

Robert Robertson (*Non-Executive Chairman*)
Zhang Jimin (*Chief Executive Officer*)
Low Po Ling (*Chief Financial Officer and Executive Director*)
Wang Jianli (*Executive Director*)
Brett Miller (*Non-Executive Director*)

Registered Office
47 Esplanade
St Helier
Jersey
JE1 0BD

5 March 2010

Dear Shareholder

**AUTHORITY TO ALLOT SHARES
ADOPTION OF NEW ARTICLES OF ASSOCIATION
ADOPTION OF NEW SHARE OPTION SCHEME
SUB-DIVISION OF SHARE CAPITAL
PROPOSED CANCELLATION OF ADMISSION TO TRADING ON AIM**

NOTICE OF ANNUAL GENERAL MEETING

1. Introduction

This document includes the Company's Notice of Annual General Meeting and sets out proposals conditional on the Company's proposed listing on the Main Board of the HKEx, including a proposal to cancel the admission of the Company's shares to trading on AIM at the same time as the HKEx Listing.

Following the successful growth of the Company since its admission to AIM, the Directors have identified listing the Company on the Main Board of the HKEx as the next step in the Company's development. In connection with the HKEx Listing, the Company is seeking Shareholders' approval for the Proposals, including a proposal to cancel the admission of the Ordinary Shares to trading on AIM at the same time as the HKEx Listing.

The Directors expect the HKEx Listing and the De-Listing to take place on or around 24 May 2010. The purpose of this letter is to give you further information about the background to and reasons for the Proposals described in this document, and to seek Shareholders' approval of the Resolutions at the Annual General Meeting of the Company, notice of which is set out at Appendix 1 of this document. The Notice of AGM includes the normal business of the Company's Annual General Meeting and specific resolutions in respect of the proposed HKEx Listing and the De-Listing.

LETTER FROM THE CHAIRMAN OF WEST CHINA CEMENT LIMITED

2. Background to and reasons for the HKEx Listing and De-Listing

On 10 February 2010 the Company announced that it had applied for the shares of the Company to be listed on the Main Board of the HKEx.

Since its admission to AIM in December 2006, the Company has grown significantly, both in terms of assets and profitability, becoming one of the largest PRC companies on AIM. The Directors believe that, whilst AIM has served the Company and its Shareholders well in this initial growth period, the Company will now be better served by listing its shares on a larger and more liquid stock market, which can better accommodate the Company's next stage of growth. Having considered various options, the Directors believe that the HKEx will be the most suitable choice of stock exchange for the Company to pursue this next stage of growth.

The HKEx has, over the past decade, become the primary destination for PRC companies wishing to maintain an international listing and it is now one of the world's largest and fastest growing stock markets. Due to its proximity and cultural similarity to China, the HKEx provides an equity capital market infrastructure for PRC companies in a world class regulatory environment. The Directors also believe that the HKEx provides a market and investor base with a closer understanding of the growth dynamics of the PRC economy and cement sector, and is therefore better suited to the Company. Currently, eight of the largest PRC cement companies are listed on the HKEx (Anhui Conch Cement Company Limited, China National Building Material Company Limited, China National Materials Company Limited, China Shanshui Cement Group Limited, China Resources Cement Holdings Limited, Asia Cement (China) Holdings Corporation, BBMG Corporation and TCC International Holdings Limited) and this grouping provides a strong valuation benchmark for the Company and an international investor base with a strong perspective on the market valuations of cement companies in the PRC.

The Directors believe that the HKEx, as a main board market with a significant proportion of PRC issuers and Asian investors, provides a larger trading platform for the shares of the Company. The Directors believe that this will be a significant factor in increasing liquidity in the Company's shares and that this should be reflected in the medium to long term market valuation of the Company. The Directors have made no decision as to whether the Company will seek to raise additional capital at the time of the HKEx Listing.

The Board believes that the move up to a larger and more liquid market with a greater emphasis on and proximity to the Company's key commercial markets will represent a significant step forward in the Company's profile and development. The Directors believe that, as part of this progression, it will not be in the best interests of the Company and its Shareholders to maintain a listed status on two different exchanges, and the Company is therefore proposing to cancel its admission to trading on AIM. The Directors have considered this move very carefully and are of the opinion that a dual-listing with AIM is likely to result in a division of liquidity between the two markets, which may partly negate the benefit of joining a main board market and its potential benefits to the valuation of the Company's shares. In addition, the Directors believe that some international and Hong Kong investors may not be familiar with the AIM market and may be discouraged from investing in the Company due to AIM's junior market status. A dual-listing would entail additional legal and audit fees, as well as management time, as the Company would have to comply with two sets of regulatory and disclosure requirements. The Directors do not believe that the benefits of this would outweigh the additional cost.

LETTER FROM THE CHAIRMAN OF WEST CHINA CEMENT LIMITED

The Directors recognise that the AIM market has provided the Company with an excellent stock market platform for the last three years of its growth, and that the Company and its Shareholders have benefited greatly from the listing on AIM. However, the Directors believe that the HKEx will be able to provide a stronger platform for this growth going forward, and that it is in the best interests of the Shareholders for their shares to be listed on the HKEx.

Listing of the Ordinary Shares on the Main Board of HKEx is subject to, amongst other things, the approval of the Listing Committee and, subject to this approval, it is expected that the HKEx Listing will occur on or around 24 May 2010. The De-Listing is conditional on shareholder approval, and will be effective on the first day of dealing in the Ordinary Shares on the HKEx. The expected dates of De-Listing and HKEx Listing are subject to change. In the event that these dates are revised the Company will make an appropriate announcement and the final dates will be confirmed not less than ten clear business days in advance of the relevant date.

3. The De-Listing and its effect on Shareholders and the Company

In accordance with Rule 41 of the AIM Rules, the Company has notified the London Stock Exchange of the proposed De-Listing. The Company will inform the London Stock Exchange and the market of the precise proposed date for De-Listing at least ten clear business days in advance of that date. The De-Listing is conditional upon:

- (a) the approval of Resolution 12 by Shareholders holding not less than 75 per cent. of votes cast in accordance with the AIM Rules; and
- (b) the commencement of trading of the Ordinary Shares on the HKEx within three months of the approval of Resolution 12.

Subject to the requisite shareholder approval being received and approval of the HKEx Listing by the Listing Committee, the HKEx Listing and De-Listing are expected to be effective on or around 24 May 2010. In the event that HKEx Listing does not occur within three months of the approval of Resolution 12 and the Directors still believe that it is in the best interests of the Company to list its shares on the HKEx and to de-list from AIM, the Company will seek a further shareholder resolution in the same form as Resolution 12 to approve the cancellation of admission to trading on AIM of the Ordinary Shares conditional on commencement of trading of the Ordinary Shares on the HKEx.

Subject to the approval of Resolution 12, the Company will include a statement that the De-Listing has been approved in all future announcements prior to De-Listing. The Company will announce a definitive date for the HKEx Listing and the De-Listing as soon as such dates are confirmed (and, in any event, no later than ten clear business days prior to the De-Listing becoming effective).

Following the HKEx Listing and the De-Listing, all Shareholders will retain the same number of Ordinary Shares (as adjusted pursuant to the Sub-division). It is expected that the De-Listing will take place on or around 24 May 2010 and will, in effect, be simultaneous with the commencement of trading of the Ordinary Shares on the HKEx. The share register of the Company will be maintained

LETTER FROM THE CHAIRMAN OF WEST CHINA CEMENT LIMITED

by Computershare (the Company's share registrars) in accordance with the HKEx Rules and the Jersey Law. Shareholders will be able to trade Ordinary Shares on AIM up until the De-Listing becomes effective; however, it is advisable that no trades are made at any time after ten business days before De-Listing, due to settlement and share certificate issuance timing issues.

The Directors understand that some Shareholders may not be familiar with share trading on the HKEx, and so the Company intends to make informal arrangements with a number of stockbrokers who will be able to support Shareholders in the trading of their Ordinary Shares on the HKEx. The Ordinary Shares will then be capable of being traded on the HKEx from the first day of trading. Further details are set out in paragraph 4 below.

The Directors believe that the Company's business will benefit from a move to the HKEx and hope that existing Shareholders will continue to participate in this growth.

Following the De-Listing, the Company will cease to have a nominated adviser and an AIM stockbroker and it will no longer be required to comply with the AIM Rules or with the corporate governance requirements applicable to AIM companies. The Company will, however, continue to hold annual general meetings in accordance with the applicable statutory requirements and its articles of association and will continue to send Shareholders copies of the company's audited accounts and notices of any Shareholder meetings.

Following the HKEx Listing, the Company will be bound by the HKEx Rules and the Hong Kong Code on Corporate Governance Practices (contained in Appendix 14 of the HKEx Rules), copies of which can be accessed at <http://www.hkex.com.hk/regulatory.htm>. Following HKEx Listing, the Company will have three independent non-executive directors and will continue to have a remuneration committee comprising two independent non-executive directors and an executive director, and an audit committee comprising independent non-executive directors. Following the HKEx Listing, the Company will also set up a nomination committee comprising two independent non-executive directors and an executive director.

Liability to taxation and any taxation effect of the HKEx Listing or the De-Listing will depend upon the individual circumstances of, and the tax jurisdiction applicable to, each Shareholder. If you are in any doubt as to your own tax position, you should consult an appropriate independent professional advisor.

4. Transactions in Ordinary Shares following the De-Listing

Should the application for HKEx Listing be approved by the Listing Committee, the Company will set a Record Date which is currently expected to be a date ten business days before trading commences on the HKEx. An announcement of the Record Date will be made as soon as practicable. Shareholders who hold shares in the Company as at the Record Date may choose one of the five options set out below in order to receive shares that are tradable on the HKEx with effect from the HKEx Listing.

It is the responsibility of each Shareholder to inform the Company's registrar, Computershare, either directly or through their stockbroker of their correct registration details before the Record Date.

LETTER FROM THE CHAIRMAN OF WEST CHINA CEMENT LIMITED

While trading is possible between the Record Date and HKEx Listing, such trading is not recommended because any change of registration details received after the Record Date may incur stamp duties and may delay a Shareholder's ability to trade shares on the HKEx. On the dealing day before the HKEx Listing, HKEx Share Certificates will be issued and dispatched to Shareholders (or their nominees) to the addresses shown in the share register on the Record Date. In order for shares to be available for trading on the HKEx, they must be lodged with a Hong Kong stockbroker, nominee or HK Custody Agent. Your current UK stockbroker may have nominee or custodial arrangements in Hong Kong and may therefore be able to trade in Hong Kong, and if so you should request that before the Record Date your stockbroker contacts Computershare to amend your address on the Company's shareholder register to that of a Hong Kong stockbroker, nominee or HK Custody Agent. Shareholders should be aware that if, on the Record Date, the shareholder register shows the shareholder as being an entity that is not a Hong Kong stockbroker, nominee or HK Custody Agent, the relevant HKEx Share Certificate must be lodged with a Hong Kong stockbroker, nominee or HK Custody Agent before they can trade in the shares of the Company on the HKEx. Following the De-Listing, Shareholders will no longer be able to hold their shares through CREST.

The Company will send the Shareholders' HK Registration Letter to Shareholders after the AGM, setting out the five options that Shareholders have in respect of their shareholdings. These options are summarised below.

It is emphasised that in order for shares to be available for trading from the date of HKEx Listing, the HKEx Share Certificates must be lodged with a Hong Kong stockbroker, nominee or HK Custody Agent. Failure to do so may mean that a shareholder will not be able to trade their shares immediately following HKEx Listing. Your current UK stockbroker may have nominee and custodial arrangements in Hong Kong and be enabled to trade on the HKEx and if so you must request (as set out in option 1 below) that they amend your details on the shareholder register so that the shares are sent to your Hong Kong stockbroker, nominee or HK Custody Agent. Computershare must be notified of these changes using the Shareholder Form before the Record Date.

The Company strongly recommends that Shareholders follow options 1, 2 and 3 below, which will allow them to trade shares electronically. Under options 4 and 5, Shareholders will receive physical share certificates which will have been posted by Computershare's Hong Kong office on the day before HKEx Listing. This may result in a lengthy period of time after HKEx Listing before Shareholders can trade such shares on the HKEx and possible costs in lodging the shares with a HK Custody Agent.

Shareholders have the following five options:

Option 1 — request that the HKEx Share Certificates are sent to your current UK stockbroker

Prior to the Record Date, you should contact your current stockbroker or nominee and ask them to confirm that they have custodial and nominee arrangements in Hong Kong and are able to trade on

LETTER FROM THE CHAIRMAN OF WEST CHINA CEMENT LIMITED

the HKEx, either directly or through a Hong Kong counterparty. If the stockbroker is able to do so, you should request that your stockbroker fills in the Shareholder Form with details of a Hong Kong stockbroker, nominee or HK Custody Agent and sends the completed form to Computershare so as to arrive before the Record Date.

Option 2 — Request that the shares are sent to a new UK stockbroker

The Directors believe that many Shareholders will be able to trade in the Ordinary Shares through their current stockbroker (as many UK stockbrokers have a Hong Kong counterparty), as set out in Option 1 above. However, in order to ensure that all Shareholders have the ability to trade their shares on the HKEx, the Company has made informal arrangements with the following London based retail stockbrokers who are able to trade on the HKEx and have agreed, subject to their account opening procedures, to act for shareholders of the Company in their trading activities on the HKEx:

Williams de Broe Limited: Austin Friars House, 2-6 Austin Friars, London EC2N 2HD, telephone: 0207 072 7510 (contact name: Alex Philipson).

Hargreave Hale Stockbrokers: Accurist House, 44 Baker Street, London W1U 7AL, telephone: 0207 009 4900 (contact names: George Finlay and Lee Finlayson).

Paul Schweder Miller & Co: 46-50 Tabernacle Street London EC2A 4SJ, telephone: 020 7490 5000 (contact name: Andrew Petter).

The above stockbrokers will facilitate Shareholders dealing on the HKEx and will be able to guide Shareholders through the registration process. These stockbrokers will require you to go through their internal account opening procedures. These, as well as all commission and other arrangements, will be between the stockbroker and the relevant Shareholder and the Company will not have any liability in respect of such arrangements.

Option 3 — Request that the shares are sent to a Hong Kong stockbroker

If you have a Hong Kong broking account and you wish to hold your shares through this account following the HKEx Listing, you should request that your Hong Kong stockbroker completes the Shareholder Form with the details of the relevant Hong Kong stockbroker, nominee or HK Custody Agent and sends the completed form to Computershare so as to arrive before the Record Date.

Option 4 — Request your share certificates are sent to you directly

If your shares are currently lodged with a stockbroker but you would like to receive the HKEx Share Certificates in your own name and have them sent to your address the day before HKEx Listing, you should request your stockbroker to arrange for rematerialisation of your shares and provide your address to Computershare using the Shareholder Form. The HKEx Share Certificates will then be posted to your address the day before HKEx Listing.

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Please note that the HKEx Share Certificates will be sent out by post from Computershare's Hong Kong office on the day before HKEx Listing. They may not arrive in the UK by the first day of trading on the HKEx. In order for shares to be available for trading on the HKEx, they must be lodged with a Hong Kong stockbroker, nominee or HK Custody Agent.

Option 5 — Take no action

If you take no action, the HKEx Share Certificates will be issued and sent to the name and address that appears on the share register on the Record Date.

If your shares are currently held in your own name and you take no action, the HKEx Share Certificates will be sent to your address as it appears on the share register.

Please note that the HKEx Share Certificates will be sent out by post from Computershare's Hong Kong office on the day before HKEx Listing. They may not arrive in the UK by the first day of trading on the HKEx. In order for shares to be available for trading on the HKEx, they must be lodged with a Hong Kong stockbroker, nominee or HK Custody Agent.

Hong Kong Trading

The HKEx is one of the world's major stock markets with a sophisticated share dealing and settlement mechanism. Share trading in Hong Kong is on "T+2 settlement", meaning that share transactions are settled (i.e. paid) two business days after the relevant trading date.

Parties trading in shares in Hong Kong must settle their trades executed on the HKEx through their stockbrokers directly or through custodians. For those shareholders who has deposited their shares in a Hong Kong broking account or in their designated CCASS participant's stock account maintained with CCASS, settlement is effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. For a shareholder who holds physical certificates, settlement certificates and duly executed transfer forms must be delivered to their stockbroker by the settlement date.

A shareholder may arrange with their stockbroker on a settlement date in respect of their trades executed on the HKEx. Under the HKEx Rules and the General Rules of CCASS and CCASS Operational Procedures, the date of settlement of trades must not be later than the second day following the trade on which the settlement services of CCASS are open for use by CCASS participants (ie, T+2). For trades settled through CCASS, the General Rules of CCASS and CCASS Operational Procedures provide that the defaulting stockbroker may be compelled to compulsorily buy-in shares by the HKSCC on the day after the date of settlement (ie, T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines on the stockbroker from T+2 onwards.

The CCASS stock settlement fee payable by each counterparty to a HKEx trade is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2 and a maximum fee of HK\$100 per trade.

LETTER FROM THE CHAIRMAN OF WEST CHINA CEMENT LIMITED

5. Changes to the composition of the Board

Prior to the HKEx Listing, it is intended that changes will be made to the composition of the Board.

During my time with the Company, we have made significant progress on many aspects of its business encompassing operations, management, governance and health & safety. The proposed HKEx Listing reflects this and Brett Miller and I are very pleased to have had the privilege to contribute to the development of the Company.

The HKEx Listing provides a move to a main board market with a strong understanding of the China growth story. Given the Company's unique dynamics, we feel that the Company will be better served with a local Hong Kong and PRC board composed of professionals with a strong knowledge of the PRC business environment and the Hong Kong capital markets. Therefore, subject to and following the approval of the application for the HKEx Listing by the Listing Committee, it is intended that Brett Miller and I will step down as directors and that three independent non-executive directors will be appointed. These directors will have a strong background and understanding of the HKEx regulations and corporate governance procedures and we have full confidence that they will serve the Shareholders on the HKEx as we have served them on AIM.

6. Authority to issue shares

Resolutions 4 and 6 seek to authorise the Directors to issue shares consistent with authorities granted in the Company's last annual general meeting. The Resolutions provide for the authorities to be adjusted following and conditional on the HKEx Listing in order to comply with the HKEx Rules.

7. Sub-division of Ordinary Shares

The Company is proposing, subject to the passing of Resolution 5 and conditional on HKEx Listing, to sub-divide each existing authorised issued and unissued ordinary share of £0.10 each in the capital of the Company into 100 new ordinary shares of £0.001 each. Following the Sub-division, the authorised and issued share capital of the Company will comprise 6,486,213,300 ordinary shares of £0.001 each. It is intended that the resulting lower nominal value and increased number of shares will encourage greater liquidity in the Company's shares.

If Resolution 5 is passed at the AGM, on the Record Date the Company will issue new, replacement share certificates for the new Ordinary Shares of £0.001 each on the day before HKEx Listing. The new certificates will come into effect immediately upon HKEx Listing. When new certificates are issued, the existing share certificates for Ordinary Shares of £0.10 each will become void. Also, any options held over Ordinary Shares will be adjusted in such manner as the Board may determine to reflect the Sub-division pursuant to the terms of the Company's Existing Option Scheme.

8. Buyback Resolution

Resolution 7 sets out an authority for the Company to repurchase up to 10% of the aggregate nominal value of the issued share capital of the Company in the form adopted by the Company in

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previous annual general meetings. To comply with the HKEx Rules, the resolution states that, in the event that the HKEx Listing takes place, the buy-back authority will remain in place (save for limitations in respect of the amount of shares that can be purchased, based on the Company's issued share capital immediately following HKEx Listing) and the maximum price payable per Ordinary Share shall be limited to five per cent above the closing price of the Ordinary Shares for the previous five trading days. The authority will otherwise remain in effect until the conclusion of the next annual general meeting of the Company.

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from Shareholders to enable it to purchase shares in the market. Purchases of shares will only be made when the Directors believe that such purchases will benefit the Company and its Shareholders. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its assets and/or earnings per share.

9. Adoption of New Articles

The Company is proposing, pursuant to Resolution 9 and conditional on the HKEx Listing, to adopt new articles of association to reflect the requirements of the HKEx. An explanation of the main differences between the New Articles and the Company's current articles of association is set out in Appendix 2. However, this is not a definitive or comprehensive analysis and all Shareholders should review the New Articles in full and take appropriate advice if they so wish. A copy of the New Articles can be accessed at www.westchinacement.com. It is emphasised that the New Articles will only take effect following the HKEx Listing.

10. Adoption of New Share Option Scheme

Employees of the Company and its subsidiaries are currently eligible to participate in the Existing Option Scheme. In order to comply with the HKEx Rules, it is intended that, subject to the passing of Resolution 10 and conditional on the HKEx Listing, the Company's employees will be entitled to participate in the New Share Option Scheme and the New Share Option Scheme will replace the Existing Option Scheme. The Existing Option Scheme will be terminated with effect from HKEx Listing and no further options may be granted under the Existing Option Scheme after such termination. However, this change will not affect options previously granted pursuant to the Existing Option Scheme. A summary of the principal terms of the New Share Option Scheme is set out in Appendix 3.

11. Adoption and registration of the Chinese translation of the Company's name

The Company does not propose to change its name but it proposes, pursuant to Resolution 12, to register the Chinese translation of the Company's name “中國西部水泥有限公司” with the Jersey Registry. The English version of the name “West China Cement Limited” will continue to be registered with the Jersey Registry but, if Resolution 12 is passed and subsequently filed with the Jersey Registry, a certificate of incorporation on change of name will be issued which shows both the original English name and the Chinese translation.

LETTER FROM THE CHAIRMAN OF WEST CHINA CEMENT LIMITED

12. Annual General Meeting

You will find the Notice of AGM set out at Appendix 1. The AGM (at which the Resolutions will be proposed) will be held at the registered office of the Company at 47 Esplanade, St Helier, Jersey JE1 0BD at 11 a.m. on 31 March 2010. To be passed at the AGM, the Ordinary Resolutions require a majority of those shareholders voting at the AGM to vote in favour, the Special Resolutions require two-thirds of those shareholders to vote in favour, and Resolution 12 (to approve the De-Listing) requires 75% of those voting to vote in favour.

13. Action to be taken

Enclosed with this document is a Form of Proxy. Whether or not you propose to attend the AGM personally, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon as soon as possible. To be valid, a completed Form of Proxy must be received by the Company's registrars, Computershare Investor Services (Jersey) Limited at PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW as soon as possible but, in any event, so as to be received no later than 11 a.m. on 29 March 2010.

If you hold your Ordinary Shares in uncertificated form, you may use the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of AGM). Proxies submitted via CREST (under CREST participant CREST ID 3RA50) must be received by the Company's registrars, Computershare, not later than 11 a.m. on 29 March 2010 or, in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting.

14. Recommendation

The Directors consider that the Resolutions to be put to the AGM are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommend that all Shareholders vote in favour of the Resolutions to be prepared at the AGM, as they intend to do in respect of their own beneficial holding, comprising in aggregate 34,877,478 Ordinary Shares, representing approximately 53.8 per cent of the existing issued voting share capital of the Company.

Completion and return of a Form of Proxy, or the appointment of a proxy through CREST, will not preclude Shareholders from attending and voting in person at the AGM or any adjournment thereof in person if they so wish and are entitled to do so.

Yours faithfully
For and on behalf of the Board

Robert Sinclair Robertson
Chairman

WEST CHINA CEMENT LIMITED

(incorporated and registered in Jersey under number 94796)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an **ANNUAL GENERAL MEETING** (the “AGM”) of West China Cement Limited (the “**Company**”) will be held in accordance with the Companies (Jersey) Law 1991, as amended (the “**Law**”) and the Company’s Articles of Association (the “**Articles**”) at 11 a.m. on 31 March 2010 at 47 Esplanade, St Helier, Jersey, JE1 0BD to consider and, if thought fit, to pass the following resolutions as ordinary and special resolutions of the Company (as the case may be, as indicated below).

Ordinary Business**ORDINARY RESOLUTIONS**

1. **THAT** the Company’s annual accounts for the financial year ended 31 December 2009 together with the directors’ report and auditors’ report on those accounts be received and adopted.
2. **THAT** PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH be and hereby are appointed as the auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the directors of the Company to determine their remuneration.
3. **THAT** Brett Miller, who is retiring in accordance with Article 116 of the Articles, be re-elected as a director of the Company.

Special Business**ORDINARY RESOLUTIONS**

4. **THAT** the directors of the Company (the “**Directors**”) be generally and unconditionally authorised pursuant to Article 4.1 of the Articles to exercise all powers of the Company to allot, grant options over or otherwise issue up to 25,000,000 ordinary shares of £0.10 each in the capital of the Company (or, if Resolution 5 is passed, 2,500,000,000 ordinary shares of £0.001 each in the capital of the Company) (the “**New Shares**”) to such persons, at such times and on such terms as they think fit, such authority, unless renewed, varied or revoked by the Company in general meeting, to expire on the date of the Company’s next annual general meeting (save that the Company may before such expiry make any offer or agreement which would or might require the New Shares to be allotted after such expiry and the directors may allot New Shares in pursuance of any such offer or agreement as if the authority conferred hereby had not expired);

PROVIDED THAT, in the event of, and with effect from, the Company's shares being listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") ("**Hong Kong Listing**"), this authority, which shall be a general mandate pursuant to Rule 13.36(2)(b) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"), shall be restricted so that it will not permit the allotment of a number of New Shares in excess of 20% of the aggregate number of (i) the issued shares in the capital of the Company immediately following the Hong Kong Listing (such number of shares being the "**Post-Listing Share Capital**") and any further shares issued by the Company after the Hong Kong Listing plus (ii) the number of shares repurchased by the Company pursuant to Resolution 7 subject to the maximum limit of such repurchases as provided in Rule 13.36(2)(b) of the Listing Rules ("**Repurchased Shares**").

SPECIAL RESOLUTIONS

5. **THAT**, conditional on and with effect from the Hong Kong Listing each existing issued and unissued share of £0.10 each in the capital of the Company be and is hereby subdivided into and reclassified as 100 new ordinary shares of £0.001 each and that the Memorandum of Association of the Company be altered by deleting Clause 3 thereof and replacing it with the following new Clause 3:

"The share capital of the Company is UK£20,000,000 divided into 20,000,000,000 ordinary shares of £0.001 each."

6. **THAT** the Directors be and are hereby generally empowered to allot equity securities for cash provided that this power shall be limited to:
- (a) allotments made in accordance with Article 4.8 of the Articles (which shall not be subject to the aggregate nominal value restrictions in sub-paragraph (b) below) but subject to the Directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient:
 - (i) to deal with shares representing fractional entitlements; and
 - (ii) to deal with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange, in any territory; and
 - (b) pursuant to Article 4.16 of the Articles the allotment, otherwise than pursuant to sub-paragraph (a) above, of equity securities for cash up to an aggregate nominal value of £2,500,000

and this power, unless renewed, shall expire on the earlier of the conclusion of the next annual general meeting of the Company and 15 months from the passing of this resolution;

PROVIDED THAT the Company may before such expiry make any offer or agreement which would or might require ordinary shares to be allotted after such expiry and the directors of the Company may allot shares in pursuance of any such offer or agreement as if the authority conferred hereby had not expired and **PROVIDED FURTHER THAT**, conditional on and with effect from the Hong Kong Listing, such authority shall lapse and instead the Company shall rely on the general mandate granted pursuant to Resolution 4 subject to Rule 13.36(2)(b) of the Listing Rules.

7. **THAT** the Company be and is hereby generally and unconditionally authorised for the purpose of Article 57 of the Law to make one or more market purchases of Ordinary Shares provided that:
- (a) the maximum aggregate number of shares hereby authorised to be purchased is, subject to the passing of Resolution 5, up to 648,621,330 Ordinary Shares representing approximately 10% of the Company's issued share capital as at the date of this resolution;
 - (b) the minimum price (exclusive of expenses) which may be paid for a share is the nominal value per share;
 - (c) the maximum price (exclusive of expenses) which may be paid for a share shall be an amount equal to 10% above the average closing market price for the shares for the five dealing days immediately preceding the date of the market purchase;
 - (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the earlier of the conclusion of the next annual general meeting or 15 months from the date of the passing of this resolution unless such authority is renewed prior to such time; and
 - (e) the Company may make a contract or contracts to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares in pursuance of any such contract or contracts

PROVIDED THAT conditional on and with effect from the Hong Kong Listing: (i) the authority granted pursuant to Resolution 7(a) above shall be in respect of 10% of the Post-Listing Share Capital; and (ii) the maximum price in Resolution 7(c) shall be an amount equal to 5% above the average closing market price of the Company's shares for the five dealing days immediately preceding the date of the market purchase.

8. **THAT**, subject to the passing of Resolution 7 above, the Company be and is hereby generally and unconditionally authorised pursuant to Article 58 A(1)(b) of the Law to hold shares it purchases pursuant to such Resolution 7 as treasury shares; **PROVIDED THAT**, conditional on and with effect from the Hong Kong Listing, this authority shall cease and any such purchased shares shall instead be cancelled.

9. **THAT** the new articles of association of the company attached hereto be approved and adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company conditional upon and with effect from the Hong Kong Listing.
10. **THAT** the adoption of the New Share Option Scheme be hereby approved by the Company conditional upon the Hong Kong Listing.
11. **THAT** the Company's name remains "West China Cement Limited" but the use of the Chinese translation of "中國西部水泥有限公司" be approved and registered with the Companies Registry in Jersey.

RESOLUTION REQUIRING A 75% MAJORITY

12. **THAT**, pursuant to Rule 41 of the AIM Rules for Companies, the cancellation of the admission of the Company's ordinary shares to trading on the AIM Market of the London Stock Exchange plc be and is hereby approved, conditional upon and with effect from the commencement of trading of the Company's Ordinary Shares on the Main Board of the Hong Kong Stock Exchange within three months of the date of approval of this Resolution.

**BY ORDER OF THE BOARD
SECRETARY**

Dated: 5 March 2010

Registered Office:

47 Esplanade
St Helier
Jersey JE1 0BD

Notes:

- (a) In accordance with Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999 the time by which a person must be entered on the register of members of the Company in order to have the right to attend or vote at the AGM is at no more than 48 hours prior to the time of the meeting. If the AGM is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 48 hours before the date fixed for the adjourned meeting. Changes to entries on the register after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- (b) A member of the Company entitled to attend and vote at the AGM convened by this notice is entitled to appoint one or more proxies to exercise any of his rights to attend, speak, and on a poll, vote at that meeting on his behalf. A proxy need not be a member of the Company. Appointment of proxies does not preclude shareholders from attending and voting at the AGM should they wish to do so.

- (c) A proxy may only be appointed using the procedures set out in these notes and the enclosed proxy form. To appoint a proxy, a member must complete, sign and date the enclosed proxy form and deposit it at the registered office of the Company not less than 48 hours before the time fixed for the AGM or any adjourned meeting at which the proxy is to vote. The form of proxy must be completed under the hand of the appointor or his duly authorized attorney. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a noterially certified copy of such power of attorney or authority) must be enclosed with the proxy form.
- (d) CREST members who wish to appoint a proxy or proxies or to give an instruction to a proxy (whether previously appointed or otherwise) by utilising the CREST electronic proxy appointment service may do so in relation to the meeting, and any adjournment(s) thereof, by utilising the procedures described in the CREST Manual. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted via the CREST system so as to be received by the Company's registrars, Computershare Investor Services (Jersey) Limited (whose CREST ID is 3RA50) by the latest time for receipt of proxy appointments specified in note (c) above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Article 34 of the Companies (Uncertificated Securities) (Jersey) Order 1999.
- (e) A proxy does not need to be a member of the Company but must attend the AGM to represent you. Details of how to appoint the Chairman of the AGM or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- (f) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. Failure to specify the number of shares each proxy appointment relates to or specifying a number of shares in excess of those held by you on the record date will result in the proxy appointment being invalid. To appoint more than one proxy, please contact the Company's registrars, Computershare Investor Services (Jersey) Limited.
- (g) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given in the proxy form, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.
- (h) In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

- (i) To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Any amended proxy appointment received after the time for holding the AGM or any adjourned meeting will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Computershare Investor Services (Jersey) Limited.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

- (j) In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Computershare Investor Services (Jersey) Limited. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a noterially certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Computershare Investor Services (Jersey) Limited no later than the commencement of the AGM or adjourned meeting at which the vote is given or, in the case of a poll taken more than 48 hours after it is demanded, before the time appointed for taking the poll.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.

- (k) Copies of the service contracts and letters of appointment of the Directors of the Company will be available together with a copy of the proposed new articles of association of the Company to be adopted pursuant to resolution 9:
- a) for at least 15 minutes prior to the AGM; and
 - b) during the AGM.

Explanatory Notice of principal changes to the Company's articles of association under the New Articles

Article Topic	Current Articles	New Articles
Share Capital	<p>The Directors are generally authorised to approve the allotment of shares to such persons and at such times as they think fit providing the shares are issued with such rights or restrictions as the Company may by ordinary resolution determine.</p> <p>Pre-emption rights apply to the allotment of shares in the Company, unless disapplied by special resolution of the Company. Pursuant to the pre-emption rights, the Company, when proposing to allot shares or fractions of shares of any class, (1) shall not allot any of them on any terms to a person unless it has made an offer to each person who is a holder and who holds shares of the relevant class on the same or more favourable terms of a proportion of those shares which is as nearly as practicable equal to the proportion in nominal value held by the holder of the relevant class of shares then in issue and (2) shall not allot any of those shares to a person unless the period during which any such offer may be accepted by the relevant current holders has expired or the Company has received notice of the acceptance or refusal of every offer so made from such holders. The pre-emption rights shall not apply</p>	<p>The Directors are generally authorised to approve the allotment of shares to such persons and at such times as they think fit providing the shares are issued with such rights or restrictions as the Company may by ordinary resolution determine.</p> <p>There are no pre-emption rights in the current articles. However rule 13.36 of the HKEx Rules states that no shares, securities convertible into shares or options, warrants or similar rights to subscribe for any shares or such convertible securities shall be issued without the consent of shareholders in general meeting except in respect of:</p> <p>(a) the allotment, issue or grant of such securities pursuant to an offer made to the shareholders of the issuer which excludes for that purpose any shareholder that is resident in a place outside Hong Kong provided the directors of the issuer consider such exclusion to be necessary on account of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange and, where appropriate; to holders of other equity securities of the issuer entitled to be offered them, pro rata to their existing holdings; or</p>

Article Topic	Current Articles	New Articles
	<p>to an allotment of shares if such shares are or are to be, wholly or partly paid as otherwise than in cash and shall also not apply to any shares allotted or issued pursuant to the terms of an Employee Share Scheme.</p> <p>The Company may repurchase its own shares subject to the provisions of the Companies (Jersey) Law 1991.</p> <p>Although the Articles are silent in relation to the giving of financial assistance, the Company may give financial assistance for the purpose of or in connection with the purchase made by any person of any shares in the Company in any manner authorised or not prohibited by the Companies (Jersey) Law 1991.</p>	<p>(b) if, but only to the extent that, the existing shareholders of the issuer have by ordinary resolution given a general mandate to the directors, either unconditionally or subject to such terms and conditions as specified in the resolution, to allot or issue such securities or to grant any offers, agreements or options which would or might require securities to be issued, allotted or disposed of subject to a restriction that the aggregate number of securities allotted or agreed to be allotted must not exceed the aggregate of 20% of the existing issued share capital of the issuer.</p> <p>The Company may repurchase its own shares subject to the provisions of the Companies (Jersey) Law 1991 and such purchase shall also comply with the requirements of the Companies Ordinance (Cap.32 of the laws of Hong Kong) unless the Company's shares are no longer listed on the HKEx or unless the HKEx waives this requirement.</p>

Article Topic	Current Articles	New Articles
		<p>The Company may give financial assistance for the purpose of or in connection with the purchase made by any person of any shares in the Company in any manner authorised or not prohibited by the Companies (Jersey) Law 1991 and such purchase shall also comply with the requirements of the Companies Ordinance (Cap.32 of the laws of Hong Kong) unless the Company's shares are no longer listed on the HKEx or unless the HKEx waives this requirement.</p> <p>The New Articles contain a provision that they are, in particular but not exclusively, with regard to share capital, subject always to the provisions of the HKEx Rules.</p>
Alteration of share capital	The Company may by special resolution increase, consolidate and divide, convert, sub-divide or cancel shares	No material difference.
Variation of class rights	Rights may be varied in such manner as provided by such rights or in the absence of such provision with the consent in writing of at least 75% of the nominal amount of the issued shares of that class or with the sanction of special resolution at a separate meeting of the holders of the issued shares of that class.	Rights may be varied with the consent in writing of at least 75% of the issued shares of that class or with the sanction of special resolution at a separate meeting of the holders of the issued shares of that class.

Article Topic	Current Articles	New Articles
Share Certificates	No person shall be entitled to receive a certificate in respect of a share unless otherwise determined by the Board and permitted by the Companies (Jersey) Law 1991 and the Companies (Uncertified Securities) Jersey Order 1999, as amended.	Subject to the Companies (Jersey) Law 1991, the Companies (Uncertified Securities) Jersey Order 1999, as amended and the HKEx Rules, the Directors may permit any class of share to be held in uncertified form.
Lien on shares	The Company shall have a first and paramount lien upon all shares (other than fully paid shares) for any amount payable in respect of such shares.	No material difference.
Calls on shares	The Directors may from time to time make calls as they think fit upon the Members in respect of all moneys unpaid on the shares held by them.	No material difference.
Forfeiture of shares	If a Member fails to pay the whole or any part of a call or instalment by the appointed payment date, a notice may be served on such Member requiring payment. If the requirements of the notice are not complied with, the share may be forfeited by resolution of the Directors	No material difference.

Article Topic	Current Articles	New Articles
Transfer of shares	<p>Transfers of uncertified shares shall be made in accordance with and subject to the Companies (Uncertified Securities) Jersey Order 1999, as amended and the facilities and requirements of the relevant computer-based system, and procedures, which enables title to units of a security to be evidenced and transferred without a written instrument.</p> <p>Transfers of certified shares shall be effected in writing using the form of instrument of transfer. The Directors may in their absolute discretion refuse to register a transfer of shares unless certain conditions are satisfied.</p>	<p>Transfers of uncertified shares shall be made in accordance with and subject to the Companies (Uncertified Securities) Jersey Order 1999, as amended.</p> <p>Transfers of certified shares shall be effected in writing using the form of instrument of transfer. The Directors may in their absolute discretion refuse to register a transfer of shares unless certain conditions are satisfied.</p> <p>If the transferor or the transferee is a clearing house or its nominee(s), the execution of the instrument of transfer can also be by machine imprinted signature.</p>

Article Topic	Current Articles	New Articles
General Meetings	<p>An annual general meeting shall be held within 18 months of the last annual general meeting. An extraordinary general meeting may be called whenever the Directors think fit.</p> <p>At least 14 days notice shall be given of every annual general meeting and every extraordinary general meeting.</p> <p>The quorum for a general meeting shall be not less than 2 members present.</p> <p>Resolutions may be passed in writing if signed by all the members who would have been entitled to vote on it at a general meeting.</p>	<p>An annual general meeting shall be held within 15 months of the last annual general meeting. An extraordinary general meeting may be called whenever the Directors think fit.</p> <p>At least 20 clear business days notice shall be given of every annual general meeting and of every meeting called for the passing of a special resolution and at least 10 clear business days notice shall be given for all other general meetings.</p> <p>The Company shall, on the requisition in writing of the specified number of Members and at the expense of the requisitionists, give to Members who are entitled to receive notice of the next Annual General Meeting, notice of any resolution at that meeting and circulate any statement of not more than 1000 words with respect to any matter referred to in any proposed resolution to be dealt with at that meeting.</p> <p>The quorum for a general meeting shall be not less than 2 members present.</p> <p>Resolutions may be passed in writing (except a resolution to remove an auditor) if signed by all the members who would have been entitled to vote on it at a general meeting.</p>

Article Topic	Current Articles	New Articles
Votes of Members	Every member present in person shall upon a show of hands have one vote and every member present in person or by proxy shall upon a poll have one vote for every share of which he is the holder.	Every member present in person shall upon a show of hands have one vote and every member present in person or by proxy shall upon a poll have one vote for every share of which he is the holder. For so long as the shares of the Company are admitted to trading on the HKEx, at any general meeting a resolution put to the meeting shall be decided in the manner as prescribed in the HKEx Rules, i.e. by poll.
Special Resolution	Special resolution, as defined in Article 90 of the Companies (Jersey) Law 1991, requires not less than two-thirds majority to pass.	Special resolution requires not less than three-quarter majority to pass.
Directors	The number of Directors shall be not less than 2 and the maximum shall be 9 unless otherwise determined in general meeting. Alternate directors may be appointed. The business of the Company shall be managed by the Directors. The Directors may delegate their powers to committees.	The number of Directors shall be not less than 2 unless otherwise determined in general meeting. Alternate directors may be appointed. The business of the Company shall be managed by the Directors. The Directors may delegate their powers to committees.

Article Topic	Current Articles	New Articles
	<p>Directors may delegate to any person so appointed any of the powers vested in the Directors other than the power of making calls or forfeiting shares.</p>	<p>The Directors shall have the power to appoint a person to fill a casual vacancy or as an additional to the Board.</p>
	<p>The Directors shall have the power to appoint a person to fill a casual vacancy or as an additional to the Board.</p>	<p>The Company may by ordinary resolution appoint a person as a Director or remove a Director.</p>
	<p>The Company may by ordinary resolution appoint a person to fill a casual vacancy or as an additional to the Board or remove a Director.</p>	<p>A Director shall vacate his office if he resigns in writing, ceases to be a Director by virtue of the Companies (Jersey) Law 1991 or becomes prohibited or disqualified by law, becomes bankrupt, becomes of unsound mind or is removed by ordinary resolution.</p>
	<p>A Director shall vacate his office if he resigns in writing, ceases to be a Director by virtue of the Companies (Jersey) Law 1991 or becomes prohibited or disqualified by law, becomes bankrupt, becomes of unsound mind or is removed by ordinary resolution.</p>	<p>At every Annual General Meeting, one-third of the Directors shall retire from office.</p>
	<p>At every Annual General Meeting, one-third of the Directors shall retire from office.</p>	

Article Topic	Current Articles	New Articles
Directors' Interest	<p>A Director may not be interested in or deal in share options in the Company and they shall not borrow any money or money's worth by way of loans except as sanctioned by ordinary resolution.</p> <p>The Company may not make to the Director any payment as compensation for loss of office or as consideration for retirement from office without particulars of the payment being disclosed to the members of the Company and being approved by ordinary resolution.</p> <p>The Company shall keep at its registered office a copy of the service contract with every Director.</p> <p>The Directors are obliged to notify the Company of their shareholdings in the Company upon becoming Directors and must notify the Company of any acquisition or increase in shareholding in the Company while acting as a Director. A Director must also disclose any shares held by a spouse or child or a company in which the Director controls 33% of more of the voting rights or a nominee or trust in which the Director, his spouse or child has a beneficial interest.</p>	<p>A Director (1) may enter into any transaction with the Company in regard to his tenure in office or place of profit or as vendor, purchaser or otherwise, (2) may hold any other office or place of profit under the company in conjunction with the office of Director, (3) may be interested in any body corporate promoted by the Company and (4) shall not be liable to account to the Company for any benefit realised by any such office or transaction.</p> <p>A Director who is interested in any transaction to be entered into by the Company and such interest conflicts with the interests of the Company shall declare the nature of his interest at the earliest meeting of the Directors.</p> <p>A Director shall be entitled to vote in respect of (1) a resolution concerning the giving of any security, guarantee or indemnity to him in respect of money lent by him at the request of or for the benefit of the Company or its subsidiaries, (2) the giving of any security, guarantee or indemnity to a third party in respect of a debt of the Company or its subsidiaries for which he has assumed responsibility, (3) any offer of shares in the Company in which he is entitled to participate as a holder of securities, (4) any transaction concerning any other company in which he is</p>

Article Topic	Current Articles	New Articles
	<p>A Director may act in a professional capacity to the Company.</p> <p>A Director shall not vote in respect of any contract, arrangement, transaction in which he has any material interest otherwise than by virtue of his interests in shares, debentures or other securities of the Company.</p> <p>A Director shall be entitled to vote in respect of (1) a resolution concerning the giving of any security, guarantee or indemnity to him in respect of money lent by him at the request of or for the benefit of the Company or its subsidiaries, (2) the giving of any security, guarantee or indemnity to a third party in respect of a debt of the Company or its subsidiaries for which he has assumed responsibility, (3) any offer of shares in the Company in which he is entitled to participate as a holder of securities, (4) any transaction concerning any other company in which he is interested providing that he is not the holder of 1% or more of any class of the share capital of such company, (5) any transaction concerning the operation of a pension or similar scheme which has been or will be approved by the Board of the Inland Revenue for taxation purposes, (6) any proposal concerning the purchase or maintenance of any insurance for the benefit of the Directors.</p>	<p>interested providing that he is not the holder of 5% or more of any class of the share capital of such company, (5) any proposal concerning the benefit of employees of the Company, (6) any contract in which the Director is interested in the same manner as other holders of securities.</p> <p>For so long as the shares of the Company are listed on the HKEx:</p> <p>(1) the Company shall not make a loan, quasi-loan or credit transaction to a Director, enter into a guarantee or security in connection with a loan, quasi-loan or credit transaction made by another person to a Director, or make a loan, quasi-loan or credit transaction or enter into a guarantee or security in connection with a loan, quasi-loan or credit transaction made by another person to a company controlled by a Director, unless such company is a member of the same group as the Company;</p> <p>(2) the Company shall not arrange for the assignment to it or assumption by it of any rights, obligations or liabilities under a transaction which, if it had been entered into by the Company would have contravened the conditions in paragraph (1) above.</p>

Article Topic**Current Articles**

A Director shall not vote on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which he is interested.

New Articles

- (3) the Company shall not take part in any arrangement whereby another person enters into a transaction that, if it had been entered into by the Company would have contravened the conditions in paragraph (1) above.
- (4) For the purposes of paragraph (1) above, references to Directors will include the spouse or child of the Director or person acting as trustee of a trust in which the Director, his spouse or child have a beneficial interest.

The Company shall not be prohibited by the conditions set out in paragraph (1) of the above section from the Company (a) providing Directors with funds to meet expenditure properly incurred for the purposes of the Company, (b) entering into transactions to facilitate the purchase of any residential premises for use as the main residence of a Director, (c) leasing or hiring goods to a Director on market terms providing the approval of the Company must be obtained at general meeting. The Company must ordinarily enter into such transactions for its employees on the same terms, the amount of the transaction must not exceed 80% of the value of the residential premises and a

Article Topic	Current Articles	New Articles
Secretary	Subject to the Companies (Jersey) Law 1991, the Secretary shall be appointed by the Directors at such remuneration and upon such conditions as they fit think.	valuation report is obtained and the transaction is secured by a legal mortgage. The Company is not authorised to enter into such transactions if, at the time the transaction is entered into, the amount exceeds US\$750,000 or the transaction exceeds 5% of the amount of the Company's net assets. No material difference.
Dividends	Subject to the Articles of Association of the Company, the Companies (Jersey) Law 1991 and to the Companies Act 1985, as amended, the Company may by ordinary resolution declare a dividend to be paid to the members, but no larger dividend shall be declared than is recommended by the Directors. The Directors may pay such interim dividends as they may determine.	Subject to the Articles of Association of the Company and the Companies (Jersey) Law 1991, the Company may by ordinary resolution declare a dividend to be paid to the members, but no larger dividend shall be declared than is recommended by the Directors. The Directors may pay such interim dividends as they may determine.

Article Topic	Current Articles	New Articles
Borrowing powers	<p>The Directors may exercise all the powers of the Company to borrow money or charge its assets as security for any obligation of the company, its parent or subsidiaries.</p> <p>The Directors shall restrict the borrowings of the Company so that the aggregate amount owing by the Group in respect of moneys borrowed shall not exceed a sum equal to two and a half times the nominal capital of the company issued and paid up and the amounts standing to the credit of the consolidated reserves of the company and its subsidiaries.</p>	<p>No limits on Directors power to borrow.</p>
Capitalisation of profits	<p>The Directors may with the authority of an ordinary resolution of the Company resolve to capitalise any profits of the Company or any sum standing to the credit of the Company's share premium account or capital redemption reserve.</p>	<p>No material difference.</p>
Accounts and Auditor	<p>The Directors shall ensure that accounting records are kept in accordance with the Companies Act 1985 and with the Companies (Jersey) Law 1991.</p> <p>The provisions of Jersey and UK law will be complied with in relation to the appointment of auditors.</p>	<p>The Directors shall ensure that accounting records are kept in accordance with the Companies (Jersey) Law 1991.</p> <p>The provisions of Jersey law will be complied with in relation to the appointment of auditors.</p>

APPENDIX 3 PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

The following further definitions apply in this Appendix 3:

“Adoption date”	the date of adoption of the New Share Option Scheme;
“Exercise Price”	the price per Share, determined by the Board, at which a grantee may subscribe for Shares on the exercise of an Option;
“Group”	the Company and its subsidiaries
“Option”	an option to subscribe for Shares pursuant to the terms of the New IPO Share Option Scheme.
“Share(s)”	Ordinary Shares in the capital of the Company with a nominal value of £0.001 each
“Takeover Codes”	the Hong Kong Code on Takeovers and Mergers

(a) **Purpose**

The New Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the HKEx Rules and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The New 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 optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) **Who may join**

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 at an exercise price determined in accordance with paragraph (f) below to:

- (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.

APPENDIX 3 PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the HKEx or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Acceptance of an offer of Options*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the HKEx or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an Option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the HKEx for the time being, by the grantee by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to the Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any Option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorized share capital of the Company.

(d) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the New Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the HKEx Listing excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the New Share Option Scheme (or any other share option

APPENDIX 3 PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

schemes of the Company). Subject to the issue of a circular by the Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the HKEx Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the New Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph I below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New 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 HKEx Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the HKEx Rules from time to time with such Eligible Participant and his associates (as defined in the HKEx Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the

APPENDIX 3 PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

- (aa) the Eligible Participant's name, address and occupation;
- (bb) the date on which an Option is offered to an Eligible Participant which must be a date on which the HKEx is open for the business of dealing in securities;
- (cc) the date upon which an offer for an Option must be accepted;
- (dd) the date upon which an Option is deemed to be granted and accepted in accordance with paragraph (c);
- (ee) the number of Shares in respect of which the Option is offered;
- (ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the Option;
- (gg) the date of the notice given by the grantee in respect of the exercise of the Option; and
- (hh) the method of acceptance of the Option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) ***Price of Shares***

Subject to any adjustments made as described in paragraph I below, the subscription price of a Share in respect of any particular option granted under the New Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the Shares as stated in the HKEx's daily quotation sheets on the date of grant, which must be a day on which the HKEx is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the HKEx's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

APPENDIX 3 PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

(g) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the HKEx Rules) of the Company or any of their respective associates (as defined in the HKEx Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the HKEx Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the HKEx Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the HKEx Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting on a poll at which all connected persons (as defined in the HKEx Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the HKEx Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by the Company to the shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the HKEx Rules; and
- (iv) the information required under Rule 2.17 of the HKEx Rules.

APPENDIX 3 PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

(h) *Restrictions on the times of grant of Options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the HKEx Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to be first notified to the HKEx in accordance with the HKEx Rules) for the approval of the Company's annual results half-year, quarterly or other interim period (whether or not required under the HKEx Rules); and
- (ii) the deadline for the Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the HKEx Rules) and ending on the date of actual publication of the results announcement, and where an option is granted to a Director;
- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the New Share Option Scheme may be registered). Any breach of the foregoing shall entitle the Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the New Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the New Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

APPENDIX 3 PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

(k) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the New Share Option Scheme can be exercised.

(l) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of the Company or any of its subsidiaries

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation,

which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) *Rights on dismissal*

If the grantee of an option ceases to be an employee of the Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) *Rights on takeover*

If a general offer is made to all the shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) *Rights on winding-up*

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general

APPENDIX 3 PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) *Rights on compromise or arrangement between the Company and its members or creditors*

If any compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation, legal merger or acquisition with any other company or companies pursuant to the laws of jurisdictions in which the Company was incorporated, the Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of the Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of the Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of the Company or an independent financial advisor shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the

APPENDIX 3 PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

HKEx Rules and the note thereto and the supplementary guidance issued by the HKEx on September 5, 2005 and any future guidance and interpretation of the HKEx Rules issued by the HKEx from time to time and the note thereto. The capacity of the auditors of the Company or the approval independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrations and their certificate shall, in absence of manifest error, be final and conclusive and binding on the Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of the Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of the Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

APPENDIX 3 PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

(t) *Alteration of the New Share Option Scheme*

The New Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the HKEx Rules; and
- (ii) any material alteration to the terms and conditions of the New Share Option Scheme or any change to the terms of options granted,

shall first be approved by the shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the New Share Option Scheme. The amended terms of the New Share Option Scheme shall still comply with Chapter 17 of the HKEx Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

(u) *Cancellation of Options*

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (m).

(v) *Termination of the New Share Option Scheme*

The Company may by resolution in general meeting or the Board at any time terminate the New Share Option Scheme and in such event no further option shall be offered but the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

(w) *Administration of the Board*

The New Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the New Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

WEST CHINA CEMENT LIMITED (the “Company”)

FORM OF PROXY

For use at the Annual General Meeting of the Company to be held on 31 March 2010 at 11 a.m.
at 47 Esplanade, St Helier, Jersey, JE1 0BD.

I/We (name(s) in full) _____
(BLOCK LETTERS)

of (address) _____

being (a) holder(s) of _____ (insert number of shares here - see Note 4) shares in the Company hereby appoint

(add the name of the proxy you wish to appoint here - see Note 3)

or failing him, the Chairman of the meeting, as my/our proxy to attend and, on a poll or on a show of hands, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 31 March 2010 at 11 a.m. at 47 Esplanade, St Helier, Jersey, JE1 0BD. Please read the notes attached to the Form of Proxy carefully. I/We direct the proxy to vote in respect of the resolutions to be proposed at the Annual General Meeting set out in the Notice of Annual General Meeting, in the form of such resolutions as summarised below.

Resolutions	FOR	AGAINST	VOTE WITHHELD
1. Ordinary resolution to receive and adopt the Company's accounts for the year ended 31 December 2009 together with the reports of the directors and auditors thereon.			
2. Ordinary resolution to appoint Pricewaterhouse Coopers LLP of 1 Embankment Place, London WC2N 6RH as auditors to the Company.			
3. Ordinary resolution to re-elect Brett Miller, who retires by rotation in accordance with the Articles, as a director of the Company.			
4. Ordinary resolution to grant the Directors (the “Directors”) the authority to grant options over or otherwise issue up to 25,000,000 ordinary shares of £0.10 each in the capital of the Company (or, if Resolution 5 is passed, 2,500,000,000 ordinary shares of £0.001 each in the capital of the Company) (the “New Shares”) provided that, in the event of, and with effect from, the Company's shares being listed on the Stock Exchange of Hong Kong Limited (the “Hong Kong Listing”) this authority shall be restricted so that it will not permit the allotment of a number of New Shares in excess of 20% of the aggregate number of (i) the issued shares in the capital of the Company immediately following the Hong Kong Listing and any further shares issued by the Company after the Hong Kong Listing plus (ii) the number of shares repurchased by the Company pursuant to Resolution 7.			
5. Special resolution to approve the subdivision of the existing ordinary shares of £0.10 each into new ordinary shares of £0.001 each.			
6. Special resolution to grant the Directors the authority to allot equity securities in the capital of the Company for cash provided this power shall be limited to: (a) allotments made in accordance with Article 4.8 of the Articles (which shall not be subject to the aggregate nominal value restrictions in sub-paragraph (b) below) but subject to the Directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient: (i) to deal with shares representing fractional entitlements; and (ii) to deal with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange, in any territory; and (b) pursuant to Article 4.16 of the Articles the allotment, otherwise than pursuant to sub-paragraph (a) above, of equity securities for cash up to an aggregate nominal value of £2,500,000.			
7. Special resolution to grant the Directors the authority to make one or more market purchases of the Company's Ordinary Shares provided that: (a) the maximum aggregate number of shares authorised to be purchased is, subject to the passing of Resolution 5, up to 648,621,330 Ordinary Shares; (b) the minimum price (exclusive of expenses) which may be paid for a share is the nominal value per share; (c) the maximum price (exclusive of expenses) which may be paid for a share shall be an amount equal to 10% above the average closing market price for the shares for the five dealing days immediately preceding the date of the market purchase; (d) unless previously renewed, varied or revoked, the authority conferred shall expire at the earlier of the conclusion of the next annual general meeting or 15 months from the date of the passing of this resolution unless such authority is renewed prior to such time; and (e) the Company may make a contract or contracts to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares in pursuance of any such contract or contracts. Provided that conditional on and with effect from the Hong Kong Listing: (i) the authority granted pursuant to Resolution 7(a) above shall be in respect of 10% of the Company's share capital following the Hong Kong Listing; and (ii) the maximum price in Resolution 7(c) shall be an amount equal to 5% above the average closing market price of the Company's shares for the five dealing days immediately preceding the date of the market purchase.			

Resolutions	FOR	AGAINST	VOTE WITHHELD
8. Special resolution to grant the Directors the authority to hold shares it repurchases pursuant to Resolution 7 as treasury shares provided that, conditional on and with effect from the Hong Kong Listing, this authority shall cease and any such purchased shares shall instead be cancelled.			
9. Special resolution to approve and adopt new articles of association conditional upon the Hong Kong Listing.			
10. Special resolution to approve and adopt the new share option scheme, conditional upon Hong Kong Listing.			
11. Special resolution to register the Chinese translation of the Company's name.			
12. Resolution, requiring a 75% majority, to approve the cancellation of the admission of the Company's ordinary shares to trading on AIM conditional on and with effect from Hong Kong Listing.			

Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If no specific direction is given the proxy will vote or abstain at his discretion. You should read the Notice of Annual General Meeting containing the proposed resolutions carefully before directing your proxy as provided above.

Dated: _____

Signature(s) or Common Seal _____
(See Notes 2 and 3)

Notes:

- As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and on a poll vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
 - Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
 - A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
 - You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. **To appoint more than one proxy**, you may photocopy this form. Please indicate each proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. If you wish to appoint the Chairman as one of your multiple proxies, simply write "Chairman of the meeting". All forms should be signed and should be returned together in the same envelope.
 - To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
 - To appoint a proxy using this form, the form must be:
 - completed and signed;
 - sent or delivered to Computershare Investor Services (Jersey) Limited at PO Box 83, Ordnance House, 31 Pier Road, St. Helier, Jersey, JE4 8PW marked for the attention of Sonia Cadwallader; and
 - received by Computershare Investor Services no later than 48 hours prior to the date and time set for the meeting or any adjournment thereof.
 - In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
 - Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
 - In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
 - If you submit more than one valid proxy appointment, except as provided under Note 4 above, the appointment received last before the latest time for the receipt of proxies will take precedence.
 - To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see Note 6 above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
- Where you have appointed a proxy using the hard-copy proxy form you would like to change the instructions using another hard-copy proxy form, please contact Sonia Cadwallader of Computershare Investor Services Limited on +44 (0)1534 825268.
- If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- In order to revoke a proxy instruction you will need to inform the Company using the following method by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Sonia Cadwallader of Computershare Investor Services (Jersey) Limited at PO Box 83, Ordnance House, 31 Pier Road, St. Helier, Jersey, JE4 8PW. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- The revocation notice must be received by Computershare Investor Services (Jersey) Limited no later than 48 hours prior to the date and time set for the meeting.
- If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
- CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
 - In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy, the revocation of a proxy appointment or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent, Computershare Investor Services (Jersey) Limited by the latest time(s) for receipt of proxy appointments specified above in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent, Capita Registrars, is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to a proxy appointed through CREST should be communicated to the appointee by other means.
 - CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
 - The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Article 34(1) of the Companies (Uncertificated Securities) (Jersey) Order 1999.