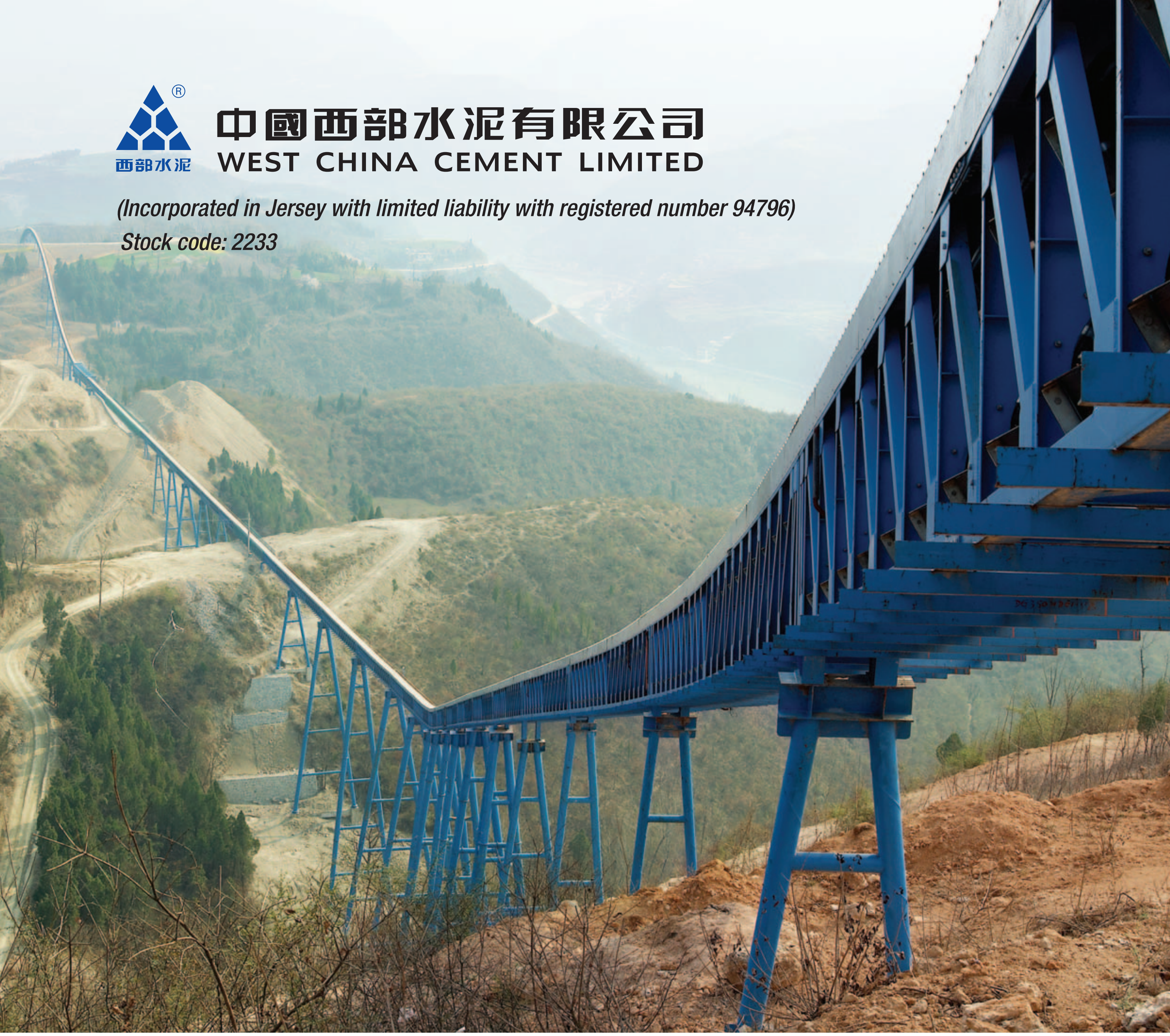
中國西部水泥有限公司
WEST CHINA CEMENT LIMITED

(Incorporated in Jersey with limited liability with registered number 94796)

Stock code: 2233



INTERIM REPORT **2010**

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CORPORATE INFORMATION

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

REGISTERED OFFICE

47 Esplanade
St Helier
Jersey JE1 0BD

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 3401-2, 34th Floor, AIA Tower
183 Electric Road
North Point, Hong Kong

COMPANY WEBSITE

www.westchinacement.com

BOARD OF DIRECTORS

Executive Directors

Zhang Jimin *(Chairman, Chief Executive Officer)*
Tian Zhenjun *(Deputy Chief Executive Officer)*
Wang Jianli *(Chief Engineer)*
Low Po Ling *(Chief Financial officer)*

Non-Executive Director

Ma Zhaoyang

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

COMPANY SECRETARY

Sin Lik Man *HKICPA, FCCA*

AUTHORIZED REPRESENTATIVES

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

COMPLIANCE ADVISOR

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

MEMBERS OF THE AUDIT COMMITTEE

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

MEMBERS OF THE REMUNERATION COMMITTEE

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

MEMBERS OF THE NOMINATION COMMITTEE

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH, UK

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

JERSEY PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Investor Services (Channel Islands) Limited
Ordinance House
31 Pier Road
St Helier
Jersey JE4 8PW

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKER

Agricultural Bank of China Limited
Pucheng Sub-branch
The Middle of Hongqi Road
Pucheng, Weinan
Shaanxi Province, PRC

HIGHTLIGHTS

- West China Cement Limited (the "Company") and its subsidiaries (collectively, the "Group") was successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the "HKSE") on August 23, 2010 raising total net proceeds of approximately HK$1,280 million from the issue of 823,120,000 shares in the global offering.

- Revenue increased by approximately 110.5% from approximately RMB574.7 million for the six months ended June 30, 2009 to approximately RMB1,209.6 million for the six months ended June 30, 2010, as a result of the Group's robust expansion which in turn resulted in increase in sales volume.

- Gross profit increased by approximately 107.6% from approximately RMB227.7 million for the six months ended June 30, 2009 to approximately RMB472.6 million for the six months ended June 30, 2010. Gross profit margin for the six months ended June 30, 2010 period remained stable at approximately 39.1% (Six months ended June 30, 2009: approximately 39.6%).

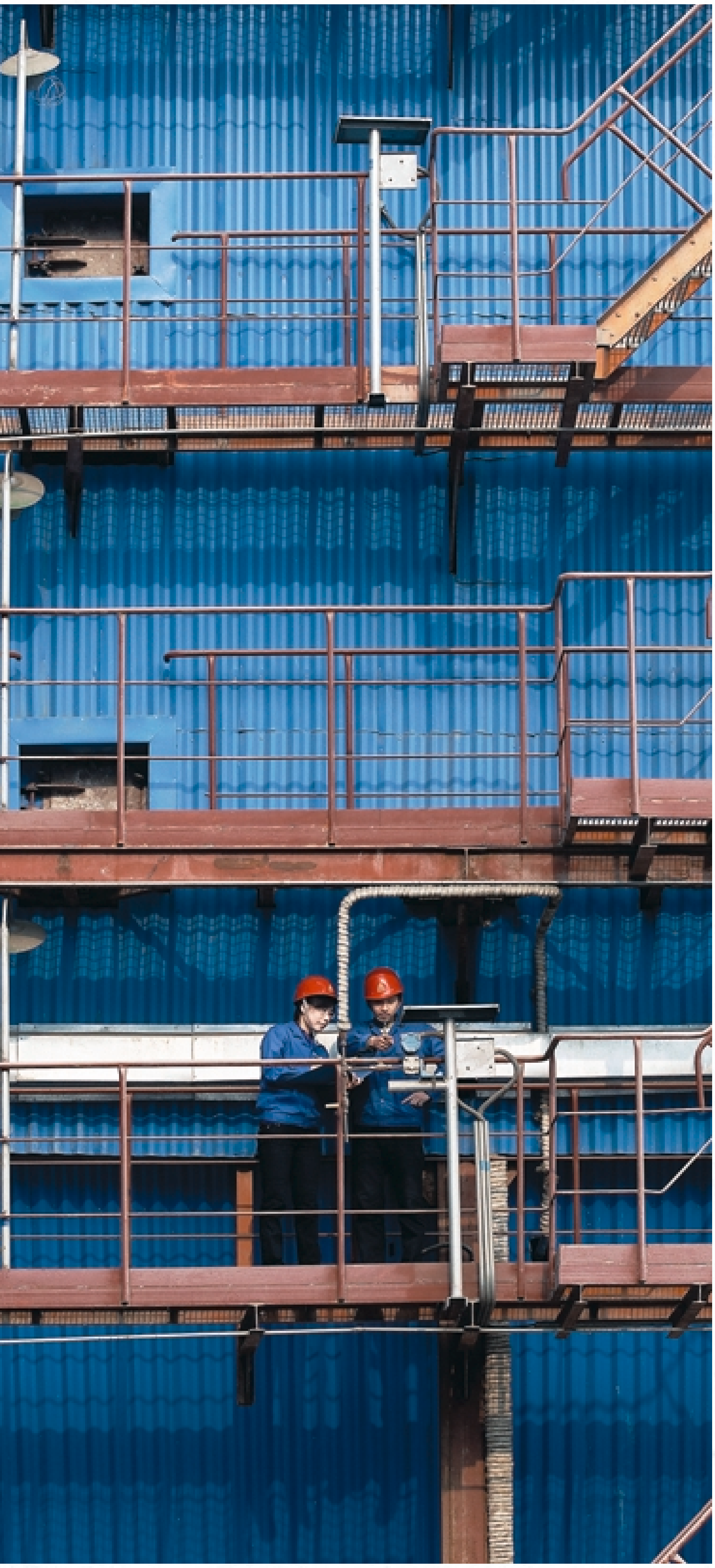
- Profit attributable to the equity holders of the Company increased by approximately 159.1% from approximately RMB140.0 million for the six months ended June 30, 2009 to approximately RMB362.8 million for the six months ended June 30, 2010. This profit attributable to the equity holders for the reporting period is approximately 18.2% above the estimated profit of approximately RMB307.0 million as disclosed in the prospectus of the Company dated August 10, 2010 relating to the global offering (the "Prospectus").

- Earnings per share increased by approximately 175% from RMB0.04 per share to RMB0.11 per share, reflecting strong revenue and profit growth.

- Gearing, measured as total borrowings to total assets, improved significantly from approximately 44.9% as at December 31, 2009 to approximately 36.2% as at June 30, 2010, mainly attributable to the increase in total assets by approximately RMB553.1 million to approximately RMB4,226.7 million and repayment of borrowings.

- Return on Capital Employed (Operating profit/Net Assets) of approximately 28.7% for the six months ended June 30, 2010 (2009: approximately 20.4%).

MANAGEMENT DISCUSSION & ANALYSIS



BUSINESS AND FINANCIAL REVIEW

Overview

The Group's operating environment remains extremely buoyant, supported by the continuous infrastructure development in Shaanxi province and the fast pace of rural development in the Group's operating areas in southern Shaanxi province. The total sales volume of the cement increased by approximately 104.6% from approximately 1.97 million tons for the six months ended June 30, 2009 to approximately 4.03 million tons for the six months ended June 30, 2010. This increase in capacity not only reflected full capacity production at the Group's Xunyang production facilities (approximately 2.0 million tons annual capacity), which was commissioned in January 2009, but also included approximately 0.2 million and 0.4 million tons of production from the Group's Zhen'an (approximately 0.7 million tons annual capacity) and Danfeng (approximately 1.1 million tons annual capacity) production facilities that were acquired in August 2009 and December 2009, respectively.

With the completion of the Group's Yangxian production facilities (approximately 1.1 million tons annual capacity), which commenced operation in January 2010 and Mianxian production facilities (approximately 1.1 million tons annual capacity), which commenced operation in July 2010, the Group currently has an annual cement production capacity of approximately 9.6 million tons, with all of the Group's production facilities employing modern New Suspension Preheater ("NSP") cement production technology, which requires less energy to produce cement and is more environmentally friendly than non-NSP technologies.

Demand for the Group's cement products has remained extremely strong in Shaanxi province and all of the Group's operational cement production facilities have almost reached the maximum production capacity. The Group continues to win significant contracts in Shaanxi province for infrastructure projects, including 7 out of 10 sections of the Xi'an - Ankang double-track railway, 2.5 out of 4.5 sections of the Da Tong - Xi'an Passenger Railway Line and 4 out of 15 sections of the Xi'an City Subway that were all won during the six months ended June 30, 2010.

These projects illustrate strong demand for the Group's cement products from infrastructure projects that continues in Shaanxi province as an integral part of the PRC Government's Western Development Policy and the Group remains confident that this development will continue. This confidence is further underpinned by government policies to reduce old cement capacity and to promote social housing.

Listing on the HKSE

The board of directors (the "Board') of the Company is also extremely proud to report that the Company has completed its global offering of 823,120,000 shares, subject to the over-allotment option. Assuming the over-allotment option is not exercised, the Company received net proceeds from the global offering of approximately HK$1,280 million and the Group intends to use the net proceeds for capacity expansion, repayment of loans and related interest, and for general working capital purposes. For details of the use of proceeds, please refer to the Prospectus.

The Company was admitted to AIM in London on December 4, 2006 and upon the Company's listing on the HKSE on August 23, 2010, the shares of the Company were delisted from AIM. The Group is extremely glad to report that many shareholders from the Company's UK listing are following the Company to the HKSE and the Company remains grateful for their long term support during this exciting period.

Revenue

Revenue increased by approximately 110.5% from approximately RMB574.7 million for the six months ended June 30, 2009 to approximately RMB1,209.6 million for the six months ended June 30, 2010. This increase in revenue was mainly driven by the Group's expansion into new markets and the growth in the construction industry in Shannxi province. In order to capitalize on the rapidly increasing demand for cement products, the Group has significantly expanded production capacity through the acquisition and construction of new production facilities in Zhen'an, Danfeng and Yangxian counties.

Cost of sales

Cost of sales increased by approximately 112.4% from approximately RMB347 million for the six months ended June 30, 2009 to approximately RMB737 million for the six months ended June 30, 2010. The increase was primarily due to the increase of the sales volume.

The cost of coal is one of the largest components of the Group's cost of sales. The cost of coal as a percentage of cost of sales increased from approximately 32.7% for the six months ended June 30, 2009 to approximately 36.4% for the six months ended June 30, 2010. This increase was primarily due to an increase in coal transportation costs, which, in turn, was primarily caused by the additions of the

Zhen'an, Danfeng and Yangxian production facilities, which are located further away from coal mines than the other production facilities. In addition, the recovery of the global economy also contributed to the increase in coal price. The electricity costs as a percentage of cost of sales decreased from approximately 20.5% for the six months ended June 30, 2009 to approximately 18.4% for the six months ended June 30, 2010. The Group's residual heat recovery system has become increasingly important to its cost structure and will continue to reduce the Group's electricity costs as a percentage of cost of sales as the Group installs more units at its production lines.

Gross Profit and Gross Profit Margin

As a result of the increase in the sales volume, the gross profit increased by, approximately RMB244.9 million or approximately 107.6%, from approximately RMB227.7 million for the six months ended June 30, 2009 to approximately RMB472.6 million for the six months ended June 30, 2010. There was no material fluctuation in the gross profit margin, which was approximately 39.6% and 39.1% for the six months ended June 30, 2009 and June 30, 2010, respectively.

Administrative Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. The balance increased by approximately 53.3% from approximately RMB26.1 million for the six months ended June 30, 2009 to approximately RMB40.0 million for the six months ended June 30, 2010 which was primarily attributable to the newly added Zhen'an, Danfeng and Yangxian production facilities.

The staff costs, general administrative expenses and depreciation and amortization increased by approximately 83.1%, 21.6% and 105.3% from approximately RMB8.3 million, RMB13.9 million and RMB3.8 million for the six months ended June 30, 2009 to approximately RMB15.2 million, RMB17.2 million and RMB7.5 million for the six months ended June 30, 2010, respectively.

The administrative expenses as a percentage of the revenue decreased from approximately 4.5% for the first half in 2009 to approximately 3.3% for the first half in 2010, which was primarily a result of the economies of scale after the expansion of the production facilities.

Financial and Liquidity Position

The Group maintained a healthy financial and liquidity position for the six months ended June 30, 2010. The total assets increased by approximately 15.1% to approximately RMB4,226.7 million (December 31, 2009: approximately RMB3,673.6 million) while the total equity grew by approximately 29.2% to approximately RMB1,673.1 million (December 31, 2009: approximately RMB1,295.2 million).

As at June 30, 2010, the Group had cash and cash equivalents amounted to approximately RMB97.8 million. After deducting the total borrowings of approximately RMB1,529.2 million, the Group had a net borrowing of approximately RMB1,431.4 million. Approximately 8.4% (December 31, 2009: 40.0%) of the borrowings are at fixed interest rate. Please refer to note 19 to the consolidated interim financial statements below for the details of the borrowings and the respective charge of assets.

As at June 30, 2010, the Group's gearing ratio was approximately 36.2% (December 31, 2009: approximately 44.9%). The calculation of the gearing ratio was measured as total borrowings to total assets. The decrease in the gearing ratio was mainly attributable to the increase in total assets by approximately RMB553.1 million to approximately RMB4,226.7 million and the repayment of borrowings during the six months ended June 30, 2010.

The Group plans to further improve the liquidity position by funding the expansion plans with the cash generated from the operations, bank borrowings and the proceeds from the global offering. The directors of the Company (the "Directors") are of the opinion that, taking into account the financial resources available to the Group including internally generated funds, the available banking facilities and the net proceeds from the global offering, the working capital available to the Group is sufficient for the present requirements and to meet its liabilities as and when they fall due in the foreseeable future.

Contingent Liabilities

As at June 30, 2010, the Group had no material contingent liabilities.

Capital Expenditure and Capital Commitments

Capital expenditure for the six months ended June 30, 2010 amounted to approximately RMB797.5 million and capital commitments as at June 30, 2010 amounted to approximately RMB342.0 million. Both the capital expenditure and capital commitments were mainly related to the constructions of additional production facilities as well as upgrading existing production facilities. The Group planned to fund those commitments from proceeds from global offering, future operating cash flow, bank borrowings and other sources of finance when appropriate.

Safety and Environment

The Group continues to work towards the minimum possible emissions and energy consumption. Two of its production facilities, Lantian and Xunyang, have installed residual heat recovery systems and the Group plans to install more of these at its other production facilities in 2010 and 2011. The Xunyang residual heat recovery system that started running in the third quarter of 2009, generated approximately 19.6 gigawatt hours of electricity during the six months ended June 30, 2010, reducing its consumption of electricity at the Xunyang production facilities by approximately 25.3%.

The Safety and Environmental Protection Department of the Group continuously monitors and reviews the safety procedures and the Group will continue to work towards the best safety standards possible in the cement industry.

Employees and Remuneration Policy

As at June 30, 2010, the Group employed a total of 3,094 full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended June 30, 2010, the employee benefit expense was approximately RMB40 million.

The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

Material Acquisition and Disposals

During the six months ended June 30, 2010, the Company's subsidiaries and associates had no material acquisition or disposals.

Foreign Exchange Risk

During the six months ended June 30, 2010, the Group's sales and purchases were all denominated in Renminbi. However, some of the Group's bank borrowings and the proceeds raised through the global offering of the Company in August 2010 were denominated in foreign currencies.

The Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the Renminbi. The appreciation or devaluation of the Renminbi against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, management team of the Company will continue to monitor the foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

PROSPECTS

The Group plans to continue its growth strategy in 2010 and 2011. If reasonable opportunities arise, this may include expansion of the Group's production through new capacity construction or acquisitions, within Shaanxi province or into neighbouring provinces. The "Western Development Plan" of the PRC Government underpins continued infrastructure construction, rural development and urbanization in Shaanxi province and other provinces to the west of Shaanxi province. The Group remains in an advantageous position to benefit from this development's resulting high levels of demand for cement products.

During the six months ended June 30, 2010, the Group has continued to expand its capacity and completed the construction of production facilities commenced in 2009. In the Hanzhong region, in the south west of Shaanxi province, the Yangxian production facility started clinker production in January 2010 and started to sell cement in April 2010. The Mianxian production facility was commissioned in July 2010 and will start cement sales at the end of August 2010. Both production facilities have a capacity of approximately 1.1 million tonnes. The Group will be completing the construction of a second production line at Pucheng with annual designed capacity of approximately 1.1 million tonnes by September 2010 bringing its total capacity at its Pucheng production facilities to approximately 2.5 million tonnes. The Group's Xixiang production facility is also under construction and it aims to complete this in February 2011. The Group is also installing a new cement grinding line at its Lantian production facility, which is expected to increase its annual production capacity at Lantian (currently approximately 2.2 million tonnes) by approximately 0.7 million tonnes. These production facilities, when fully operational, will bring the Group's total annual installed capacity to approximately 12.5 million tonnes by early 2011. As part of the Group's focus on emission reduction and input cost reduction, it plans to commence the construction of residual heat recovery system at its Pucheng, Zhen'an, Danfeng and Yangxian production facilities in the second half of 2010.

In addition, the Group has disclosed the possible acquisition of the Jianghua production facility in the Prospectus. This production facility has an annual installed capacity of approximately 1.1 million tonnes and the Group has an exclusive memorandum of purchase on this production facility until December 31, 2010. The Company will provide further update to its shareholders on the progress of this possible acquisition.

DISCLOSURE OF INTEREST

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at June 30, 2010 and as at August 26, 2010, being the date of this report, the interests and short positions of the Directors and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(1) Interests in shares of the Company

(i) Long and short positions in ordinary shares of £0.10 each of the Company (before subdivision of each issued and unissued share of £0.10 each in the share capital of the Company into 50 new ordinary shares of £0.002 each (the "Subdivision of Shares")) as at June 30, 2010:

	Number of ordinary shares held as at June 30, 2010			Approximate % of issued share capital of the Company as at June 30, 2010
Name of director	**Personal interests**	**Corporate interests**	**Total**	
	(Notes 1 and 2)	*(Notes 1 and 2)*	*(Notes 1 and 2)*	
Zhang Jimin	34,777,478 (L)	—	34,777,478 (L)	52.81%
Ma Zhaoyang	—	4,273,599 (L) *(Note 3)*	4,273,599 (L)	6.49%

Notes:

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

(2) Such shares are the ordinary shares of the Company prior to the Subdivision of Shares.

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

(ii) Long and short positions in ordinary shares of £0.002 each of the Company (after Subdivision of Shares) as at August 26, 2010:

Name of director	Number of ordinary shares held as at August 26, 2010 Personal interests (Notes 1 and 2)	Corporate interests (Notes 1 and 2)	Total (Notes 1 and 2)	Approximate % of issued share capital of the Company as at August 26, 2010
Zhang Jimin	—	1,738,873,900 (L) (Note 3)	1,738,873,900 (L)	42.25%
Ma Zhaoyang	—	213,679,950 (L) (Note 4)	213,679,950 (L)	5.19%
	—	123,468,000 (S) (Note 5)	123,468,000 (S)	3.00%

Notes:

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

(2) Such shares are ordinary shares of the Company after the Subdivision of Shares.

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

(4) These shares are held by Techno Faith which is beneficially and wholly-owned by Ma Zhaoyang.

(5) The short position in 123,468,000 shares was derived from the stock borrowing agreement dated August 13, 2010 entered into between Techno Faith and ICBC International Securities Limited ("ICBCIS"), being the stabilizing manager in relation to the global offering, pursuant to which ICBCIS may choose to borrow, whether on its own or through its affiliates, up to 123,468,000 shares from Techno Faith.

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

(i) As at June 30, 2010:

Name of Director	Capacity	Number of underlying shares in respect of the share options granted under the Share Option Scheme	Approximate % of issued share capital of the Company as at June 30, 2010
Low Po Ling	Beneficial owner	250,000 (L) (Notes 1, 2 and 3)	0.38%

Notes:

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

(2) Such shares are ordinary shares of the Company prior to the Subdivision of Shares.

(3) The long position in 250,000 underlying shares of £0.10 each was derived from share options granted under the share option scheme of the Company adopted on October 27, 2006.

(ii) As at August 26, 2010:

Name of Director	Capacity	Adjusted number of underlying shares in respect of the share options granted under the Share Option Scheme	Approximate % of issued share capital of the Company as at August 26, 2010
Low Po Ling	Beneficial owner	12,500,000 (L) *(Notes 1, 2 and 3)*	0.30%

Notes:

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

(2) Such shares are ordinary shares of the Company after the Subdivision of Shares.

(3) The long position in 250,000 underlying shares of £0.10 each was adjusted to 12,500,000 underlying shares of £0.002 each after the Subdivision of Shares.

Save as disclosed above, as at June 30, 2010 and as at August 26, 2010, none of the Directors, chief executives of the Company and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at June 30, 2010 and as at August 26, 2010, being the date of this report, the persons other than a director or chief executive of the Company who had an interest or short position in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of SFO were as follows:

		As at June 30, 2010		As at August 26, 2010	
Name of shareholder	**Capacity**	**Number of ordinary shares of £0.10 each held** *(Notes 1 and 2)*	**Approximate % of issued share capital of the Company**	**Adjusted number of ordinary shares of £0.002 each held** *(Note 1)*	**Approximate % of issued share capital of the Company**
Asia Gain *(Note 3)*	Corporate interests	—	—	1,738,873,900 (L)	42.25%
Techno Faith *(Note 4)*	Corporate interests	4,273,599 (L)	6.49%	213,679,950 (L)	5.19%
				123,468,000 (S) *(Note 5)*	3.00%

Note:

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

(2) Such shares are ordinary shares of the Company prior to Subdivision of Shares.

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

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

(5) The short position in 123,468,000 shares was derived from the stock borrowing agreement dated August 13, 2010 entered into between Techno Faith and ICBCIS, being the the stabilizing manager in relation to the global offering, pursuant to which ICBCIS may choose to borrow, whether on its own or through its affiliates, up to 123,468,000 shares from Techno Faith.

Save as disclosed above, the Company has not been notified by any person who had interests or short position in the shares or underlying shares of the Company as at June 30, 2010 and August 26, 2010 which were required to be notified to the Company pursuant to part XV of the Securities and Futures Ordinance or which are recorded in the register required to be kept by the Company under the section 336 of the Securities and Futures Ordinance.

SHARE OPTION SCHEME

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

A. Share Option Scheme

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

(a) Grant of options

The Company may, at its absolute discretion, from time to time grant an option consisting of the right to acquire Shares by subscription or invite or permit a person to grant an option consisting of the right to acquire Shares by purchase in each case to individuals, selected by the Board on such terms as the Board may determine.

The grant of the options under the Share Option Scheme shall be effected by the grantor and the option holder entering into an option agreement which shall state:

(i) the date on which the option is granted;

(ii) the number, or maximum number of Shares that may be acquired;

(iii) the price (if any) payable by the option holder to acquire the option, or the method by which that price is to be determined;

(iv) when and how the option under the Share Option Scheme may be exercised;

(v) any conditions, such as performance conditions, affecting the terms or extent of the option holder's entitlement; and

(vi) where the Shares which are subject of the option are restricted shares, details of the restrictions and for these purposes the Shares are restricted shares if there is any contract, agreement, arrangement or condition which imposes a restriction on the owner of the Shares from disposing of the Shares, enjoying the proceeds of sale of such Shares or from enjoying any other rights attaching to the Shares.

Subject to the above, the option agreement shall be in such form as the Board shall prescribe from time to time. No option may be granted later than the tenth anniversary of the date of adoption by the Board of the Share Option Scheme nor to an option holder within 6 months of his anticipated retirement date.

(b) Time of exercise of option and duration of the Share Option Scheme

The grantees to whom an option has been granted under the Share Option Scheme will not be entitled to exercise his/her option prior to the third anniversary of the date of grant unless such anniversary is preceded by the sale of more than 75% of the issued share capital of the Company or a substantial change of ownership in which case the option becomes exercisable upon the occurrence of such event even if it precedes the third anniversary of the date of grant. The options granted under the Share Option Scheme are not capable of transfer, assignment or other disposal by the option holder save that the option shall be transmitted to the personal representatives of the option holder on his death. Options not exercised within the exercise period above will lapse and cease to be of further effect.

(c) Lapse of option

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

(1) the expiry of the respective stated exercise period in the Share Option Scheme;

(2) the passing of an effective resolution or the making of an order by the court for the winding-up of the Company;

(3) in the case of an option holder who is an employee, director or consultant of the Company or its subsidiary, the date on which the grantee ceases to be an employee, director or consultant of the Company or its subsidiaries; or

(4) the date of completion of a sale of more than 75% of the issued share capital of the Company or a substantial change in ownership of the Company.

(d) Adjustment of option

In the event of any variation in the share capital of the Company by way of capitalization, rights issue, consolidation, sub-division, reduction or otherwise, the Company can adjust the number of Shares which are subject to options, and the exercise price for such options.

(e) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that in respect of options which have already been granted, such alteration shall first be approved by the grantees in accordance with the terms of the Share Option Scheme.

(f) Termination of the Share Option Scheme

The Share Option Scheme will be terminated with effect from the listing of the Company's shares on the HKSE. No further options may be granted under the Share Option Scheme after such termination. The provisions of the Share Option Scheme will continue to apply to options granted before such termination. The Directors have agreed not to grant any further options under the Share Option Scheme after July 30, 2010.

(g) Administration of the Board

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

(h) Movements of the share options granted under the Share Option Scheme

During the six months ended June 30, 2010:

				Adjusted number of ordinary shares subject to share options granted under the share option scheme immediately following completion of the Subdivision of Shares				
Category and name of participant	Date of grant of share options	Adjusted Exercise price (£)	Exercise period	Outstanding as at January 1, 2010	Granted during the six months ended June 30, 2010	Exercised during the six months ended June 30, 2010	Lapsed during the six months ended June 30, 2010	Outstanding as at June 30, 2010
Directors								
Low Po Ling	April 23, 2009	0.028	April 23, 2011 to April 23, 2014	12,500,000	—	—	—	12,500,000
Robert Sinclair Robertson *(Note 1)*	December 4, 2006	0.021	December 4, 2006 to December 4, 2011	31,844,150	—	31,844,150	—	—
Brett Lance Miller *(Note 1)*	December 4, 2006	0.021	December 4, 2006 to December 4, 2011	7,961,050	—	7,961,050	—	—
Total				52,305,200				12,500,000

Note:

(1) Each of Robert Sinclair Robertson and Brett Lance Miller was a former non-executive Director and resigned on July 29, 2010.

B. POST-IPO SHARE OPTION SCHEME

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

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

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

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

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

2. Participants of the Post-IPO Share Option Scheme

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. The basis of determining the exercise price:

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

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

It will remain in force for a period of 10 years. Since the adoption of the Post-IPO Share Option Scheme, no options had been granted under the Post-IPO Share Option Scheme.

WARRANTS GRANTED TO OUR ADVISOR

Through Eastbank Consulting LLP, an advisory service provider, Mr. Anthony Schindler ("Mr. Schindler") acted as a consultant to Insinger de Beaufort, the Company's nominated advisor and broker of its AIM initial public offering in December 2006. He is the principal partner of Eastbank Consulting LLP. Throughout the years subsequent to the AIM listing, Mr. Schindler has held advisory roles with the Group and advised the Group on numerous bond fund-raising exercises, and introduced numerous investors, brokers and financial institutions to the Group.

In recognition of his contribution to the success of the AIM listing and the development of the Group's business since the Company's AIM listing in December 2006, on April 14, 2008 and July 15, 2009, the Company granted to Mr. Schindler the right to subscribe (the "AS Warrants") for up to 420,000 ordinary shares of £0.10 each in the capital of the Company before the Subdivision of Shares or 21,000,000 ordinary shares of £0.002 each in the capital of the Company after Subdivision of Shares ("AS Warrant Shares"), representing approximately 0.51% of the existing issued share capital of the Company after the Subdivision of Shares upon exercise of the AS Warrants in full.

The details of the principal terms and conditions of the warrants granted to Mr. Schindler were summarized in the section headed "HISTORY, REORGANIZATION AND CORPORATE STRUCTURE – WARRANTS GRANTED TO OUR ADVISOR" in the Prospectus.

Movements of the AS Warrants during the six months ended June 30, 2010:

			Number of AS Warrants (Note 1)				
Date of grant of AS Warrants	Each exercise price £	Exercise period	Outstanding as at January 1, 2010	Granted during the six month ended June 30, 2010	Exercised during the six month ended June 30, 2010	Lapsed during the six month sended June 30, 2010	Outstanding as at June 30, 2010
April 14, 2008	1.577	April 14, 2010 to April 14, 2013	320,000	—	90,000	—	230,000
December 4, 2006	1.05	December 4, 2006 to December 4, 2010	100,000	—	100,000	—	—
Total			420,000		190,000		230,000

Note:

(1) Such shares are ordinary shares of the Company prior to the Subdivision of Shares.

The adjusted total number of AS Warrants outstanding as at June 30, 2010 after the Subdivision of Shares was 11,500,000 at an adjusted exercise price of £0.032 each.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2010 (2009: Nil).

CORPORATE GOVERNANCE

As the Company's shares had yet to be listed on the HKSE as at June 30, 2010, the Company has not adopted the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") during the six months ended June 30, 2010. The Company has adopted the CG Code as its corporate governance code of practices upon listing on the HKSE.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The members of the audit committee are all of the independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Wong Kun Kau and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the audit committee. The audit committee has reviewed the Group's audited consolidated interim results for the six months ended June 30, 2010.

REMUNERATION COMMITTEE

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

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

NOMINATION COMMITTEE

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

The primary functions of the nomination committee are to make recommendations to the Board regarding the appointment of members of the Board.

RISK ASSESSMENT COMMITTEE

The Company has established a risk assessment committee with written terms of reference. The risk assessment committee currently consists of 23 members including, among others, all the executive Directors, namely Mr. Zhang Jimin, Mr. Wang Jianli, Ms. Low Po Ling and Mr. Tian Zhenjun, the company secretary of the Company, Mr. Sin Lik Man, and each of its senior management disclosed in the "Directors, Senior Management and Staff" section of the Prospectus, namely Mr. Chen Zhixin, Mr. Li Wenyu, Mr. Tian Maoyuan, Mr. Li Yongji, Mr. Lian Jie and Ms. Tang Huiqin, with Mr. Zhang Jimin serving as the chairman of the committee.

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

INTERNAL CONTROLS OVER FINANCIAL RERORTING

In connection with the listing on the HKSE, in November 2009, the Company engaged a reputable external consulting firm as its internal control advisor to review selected areas of the Group's internal controls over financial reporting to fulfill certain of the Company's obligations in assisting the joint sponsors' due diligence under the Listing Rules. Further to the internal control review conducted in November 2009, with the assistance of its internal control advisor, the Company conducted two follow-up reviews, which took place in April 2010 and from May to June 2010 (with a follow-up on certain matters in July 2010), respectively. Such reviews were focused on the status of implementation of the recommended remedial actions in the areas where deficiencies and weaknesses were previously identified. A follow-up review report was issued by the internal control advisor on July 30, 2010. For details of the scope and findings of the reviews, and the remedial actions taken by the Company, please refer to the Prospectus.

Based on the results of the follow-up reviews, the internal control advisor is satisfied that the Company has implemented the new or revised internal control policies and procedures in response to those areas where deficiencies and weaknesses were identified. After considering the recommended remedial actions, the Directors (including our independent non-executive Directors) are of the view that the Group has adequate internal control procedures and policies in place and the Company is able to comply with the internal control requirements under the Listing Rules.

AUDITORS

The consolidated interim financial statements for the six months ended June 30, 2010 have been audited by PricewaterhouseCoopers ("PwC"), Certified Public Accountants, Hong Kong. The comparative of the consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the six months ended June 30, 2009 have not been audited by PwC or other auditors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As the Company's shares had yet to be listed on the HKSE as at June 30, 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the HKSE during the six months ended June 30, 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS

As the Company's shares had yet to be listed on the HKSE as at June 30, 2010, the Company has not adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for dealing in securities of the Company by the Directors during the six months ended June 30, 2010. The Company has adopted the Model Code as the code for dealing in securities of the Company by the Directors upon listing on the HKSE.

By Order of the Board
West China Cement Limited
Zhang Jimin
Chairman

Hong Kong, August 26, 2010

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF WEST CHINA CEMENT LIMITED
(incorporated in Jersey with limited liability with registered number 94796)

We have audited the consolidated interim financial statements of West China Cement Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 23 to 84, which comprise the consolidated and company interim balance sheets as of June 30, 2010, and the consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the six months ended June 30, 2010, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated interim financial statements give a true and fair view of the financial position of the Company and of the Group as of June 30, 2010, and of the Group's financial performance and cash flows for the six months ended June 30, 2010 in accordance with International Financial Reporting Standards.

OTHER MATTERS

The consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the six months ended June 30, 2009 have not been audited by us or other auditors.

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 26, 2010

CONSOLIDATED INTERIM BALANCE SHEET

As at June 30, 2010
(All amounts in RMB thousands unless otherwise stated)

	Note	As at June 30, 2010	As at December 31, 2009
ASSETS			
Non-current assets			
Property, plant and equipment	6	**3,246,631**	2,611,502
Land use rights	7	**178,442**	124,571
Mining rights	8	**56,249**	46,373
Other intangible assets	9	**64,069**	65,104
Deferred income tax assets	10	**17,124**	13,540
		3,562,515	2,861,090
Current assets			
Inventories	12	**145,722**	128,979
Trade and other receivables and prepayments	13	**411,260**	317,670
Cash and cash equivalents	14	**97,790**	346,258
Restricted cash	14	**9,420**	19,582
		664,192	812,489
Total assets		**4,226,707**	3,673,579
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	**98,634**	97,623
Share premium	15	**687,922**	672,775
Share options reserve	16	**754**	5,439
Reverse acquisition reserve	17	**(341,304)**	(341,304)
Statutory reserve	17	**118,140**	118,140
Retained earnings	18	**1,080,365**	717,553
		1,644,511	1,270,226
Non-controlling interests		**28,603**	25,000
Total equity		**1,673,114**	1,295,226

CONSOLIDATED INTERIM BALANCE SHEET

As at June 30, 2010
(All amounts in RMB thousands unless otherwise stated)

	Note	As at June 30, 2010	December 31, 2009
LIABILITIES			
Non-current liabilities			
Borrowings	19	**717,397**	360,058
Provisions for other liabilities and charges	20	**8,206**	6,265
Deferred income tax liabilities	10	**8,959**	8,079
Other liabilities	21	**119,404**	117,049
		853,966	491,451
Current liabilities			
Trade and other payables	22	**850,001**	559,395
Current income tax liabilities		**37,853**	38,639
Borrowings	19	**811,773**	1,288,868
		1,699,627	1,886,902
Total liabilities		**2,553,593**	2,378,353
Total equity and liabilities		**4,226,707**	3,673,579
Net current liabilities		**(1,035,435)**	(1,074,413)
Total assets less current liabilities		**2,527,080**	1,786,677

The notes on pages 29 to 84 are an integral part of these consolidated interim financial statements. The consolidated interim financial statements on pages 23 to 84 were authorised for issue by the board of directors on August 26, 2010 and were signed on its behalf by:

Zhang Jimin
Director

Low Po Ling
Director

COMPANY INTERIM BALANCE SHEET

As at June 30, 2010
(All amounts in RMB thousands unless otherwise stated)

	Note	As at June 30, 2010	December 31, 2009
ASSETS			
Non-current assets			
Investments in subsidiaries	11	**447,285**	447,285
Current assets			
Other receivables	13	**720,375**	741,283
Dividend receivable from a subsidiary		**34,078**	44,078
Cash and cash equivalents	14	**6,065**	27,758
Restricted cash	14	**–**	14,572
		760,518	827,691
Total assets		**1,207,803**	1,274,976
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	**98,634**	97,623
Share premium	15	**687,922**	672,775
Share options reserves	16	**754**	5,439
Accumulated losses	18	**(267,813)**	(211,977)
Total equity		**519,497**	563,860
LIABILITIES			
Non-current liabilities			
Borrowings	19	**505,310**	77,258
Current liabilities			
Other payables		**13,224**	10,790
Borrowings	19	**169,772**	623,068
		182,996	633,858
Total liabilities		**688,306**	711,116
Total equity and liabilities		**1,207,803**	1,274,976
Net current assets		**577,522**	193,833
Total assets less current liabilities		**1,024,807**	641,118

The notes on pages 29 to 84 are an integral part of these consolidated interim financial statements. The consolidated interim financial statements on pages 23 to 84 were authorised for issue by the board of directors on August 26, 2010 and were signed on its behalf by:

Zhang Jimin	**Low Po Ling**
Director	*Director*

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2010
(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended June 30, 2010	2009 (unaudited)
Revenue	5	**1,209,622**	574,716
Cost of sales	23	**(737,045)**	(347,039)
Gross profit		**472,577**	227,677
Selling and marketing expenses	23	**(9,244)**	(7,249)
Administrative expenses	23	**(39,948)**	(26,077)
Other income	25	**56,243**	30,489
Other (losses)/gains - net	26	**(79)**	381
Operating profit		**479,549**	225,221
Finance income	27	**3,236**	657
Finance costs	27	**(63,934)**	(69,364)
Finance costs - net		**(60,698)**	(68,707)
Profit before income tax		**418,851**	156,514
Income tax expense	28	**(52,436)**	(16,472)
Profit for the period		**366,415**	140,042
Other comprehensive income		**–**	–
Total comprehensive income for the period		**366,415**	140,042
Attributable to			
– Equity holders of the Company		**362,812**	140,042
– Non-controlling interests		**3,603**	–
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
Basic earnings per share	29(a)	**0.11**	0.04
Diluted earnings per share	29(b)	**0.11**	0.04
Dividends	30	**–**	–

The notes on pages 29 to 84 are an integral part of these consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2010
(All amounts in RMB thousands unless otherwise stated)

	Note	Share capital	Share premium	Reverse acquisition reserve (Note 17)	Share options reserve	Statutory reserve (Note 17)	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company								
At January 1, 2010		97,623	672,775	(341,304)	5,439	118,140	717,553	1,270,226	25,000	1,295,226
Comprehensive income										
Profit for the period	18	–	–	–	–	–	362,812	362,812	3,603	366,415
Transaction with owners										
Share options scheme		–	–	–	353	–	–	353	–	353
Proceeds from share issued	15	1,011	15,147	–	(5,038)	–	–	11,120	–	11,120
At June 30, 2010		98,634	687,922	(341,304)	754	118,140	1,080,365	1,644,511	28,603	1,673,114

(Unaudited)	Note	Share capital	Share premium	Reverse acquisition reserve	Share options reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company								
At January 1, 2009		96,811	662,636	(341,304)	6,708	63,163	442,070	930,084	—	930,084
Comprehensive income										
Profit for the period	18	—	—	—	—	—	140,042	140,042	—	140,042
Transaction with owners										
Share options scheme		—	—	—	554	—	—	554	—	554
Proceeds from share issued		481	6,026	—	(1,463)	—	—	5,044	—	5,044
At June 30, 2009		97,292	668,662	(341,304)	5,799	63,163	582,112	1,075,724	—	1,075,724

The notes on pages 29 to 84 are an integral part of these consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended June 30, 2010
(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended June 30, 2010	2009 (unaudited)
Cash flows from operating activities			
Cash generated from operations	31	**615,806**	377,097
Interest paid		**(48,533)**	(40,627)
Income tax paid		**(55,926)**	(1,698)
Net cash generated from operating activities		**511,347**	334,772
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	31	**792**	1,678
Interest received		**178**	426
Purchase of property, plant and equipment		**(616,937)**	(362,650)
Purchase of land use rights		**(399)**	–
Purchase of mining rights	8	**(11,380)**	–
Net cash used in investing activities		**(627,746)**	(360,546)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**11,120**	5,043
Proceeds from bank borrowings		**715,849**	274,900
Proceeds from other borrowings		**–**	4,424
Decrease in restricted cash	14	**10,162**	4,206
Repayment of bank borrowings		**(718,400)**	(197,900)
Repayment of other borrowings		**(150,800)**	(4,420)
Net cash (used in)/generated from financing activities		**(132,069)**	86,253
Net (decrease)/increase in cash and cash equivalents		**(248,468)**	60,479
Cash and cash equivalents at beginning of the period	14	**346,258**	37,038
Cash and cash equivalents at end of the period	14	**97,790**	97,517

The notes on pages 29 to 84 are an integral part of these consolidated interim financial statements.

1. GENERAL INFORMATION

West China Cement Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the production and sale of cement. The Company is an investment holding company.

The Company was incorporated on October 16, 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 interim financial statements are presented in thousands of units of Renminbi ("RMB'000") unless otherwise stated.

The Company's ordinary shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "HKSE") on August 23, 2010.

These interim consolidated financial statements have been approved for issue by the board of directors on August 26, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated interim financial statements are set out below.

2.1 Basis of preparation

The consolidated interim financial statements of the Company has been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The consolidated interim financial statements has 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 interim financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the directors to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements are disclosed in Note 4.

Going concern basis

As at June 30, 2010, the Group's current liabilities exceeded its current assets by approximately RMB1,035,435,000. The Group's current liabilities mainly included bank borrowings, trade and other payables and advances from customers. The directors have prepared cash flow projections for the period from July 1, 2010 to Setpember 30, 2011 and have assessed the compliance of loan covenants (Note 3.1(c)). The directors are of the opinion that, having taken into consideration of the expected cash flows, available financial resources of the Group and the net proceeds from the global offering (Note 36), the Group has sufficient financial resources to meet its liabilities as and when they fall due in the foreseeable future. On the above basis, the directors believe that the Group will continue as going concern and consequently have prepared the consolidated interim financial statements on a going concern basis.

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

2.1 Basis of preparation (Cont'd)

Changes in accounting policies and disclosures

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2009, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2010.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group.

- IFRIC 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after July 1, 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- 'Additional exemptions for first-time adopters' (Amendment to IFRS1) is effective for annual periods beginning on or after January 1, 2010. This is not relevant to the Group, as it is an existing IFRS preparer.
- IAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after July 1, 2009. That is not currently applicable to the Group, as it has no hedging.
- IFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after January 1, 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.
- First improvements to International Financial Reporting Standards (2008) were issued in May 2008 by the IASB. The improvement related to IFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after July 1, 2009. This is not currently applicable to the Group, as it has no non-current assets held for sales and discontinued operations.
- Second improvements to International Financial Reporting Standards (2009) were issued in April 2009 by IASB. All improvements are effective in the financial year of 2010.

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

2.1 Basis of preparation (Cont'd)

Changes in accounting policies and disclosures (Cont'd)

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning January 1, 2010 and have not been early adopted:

- IFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption. The Group has not yet decided when to adopt IFRS 9.

- IAS 24 (Revised) 'Related party disclosures' supersedes IAS 24 'Related party disclosures' issued in 2003. The revised IAS 24 is required to be applied from January 1, 2011. Earlier application, for either the entire standard or the government-related entity, is permitted. The Group will apply the revised IAS 24 from January 1, 2011.

- Under 'Classification of rights issues' (Amendment to IAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after February 1, 2010. Earlier application is permitted.

- Amendments to IFRIC 14 'Prepayments of a minimum funding requirement' corrects an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after July 1, 2010. Earlier application is permitted.

- 'Limited exemption from comparative IFRS 7 disclosures for first-time adopters' (Amendment to IFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to IFRS 7 in relation to relief from presenting comparative information that ended before December 31, 2009 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after July 1, 2010. Early adoption is permitted. This is not relevant to the Group, as it is an existing IFRS preparer.

- Third improvements to International Financial Reporting Standards (2010) were issued in May 2010 by IASB. All improvements are effective in the financial year of 2011.

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

2.2 Consolidation

The consolidated interim financial statements includes the interim financial statements of the Company and its subsidiaries.

(a) Subsidiaries

Subsidiaries are all 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 non-controlling 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 recognized directly in the consolidated statement of comprehensive income.

IFRS 3 (revised), 'Business combinations' is effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

No acquisitions have taken place in the 6 months to June 30, 2010 which would require this standard to be applied.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized 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.

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

2.2 Consolidation (Cont'd)

(b) Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group and are recorded in the consolidated statement of comprehensive income. Purchases from non-controlling 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.

The Group applied IAS 27 (revised) from January 1, 2010. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss.

There have been no transactions with non-controlling interests during the six months ended June 30, 2010.

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 directors 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 interim financial statements is presented in Renminbi ("RMB"), which is the functional and the presentation currency of the Company and the subsidiaries.

(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 recognized in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

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

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

2.5 Property, plant and equipment ("PPE")

Property, plant and equipment, other than construction in progress, are 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 recognized 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 derecognized. 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 (see Note (a) and (b) below), 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 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 (Note 2.9).

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

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

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

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

(a) Stripping costs

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

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

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

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

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

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 capitalized on the basis of the costs incurred to acquire the specific software. These costs are amortized over five years.

(c) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization 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 amortization, are tested annually for impairment and where there are indicators of impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 in which the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated interim financial statements of the investee's net assets including goodwill.

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

2.10 Financial assets - loans and receivables

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 amortized cost using the effective interest method.

2.11 Inventories

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

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 recognized initially at fair value and subsequently measured at amortized 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, probability that the debtor will become bankrupt, financial reorganization, and default of payments is 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 recognized 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 are repaid.

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

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 payables 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest rate method. Amortized 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 recognized 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 recognized 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 capitalized as a prepayment for liquidity services and amortized 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 capitalized as part of the costs of the assets. All other borrowing costs are expensed.

2.18 Derivative

Derivative financial instrument are recognized 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.19 Current and deferred income tax

The tax expense for the six months ended June 30, 2010 comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized directly in equity. In this case, the tax is recognized 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. The directors periodically evaluate 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 recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated interim 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 realized or the deferred income tax liability is settled.

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.20 Employee benefits

(a) Pension obligations

The PRC employees of the Group are covered by various PRC 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. The non-PRC employees are not covered by the pension plans.

(b) Housing benefits

The PRC 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. The non-PRC employees are not covered by the housing benefits.

(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 recognized 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 recognizes 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 recognized 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.

2.21 Government grants

Grants from the government are recognized 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.

Grants related to costs are deferred and are recognized in the consolidated statement of comprehensive income on a systematic basis to match with the related costs which they are intended to compensate, otherwise grants with no future related costs are recognized 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and 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 recognized 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 recognized 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.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognized 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 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 recognized 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 recognized but is disclosed in the notes to the consolidated interim financial statements. When a change in the probability of an outflow occurs so that outflow is probable, the outflow of benefits is then recognized 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 program focuses on the unpredictability of financial markets and seeks to minimize 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 recognized assets and liabilities in foreign operations. The Group does not hedge against any fluctuation in foreign currency.

At June 30, 2010, if RMB had weakened/strengthened by 1% against US$ with all other variables held constant, post-tax profit for the period would have been approximately RMB 6,700,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of US$-denominated borrowings.

(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 bank borrowings and other borrowings. Borrowings issued at variable floating rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group does not have formal policies on interest rate risk. During the six months ended June 30, 2010, the Group's borrowings at variable rate were denominated in RMB and the US$ (Note 19).

For the six month ended June 30, 2010, if interest rates on borrowings had been 10 percent higher/lower with all other variables held constant, post-tax profit for the period would have been approximately RMB 4,298,000 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowing.

3. FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(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.

(c) Liquidity risk

The directors 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 amount of cash and cash equivalents and flexibility in funding through ensuring availability of appropriate sources of financing.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At June 30, 2010					
Borrowings	**811,773**	**659,318**	**72,000**	**–**	**1,543,091**
Trade and other payables	**838,514**	**–**	**–**	**–**	**838,514**
Other liabilities	**–**	**78,435**	**3,700**	**–**	**82,135**
	1,650,287	**737,753**	**75,700**	**–**	**2,463,740**
At December 31, 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

3. FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

The Group has entered into a loan agreement for syndicated bank borrowings of RMB330,000,000. The agreement stipulates a capital expenditures limit (the "Limit") for the six months ended June 30, 2010 and several financial covenants, one of which is that the ratio of total liabilities to total assets (the "Ratio") should not be more than 50%. During the six months ended June 30, 2010, the Group's capital expenditure incurred exceeded the Limit. As at June 30, 2010, the Group did not meet the Ratio. As at June 30, 2010, the carrying amount of the syndicated bank borrowings was RMB320,087,000, which comprises current portion amounting to RMB132,000,000 and non-current portion of RMB188,087,000. The Group has obtained a waiver letter dated July 21, 2010 from the facility agent representing the lenders confirming that they had granted the Group a waiver from compliance with the Limit by April 30, 2010 and from compliance with the Ratio by June 30, 2010 respectively. The waiver is effective for the period from April 30, 2010 to June 30, 2011. This is sufficient pursuant to the agreement for the Limit and the Ratio to be waived, and therefore the non-current bank borrowings of RMB188,087,000 have not been reclassified as current bank borrowings. The waiver received in connection with the syndicated loan also means that it would not trigger any cross default events of other borrowings.

As at June 30, 2010, certain bank borrowing agreements contain the terms that these facilities will become payable immediately upon the Company's ordinary shares are listed on the HKSE (Note 36(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 net debt plus equity as shown in the consolidated balance sheet.

The gearing ratios at December 31, 2009 and June 30, 2010 were as follows:

	As at	
	June 30, 2010	December 31, 2009
Total borrowings (Note 19)	**1,529,170**	1,648,926
Less: Cash and cash equivalents and restricted cash (Note 14)	**(107,210)**	(365,840)
Net debt	**1,421,960**	1,283,086
Total equity	**1,673,114**	1,295,226
Total capital	**3,095,074**	2,578,312
Gearing ratio	**46%**	50%

The bank borrowings in 2009 and 2010 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 fair values of non-current borrowings and warrants classified as liabilities are estimated by discounting the future cash flows at the current market interest rate available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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 directors make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may 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/amortization. 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 recognized 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 directors determine the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. These estimates may change in the future as a result of technical innovations and competitor actions. The directors 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 to which goodwill has been allocated have been determined based on fair value less costs to sell using the purchase price paid in August 2009 as the estimate of fair value. The purchase price assumed that economies of scale would be achieved from combining the acquired business with the Group's existing activities. If these economies of scale are not achieved then an impairment of goodwill may arise in future years.

(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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (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 judgment 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 the 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 realizable value based on an assessment of the realisability of inventories. The assessment of write-downs requires the directors' judgment and estimates. Where expectation is different from an original estimate, the difference will impact the carrying values of inventories and may result in write-downs of inventories in the period in which such estimates have been changed.

(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 the directors' best estimate in accordance with the information provided by a third party (Note 20). Under existing legislation, the directors believe that there are no further probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards, which could require increased expenditure in the future.

(i) Operating licences

The Group's licences to operate at each of mines expire at various dates from August 2011 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 and the Group's operation results would be affected accordingly if any licences could not be renewed.

5. REVENUE AND 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. The revenue represents the sale of cement during the six months ended June 30, 2010.

(All amounts in RMB thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

Group	Property and plant	Motor vehicles	Electronic and other equipment	Machinery	Mining assets	Construction in progress	Total
Six months ended June 30, 2009 (unaudited)							
Opening net book amount	277,345	10,113	2,956	471,078	56,102	722,939	1,540,533
Transfer in from CIP	167,539	1,914	5,048	385,713	65,156	(625,370)	–
Additions	–	5,745	3,303	3,098	–	288,020	300,166
Disposals	–	(535)	–	(1,069)	–	–	(1,604)
Depreciation	(11,288)	(1,105)	(669)	(29,684)	(2,791)	–	(45,537)
Closing net book amount	433,596	16,132	10,638	829,136	118,467	385,589	1,793,558
At June 30, 2009 (unaudited)							
Cost	513,266	19,667	13,733	982,001	127,301	385,589	2,041,557
Accumulated depreciation	(79,670)	(3,535)	(3,095)	(152,865)	(8,834)	–	(247,999)
Net book amount	433,596	16,132	10,638	829,136	118,467	385,589	1,793,558

	Property and plant	**Motor vehicles**	**Electronic and other equipment**	**Machinery**	**Mining assets**	**Construction in progress**	**Total**
Six month ended June 30, 2010							
Opening net book amount	**798,737**	**19,635**	**16,792**	**1,096,925**	**154,536**	**524,877**	**2,611,502**
Transfer in from CIP	**97,401**	**–**	**14,457**	**225,666**	**63,399**	**(400,923)**	**–**
Additions	**120**	**3,022**	**3,265**	**11,491**	**1,755**	**711,657**	**731,310**
Disposals	**–**	**(1,248)**	**–**	**–**	**–**	**–**	**(1,248)**
Depreciation	**(26,084)**	**(1,588)**	**(5,819)**	**(58,478)**	**(2,964)**	**–**	**(94,933)**
Closing net book amount	**870,174**	**19,821**	**28,695**	**1,275,604**	**216,726**	**835,611**	**3,246,631**
At June 30, 2010							
Cost	**972,014**	**25,285**	**39,464**	**1,530,623**	**232,600**	**835,611**	**3,635,597**
Accumulated depreciation	**(101,840)**	**(5,464)**	**(10,769)**	**(255,019)**	**(15,874)**	**–**	**(388,966)**
Net book amount	**870,174**	**19,821**	**28,695**	**1,275,604**	**216,726**	**835,611**	**3,246,631**

The carrying amounts of the Group's construction in progress included capitalized interest of RMB19,486,000 (Note 27) for the six months ended June 30, 2010 (six months ended June 30, 2009: RMB 10,154,000 (unaudited)) (Note 27).

Interest was capitalized at a weighted average effective interest rate of 10% per annum for the six months ended June 30, 2010 (six months ended June 30, 2009: 14% (unaudited)) (Note 27).

Certain items within property, plant and equipment with aggregated carrying amounts of RMB1,811,362,000 as at June 30, 2010 (as at December 31, 2009: RMB1,627,328,000) were pledged to banks for securing borrowings (Note 19).

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

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

	Six months ended June 30, 2010	2009 (unaudited)
Cost of sales	**90,394**	42,291
Administrative expenses	**4,398**	3,172
Capitalized in construction in progress (Note (a))	**141**	74
	94,933	45,537

Note (a) The depreciation of certain items of property, plant and equipment charged during the course of plant construction was capitalized in construction in progress.

7. LAND USE RIGHTS

Group

Six months ended June 30, 2009 (unaudited)	
Opening net book amount	76,521
Amortization charges	(184)
Closing net book amount	76,337
At June 30, 2009 (unaudited)	
Cost	77,924
Accumulated amortization	(1,587)
Net book amount	76,337
Six months ended June 30, 2010	
Opening net book amount	124,571
Additions	54,775
Amortization charges	(904)
Closing net book amount	178,442
At June 30, 2010	
Cost	182,185
Accumulated amortization	(3,743)
Net book amount	178,442

Certain land use rights with aggregate carrying amounts of RMB57,912,000 as at June 30, 2010 (as at December 31, 2009: RMB41,527,000) were pledged to secure bank borrowings (Note 19) to the Group.

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

(All amounts in RMB thousands unless otherwise stated)

8. MINING RIGHTS

Group

Six months ended June 30, 2009 (unaudited)	
Opening net book amount	27,907
Amortization charges	(473)
Closing net book amount	27,434
At June 30, 2009 (unaudited)	
Cost	29,607
Accumulated amortization	(2,173)
Net book amount	27,434
Six months ended June 30, 2010	
Opening net book amount	46,373
Additions	11,380
Amortization charges	(1,504)
Closing net book amount	56,249
At June 30, 2010	
Cost	60,974
Accumulated amortization	(4,725)
Net book amount	56,249

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.

9. OTHER INTANGIBLE ASSETS

Group

	Goodwill	Customer relationships	Computer software	Total
At January 1, 2009 and June 30, 2009 (unaudited)				
Cost	–	–	45	45
Accumulated amortization	–	–	(45)	(45)
Net book amount	–	–	–	–
Six months ended June 30, 2010				
Opening net book amount	45,274	19,751	79	65,104
Amortization charges	–	(1,031)	(4)	(1,035)
Closing net book amount	45,274	18,720	75	64,069
At June 30, 2010				
Cost	45,274	20,610	80	65,964
Accumulated amortization	–	(1,890)	(5)	(1,895)
Net book amount	45,274	18,720	75	64,069

The customer relationships amounting to RMB20,610,000 are non-contractual customer relationships acquired through the acquisition of Xiushan Yaobai (Note 11(c)). In the past few years, Xiushan Yaobai has provided cement service for some large companies. Management estimates the Group will keep their business relationship with some or all of the existing customers in the future. It is believed by the management that the customer relationships will bring in net future cash flows to the Group, and is thus identified as an intangible asset. They are amortized 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 period. The impairment test was carried out using fair value less costs 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.

(All amounts in RMB thousands unless otherwise stated)

10. DEFERRED INCOME TAX

Group

	As at June 30, 2010	As at December 31, 2009
Deferred tax assets:		
— to be recovered after more than 12 months	**8,450**	8,874
— to be recovered within 12 months	**8,674**	4,666
	17,124	13,540
Deferred tax liabilities:		
— to be settled after more than 12 months	**(7,662)**	(7,366)
— to be settled within 12 months	**(1,297)**	(713)
	(8,959)	(8,079)

Deferred tax assets:

	Allowance & provision	Deferred income	Others	Total
At December 31, 2009	3,477	9,357	706	13,540
Charged/(credited) to the consolidated statement of comprehensive income	1,564	(214)	2,234	3,584
At June 30, 2010	**5,041**	**9,143**	**2,940**	**17,124**

Deferred tax liabilities:

	Assets booked at fair value on acquisition	Loans recorded at amortised cost	Total
At December 31, 2009	(8,079)	–	(8,079)
Credited/(charged) to the consolidated statement of comprehensive income	357	(1,237)	(880)
At June 30, 2010	**(7,722)**	**(1,237)**	**(8,959)**

11. INVESTMENTS IN SUBSIDIARIES

Company

	As at June 30, 2010	As at December 31, 2009
Unlisted investment	**447,285**	447,285

Unlisted investment represents the investment cost of acquiring West China BVI.

The Company is an investment holding company.

The particulars of subsidiaries as at June 30, 2010 are as follows

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest Direct %	Indirect %	Principal activities
(a) Enterprises incorporated outside the PRC					
West China Cement Co. Ltd ("West China BVI")	British Virgin Islands July 14, 2006	HKD7,800	100%	–	Investment holding
Faithful Alliance Limited ("Faithful Alliance") 集誠有限公司	Hong Kong January 14, 2010	HKD100	–	100%	Investment holding

(All amounts in RMB thousands unless otherwise stated)

11. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Company (Cont'd)

Name of Company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest Direct %	Indirect %	Principal activities
(b) Enterprises established by the Group and operating in the PRC					
Shaanxi Yaobai Special Cement Co. Ltd ("Shaanxi Yaobai") 陝西堯柏特種水泥有限公司	Shaanxi, PRC December 21, 2000	RMB530,000,000	–	100%	Production and sale of cement
Xi'an Lantian Yaobai Cement Co. Ltd ("Lantian Yaobai") 西安藍田堯柏水泥有限公司	Shaanxi, PRC December 16, 2005	RMB100,000,000	–	100%	Production and sale of cement
Ankang Yaobai Cement Co. Ltd ("Ankang Yaobai") 安康堯柏水泥有限公司	Shaanxi, PRC April 12, 2007	RMB345,000,000	–	100%	Production and sale of cement
Hanzhong Yaobai Cement Co. Ltd ("Hanzhong Yaobai") 漢中堯柏水泥有限公司	Shaanxi, PRC July 10, 2008	RMB135,000,000	–	100%	Production and sale of cement
Hanzhong Mianxian Yaobai cementCo. Ltd ("Mianxian Yaobai") 漢中勉縣堯柏水泥有限公司	Shaanxi, PRC December 22, 2008	RMB140,000,000	–	100%	Production and sale of cement
Xi'an Yaobai Material Co.Ltd ("Xi'an Yaobai") 西安市堯柏物資有限公司	Shaanxi, PRC July 27, 2009	RMB35,000,000	–	100%	Purchase and sale of raw materials
Hanzhong Xixiang Yaobai Cement Co, Ltd ("Xixiang Yaobai") 漢中西鄉堯柏水泥有限公司	Shaanxi, PRC August 11, 2009	RMB21,000,000	–	100%	Production and sale of cement
Shangluo Yaobai Longqiao Cement Co. Ltd ("Longqiao Yaobai") 商洛堯柏龍橋水泥有限公司	Shaanxi, PRC December 31, 2009	RMB125,000,000	–	80%	Production and sale of cement
(c) The subsidiary acquired by the Group in August 2009 and its operation is in the PRC					
Shangluo Yaobai Xiushan Cement Co. Ltd ("Xiushan Yaobai") 商洛堯柏秀山水泥有限公司	Shaanxi, PRC March 25, 2005	RMB20,000,000	–	100%	Production and sale of cement

12. INVENTORIES

Group

	As at	
	June 30, 2010	December 31, 2009
Cost:		
Raw materials	**101,131**	81,751
Work in progress	**28,828**	23,618
Finished goods	**17,892**	25,739
	147,851	131,108
Provision for impairment loss:		
Raw materials	**(2,129)**	(2,129)
Inventories, net	**145,722**	128,979

The cost of inventories recognized as an expense and included in 'cost of sales' amounted to approximately RMB607,354,000 for six months ended June 30, 2010 (2009: RMB282,143,000 (unaudited)).

(All amounts in RMB thousands unless otherwise stated)

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Group

	As at June 30, 2010	As at December 31, 2009
Bills receivable	**11,087**	5,370
Trade receivables (Note (a))	**137,688**	95,676
Less: provision for impairment of receivables (Note (c))	**(4,881)**	(4,881)
	143,894	96,165
Other receivables (Note (b))	**55,797**	54,975
Holding deposit for a potential acquisition (Note (d))	**100,000**	100,000
Less: provision for impairment of receivables (Note (c))	**(370)**	(370)
	155,427	154,605
Prepayments	**111,939**	66,900
Trade and other receivables and prepayments-net	**411,260**	317,670

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

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:

	As at June 30, 2010	As at December 31, 2009
Within 90 days	**110,234**	64,220
Over 90 days and within 180 days	**5,914**	9,198
Over 180 days and within 360 days	**14,678**	6,947
Over 360 days and within 720 days	**3,721**	11,365
Over 720 days	**3,141**	3,946
	137,688	95,676

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 June 30, 2010, trade receivables of RMB4,881,000 were impaired (December 31, 2009: RMB4,881,000).

As at June 30, 2010, the trade receivables that were neither past due nor impaired were RMB 95,891,000 (December 31, 2009: RMB 59,296,000).

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

Group (Cont'd)

Note (a) (Cont'd)

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

	As at	
	June 30, 2010	December 31, 2009
Overdue for 1 to 90 days	16,356	12,731
Overdue for 91 to 180 days	15,889	6,723
Overdue for 181 to 360 days	3,178	12,045
Overdue for 361 to 720 days	1,493	–
	36,916	31,499

Note (b)

Details of other receivables are as follows:

	As at	
	June 30, 2010	December 31, 2009
Value-added tax, government incentive and income tax receivable	54,664	17,839
Receivable from a non-controlling equity holder of a subsidiary (Note 34(c))	–	30,000
Others	1,133	7,136
	55,797	54,975

Note (c)

Movements in impairment of trade receivables are as follows:

	Six months ended June 30,	
	2010	2009 (unaudited)
At beginning and end of the period	(4,881)	(3,465)

Movements in impairment of other receivables are as follows:

	Six months ended June 30,	
	2010	2009 (unaudited)
At beginning and end of the period	(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.

(All amounts in RMB thousands unless otherwise stated)

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

Group (Cont'd)

Note (d)

On October 31, 2009, Shaanxi Yaobai entered into a non-binding memorandum of understanding (the "MOU") for the proposed acquisition of 100% of the registered capital of Ankang Jianghua Cement Co. Ltd. (the "Target") (the "Proposed Acquisition"). The MOU was effective until December 31, 2009. As the deposit for the Proposed Acquisition, Shaanxi Yaobai made a payment of RMB 100 million without interest to the third party to secure exclusivity.

As no formal acquisition agreement for Proposed Acquisition was signed before December 31, 2009. On January 25, 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 December 31, 2010. The Proposed Acquisition would be subject to legal and financial due diligence of the Target satisfactory to the Group. The Target will repay Shaanxi Yaobai the RMB 100 million deposit if the Company decides to cease the negotiation or Shaanxi Yaobai does not enter into formal acquisition agreement with the Target within the exclusive negotiation period.

Company

	As at	
	June 30, 2010	December 31, 2009
Amounts due from subsidiary undertakings (Note (a))	**690,391**	726,691
Others	**29,984**	14,592
	720,375	741,283

(a) Amounts due from subsidiary undertakings

	As at	
	June 30, 2010	December 31, 2009
Amounts due from West China BVI	**272,517**	417,866
Amounts due from Shaanxi Yaobai	**417,874**	308,825
	690,391	726,691

The amounts due from subsidiaries are unsecured, interest free and repayable on demand. The carrying amounts of loans to subsidiaries approximate to their fair value.

14. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Group

	As at June 30, 2010	As at December 31, 2009
Cash at bank and on hand (Note (a))	107,210	365,840
Less: Restricted cash (Note (b))	(9,420)	(19,582)
Cash and cash equivalents	97,790	346,258

	As at June 30, 2010	As at December 31, 2009
Cash at bank and on hand is denominated in:		
– RMB	91,647	318,497
– GBP	1,056	5,378
– US$	4,902	22,380
– HKD	185	3
	97,790	346,258
Restricted cash is denominated in:		
– RMB	9,420	5,010
– US$	–	14,572
	9,420	19,582

Company

	As at June 30, 2010	As at December 31, 2009
Cash at bank and on hand (Note (a))	6,065	42,330
Less: restricted cash (Note (b))	–	(14,572)
Cash and cash equivalents	6,065	27,758

	As at June 30, 2010	As at December 31, 2009
Cash at bank and on hand is denominated in:		
– GBP	1,056	5,378
– US$	5,009	22,380
	6,065	27,758

14. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (Cont'd)

The restricted cash of the Company is all denominated in US$.

(a) Bank deposits bear interests at rates based on bank deposit rates as agreed with banks for the six months ended June 30, 2010. The weighted average effective interest rate on deposits was 0.15% per annum for the six months ended June 30, 2010 (six months ended June 30, 2009: 0.84%)

(b) Restricted cash represents cash set aside for securing 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.

15. SHARE CAPITAL AND PREMIUM

Group and Company

	Number of issued shares in thousand	Ordinary shares	Share premium	Total
At December 31, 2009	64,862	97,623	672,775	770,398
Employee share option scheme:				
– proceeds from shares issued	986	1,011	15,147	16,158
At June 30, 2010	**65,848**	**98,634**	**687,922**	**786,556**

The total authorized number of ordinary shares is 200 million shares with a par value of GBP 0.1 per share throughout the six months ended June 30, 2010. 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 of GBP 1.05 each, less expenses incurred and the premium arising on the exercise of share option.

Pursuant a shareholders' resolution dated July 20, 2010, each ordinary shares of GBP0.1 will be subdivided into 50 ordinary shares of GBP0.002 each, which has been taken effect upon Listing of the Company's shares on the main board of the HKSE with effective on August 23, 2010. Since the subdivision has been effected at the approval date of these consolidated interim financial statements, the calculation of the number of shares for earnings per share as disclosed in the financial statements have taken into account of the subdivision and is based on the new number of shares upon subdivision.

16. SHARE-BASED PAYMENT

Group and Company

Share options and warrants are granted to brokers, advisors and directors of the Company. The options and warrants are exercisable immediately or starting after two years from the grant date. The options and warrants have a contractual option term of three or five years. The Group has no legal or constructive obligation to repurchase or settle the options and warrants in cash. The existing share options and warrants will not be cancelled or replaced upon the listing.

Movements in the number of share options and warrants outstanding and their related weighted average exercise prices before the subdivision of shares of the Company (Note 36(b)) are as follows:

	Six months ended June 30,			
	2010		2009	
	Average exercise price in GBP per share	**Options and warrants (thousands)**	Average exercise price in GBP per share (unaudited)	Options and warrants (thousands) (unaudited)
At beginning of the period	**1.22**	**1,466**	1.13	1,965
Granted	**–**	**–**	1.42	250
Exercised	**1.10**	**(986)**	1.05	(451)
At end of the period	**1.49**	**480**	1.20	1,764

The related weighted average share price in the market at the time of exercise in the six months ended June 30, 2010 was GBP 6.50 (six months ended June 30, 2009: GBP 1.70).

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

		Options and warrants (thousands) As at	
Expiry date	**Exercise price in GBP per share**	**June 30, 2010**	December 31, 2009
2010	1.05	**–**	100
2011	1.05	**–**	796
2013	1.577	**230**	320
2014	1.42	**250**	250
		480	1,466

The adjusted total number of share options and warrants outstanding as at June 30, 2010 after taking into account of the subdivision of shares was 24,000,000 at exercise price of a fiftieth of the original exercise price.

(All amounts in RMB thousands unless otherwise stated)

16. SHARE-BASED PAYMENT (Cont'd)

Group and Company (Cont'd)

Neither options nor warrants were granted to any persons by the Company during the six months ended June 30, 2010. The weighted average fair value of options and warrants granted during the six months ended June 30, 2009 was GBP 2.15, determined using the Black-Scholes valuation model. The significant inputs into the model were as follows:

	Six months ended June 30, 2009 (unaudited)
Weighted average share price	GBP 1.39
Exercise price	GBP 1.42
Expected volatility	51%
Expected dividend yield	0%
Expected option life	5 years
Annual risk-free interest rate	2.55%

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.

17. OTHER RESERVES

Group

Reverse acquisition reserve

The acquisition of West China BVI by the Company on October 27, 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 regulations in the PRC and provision of the articles of association of the group companies established in the PRC, the group companies in the PRC are required to appropriate 10% of the profit-after-taxation determined under PRC Accounting Standards to the statutory reserve until the balances reach 50% of their respective paid-in capital. The reserve can be used to offset losses incurred or to increase their respective paid-in capital. Except for offset of losses incurred, any other usage should not result in the reserve balance falling below 25% of registered capital. The appropriation of statutory reserve is based on certain percentages of the companies´ profit of the year, which is based on the figures reported in the statutory financial statements, so there was no appropriation to statutory reserve for the six months ended June 30, 2010.

Dividends distribution

According to the relevant PRC regulations, retained earnings available for distribution by the Group's PRC subsidiaries should be the retained earnings recorded in the statutory financial statements that are prepared under the accounting principles and financial regulations applicable in the PRC.

(All amounts in RMB thousands unless otherwise stated)

18. RETAINED EARNINGS/(ACCUMULATED LOSSES)

Group

	Six months ended June 30,	
	2010	2009 (unaudited)
At beginning of the period	**717,553**	442,070
Profit for the period	**362,812**	140,042
At end of the period	**1,080,365**	582,112

Company

	Six months ended June 30,	
	2010	2009 (unaudited)
Accumulated losses:		
At beginning of the period	**(211,977)**	(50,705)
Loss for the period	**(55,836)**	(43,647)
At end of the period	**(267,813)**	(94,352)

19. BORROWINGS

Group

	As at June 30, 2010	As at December 31, 2009
Non-current		
Bank borrowings-secured (Note (a))	995,170	704,522
Other borrowings (Note (b))	24,000	32,000
Less: Current portion of non-current borrowings	(301,773)	(376,464)
	717,397	360,058
Current		
Bank borrowings-secured (Note (a))	510,000	790,604
Other borrowings (Note (b))	–	121,800
Current portion of non-current borrowings	301,773	376,464
	811,773	1,288,868
Total borrowings	1,529,170	1,648,926

(a) Bank borrowings

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

	As at June 30, 2010	As at December 31, 2009
RMB		
- borrowed by subsidiaries (i) (ii)	830,088	745,600
- transferred in from a non-controlling equity holder of a subsidiary (Note 34)	–	49,200
US$		
- US$60 million (iii)	–	358,921
- US$50 million from Superb Miles Limited (iv)	341,956	341,405
- US$50 million from financial institutions (v)	333,126	–
	1,505,170	1,495,126

(All amounts in RMB thousands unless otherwise stated)

19. BORROWINGS (Cont'd)

Group (Cont'd)

(a) Bank borrowings (Cont'd)

Bank borrowings were secured as follows:

	As at June 30, 2010	As at December 31, 2009
Jointly secured by land use rights and PPE (i)	**510,000**	478,000
Jointly secured by land use rights, PPE and equity interests of subsidiaries (ii)	**320,088**	316,800
Secured by a subsidiary's equity interests (iii)	**–**	358,921
Secured by the Company's shares (iv)	**341,956**	341,405
Secured by subsidiary's equity interests and the Company's shares (v)	**333,126**	–
	1,505,170	1,495,126

(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 amounts of RMB583,696,000 as at June 30, 2010 (December 31, 2009: RMB 681,764,000).

(ii) The Group's bank borrowings of RMB330,000,000 as at June 30, 2010 and December 31, 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 RMB952,061,000 as at June 30, 2010 (December 31, 2009: RMB987,091,000), and secured by 100% of 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. During the six months ended June 30, 2010, the Group incurred capital expenditures exceeded the limit stipulated in the loan agreement, and the Group also did not meet one of the loan covenants regarding the ratio of total liabilities to total assets stipulated in the loan agreement as at June 30, 2010. The Group has obtained the waiver from compliance with the limit and the ratio from the facility agent representing the lenders by June 30, 2010 (Note 3.1(c)).

(iii) The Group's bank borrowings of US$60,000,000 from Credit Suisse, Singapore Branch ("CS Facility") as at December 31, 2009 were secured by 100% of the equity interest of its subsidiary Shaanxi Yaobai. The facility was fully repaid on March 9, 2010 and all related financial instruments have been discharged.

(iv) The Group's bank borrowings of US$50,000,000 from Superb Miles Limited, a subsidiary of ICBC International Holdings ("ICBCI Facility") as at June 30, 2010 and December 31, 2009 were guaranteed by Mr. Jimin Zhang Jimin ("Mr Zhang") and secured by 19,393,776 shares (before share subdivision) of the Company (the "Shares") held by Mr. Zhang. Pursuant to an extension agreement entered into on March 1, 2010, the borrowing will be due on July 26, 2011 or listing on the HKSE or any other internationally recognized stock exchange whichever is earlier. The full amount was repaid on August 23, 2010 (Note 36(d)).

19. BORROWINGS (Cont'd)

Group (Cont'd)

(a) Bank borrowings (Cont'd)

(v) On February 26, 2010, the Company entered into a US$50,000,000 term loan facility agreement ("ICBC Facility") with Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia") and Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau") with the intention to utilise this loan to repay the CS Facility. The US$50,000,000 loan was drawn down on March 9, 2010, and the CS Facility has been fully repaid.

The ICBC Facility is secured by (a) a share charge over West China BVI by the Company; (b) a share charge over Faithful Alliance provided by West China BVI; (c) an equity pledge over Shaanxi Yaobai provided by Faithful Alliance; (d) an assignment of shareholders' loan borrowed by West China BVI from the Company; (e) charges over the accounts of the Company; and (f) corporate guarantee in favor of ICBC Asia and ICBC Macau, provided by ICBC International Holdings Limited ("ICBCI Holdings"). ICBCI Holdings also granted to the lenders a put option, upon the exercise of which ICBCI Holdings is required to purchase the ICBC Facility from ICBC Asia and ICBC Macau together with all rights attached thereto. Such put option may only be exercised at any time after the occurrence of an event of default as set out in the ICBC Facility Agreement.

In addition, a second charge over 19,393,776 shares (before share subdivision) held by Mr. Zhang, was created and a personal guarantee was provided by Mr. Zhang in favor of ICBCI Holdings, as the guarantor to the ICBC Facility, ranking immediately behind the charge created under the ICBCI Facility. The second charge over the shares held by Mr. Zhang and the personal guarantee will be released before or upon listing on the HKSE or other international recognized stock exchange whichever is earlier. US$25,000,000 loan under ICBC Facility was repaid on August 23, 2010 (Note 36(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:

	As at	
	June 30, 2010	December 31, 2009
6 months or less	**383,987**	626,563
6-12 months	**427,786**	540,505
1-2 years	**633,992**	204,596
2-5 years	**59,405**	123,462
	1,505,170	1,495,126

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

(All amounts in RMB thousands unless otherwise stated)

19. BORROWINGS (Cont'd)

Group (Cont'd)

(a) Bank borrowings (Cont'd)

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

	As at June 30, 2010	As at December 31, 2009
Carrying amount		
– US$ bank borrowings (i)	**505,310**	77,258
– RMB bank borrowings (ii)	**188,087**	250,800
	693,397	328,058
Fair value		
– US$ bank borrowings (i)	**501,111**	114,819
– RMB bank borrowings (ii)	**188,087**	250,800
	689,198	365,619

(i) The carrying amount of US$ bank borrowings represented the non-current portion of CS Facility as at December 31, 2009, and ICBCI Facility and ICBC Facility as at June 30, 2010 respectively. The fair values are estimated based on discounted cash flows using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

(ii) The fair values of non-current RMB bank borrowings approximate their carrying amounts at each of the balance sheet dates as all non-current RMB bank borrowings carry floating interest rates.

The weighted average effective interest rates at each balance sheet date were as follows:

	As at June 30, 2010	As at December 31, 2009
RMB bank borrowings	**6.78%**	7.27%
US$ bank borrowings	**7.04%**	12.94%

19. BORROWINGS (Cont'd)

Group (Cont'd)

(b) Other borrowings

	As at June 30, 2010	As at December 31, 2009
Loan from third parties		
– transferred in from a non-controlling equity holder of a subsidiary (Note 34)	**18,000**	150,800
– other	**6,000**	3,000
	24,000	153,800

Other borrowings are all unsecured and denominated in RMB.

Other borrowings are repayable as follows:

	As at June 30, 2010	As at December 31, 2009
6 months or less	**–**	92,800
6-12 months	**–**	29,000
1-2 years	**18,000**	29,000
2-5 years	**6,000**	3,000
	24,000	153,800

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

Other borrowings of RMB6,000,000 as at June 30, 2010 and RMB3,000,000 as at December 31, 2009 are interest free. The weighted average effective interest rates for the remaining other borrowings as at June 30, 2010 were 2.14% (December 31, 2009: 9.16%).

Company

The borrowings of the Company represent all the US$ bank borrowings of the Group. For the breakdown of bank borrowings of the Company, please refer to Note 19 (a), (iii), (iv) and (v).

(All amounts in RMB thousands unless otherwise stated)

20. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Environmental Restoration
At December 31, 2009	6,265
Additional provisions	1,755
Unwinding of discount for the period (Note 27)	186
At June 30, 2010	**8,206**

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 recognized 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

Group

	As at	
	June 30, 2010	December 31, 2009
Non-current		
Long-term payables for mining rights (Note (a))	**7,400**	7,400
Deferred income for purchase of equipment (Note (b))	**37,269**	39,002
Payable to a non-controlling equity holder of a subsidiary (Note 34(b))	**74,735**	70,160
Other	**–**	487
	119,404	117,049

(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 installments up to 2012. 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 amortized based on the useful life of the equipment.

22. TRADE AND OTHER PAYABLES

Group

	As at	
	June 30, 2010	December 31, 2009
Trade payables	**359,916**	185,950
Other payables	**320,843**	141,343
Payable to a non-controlling equity holder of a subsidiary (Note 34(b))	**–**	70,161
Acquisition consideration payable	**823**	36,050
Bonus payable	**6,000**	6,000
Advances from customers	**112,988**	56,920
Staff salaries and welfare payables	**19,435**	17,204
Interest payable	**1,057**	3,007
Accrued taxes other than income tax (Note (a))	**15,107**	32,288
Other liabilities	**13,832**	10,472
	850,001	559,395

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

(All amounts in RMB thousands unless otherwise stated)

22. TRADE AND OTHER PAYABLES (Cont'd)

The ageing analysis of the trade payables were as follows:

	As at June 30, 2010	As at December 31, 2009
Within 90 days	**287,349**	147,187
Over 90 days and within 180 days	**45,044**	21,926
Over 180 days and within 360 days	**25,820**	12,851
Over 360 days and within 720 days	**1,692**	3,967
Over 720 days	**11**	19
	359,916	185,950

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

	As at June 30, 2010	As at December 31, 2009
Value added tax ("VAT") (i)	**3,351**	20,433
Resource tax, bulk cement special funds and other taxes	**11,756**	11,855
	15,107	32,288

(i) The sales of self-manufactured products of the PRC subsidiaries are subject to VAT. The applicable tax rate for domestic sales is 17%.

Input VAT on purchases of raw materials, fuel, utilities and other production materials can be deducted from output VAT. VAT payable is the net difference between output and deductible input VAT. Effective from January 1, 2009, the input VAT on purchased equipment can be offset against the output VAT.

23. EXPENSES BY NATURE

	Six months ended June 30,	
	2010	2009
		(unaudited)
Changes in inventories of finished goods and work in progress	**(9,848)**	(39,736)
Raw materials and consumables used	**215,827**	138,816
Employee benefit expenses	**39,989**	22,163
Depreciation and amortization	**98,235**	46,120
Utilities and electricity	**402,424**	184,860
Marketing expense	**2,326**	2,816
Transportation expenses	**4,595**	4,237
Vehicle expenses	**1,869**	1,512
Administration and advertising expenses	**11,964**	8,115
Auditor remuneration	**113**	797
Taxes and levies	**9,160**	6,760
Operating lease payments	**112**	813
Other expenses	**9,471**	3,092
Total cost of sales, selling and marketing and administrative expenses	**786,237**	380,365

24. EMPLOYEE BENEFIT EXPENSES

	Six months ended June 30,	
	2010	2009
		(unaudited)
Wages and salaries	**33,451**	18,879
Pension costs - defined contribution plans	**1,201**	609
Other social security costs	**548**	192
Share options granted to directors (Note (a))	**274**	458
Other allowances and benefits	**4,515**	2,025
Total including director's emoluments	**39,989**	22,163

The numbers of employees are 3,094 as at June 30, 2010 (June 30, 2009: 2,606).

(a) On April 23, 2009, 250,000 share options were granted to the director and the Chief Financial Officer of the Company (Note 16).

(All amounts in RMB thousands unless otherwise stated)

24. EMPLOYEE BENEFIT EXPENSES (Cont'd)

(b) Directors' emoluments

Directors' emoluments for the six months ended June 30, 2010 and 2009 are set out below:

	Six months ended June 30,	
Name of Director	**2010**	2009 (unaudited)
Robert Sinclair Robertson		
– Salaries	**389**	383
– Share options scheme accrued	**88**	293
Brett Lance Miller		
– Salaries	**272**	268
– Share options scheme accrued	**22**	74
Po Ling Low		
– Salaries	**398**	360
– Share options scheme accrued	**164**	91
Jimin Zhang		
– Salaries, bonus and pension scheme	**607**	607
Jianli Wang		
– Salaries, bonus and pension scheme	**114**	105
	2,054	2,181

No director has waived or agreed to waive any emoluments.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the six months ended June 30, 2010 and 2009 are as follows:

	Six months ended June 30,	
	2010	2009 (unaudited)
Directors	**4**	4
Non-director individuals	**1**	1

The details of emoluments paid to the five highest individuals who were directors of the Company during the six months ended June 30, 2010 and 2009 have been included in Note (b) above. Details of emoluments paid to the remaining non-director individuals are as follows:

	Six months ended June 30,	
	2010	2009 (unaudited)
Basic salaries, housing allowances, other allowances and benefits in kind	**129**	118

25. OTHER INCOME

	Six months ended June 30, 2010	2009 (unaudited)
Tax refund (Note (a))	**52,365**	27,667
Government grant	**3,878**	2,822
	56,243	30,489

(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)/GAINS - NET

	Six months ended June 30, 2010	2009 (unaudited)
Donations	**(458)**	(55)
Net (loss)/profit from disposal of PPE	**(456)**	74
Others	**835**	362
	(79)	381

(All amounts in RMB thousands unless otherwise stated)

27. FINANCE INCOME AND COSTS

	Six months ended June 30, 2010	Six months ended June 30, 2009 (unaudited)
Finance income		
– Interest income on short-term bank deposits	**178**	427
– Net foreign exchange gains on financing activities (Note (a))	**3,058**	230
	3,236	657
Finance costs		
– Interest expense on bank borrowings	**(73,564)**	(52,880)
– Interest expense on other borrowings	**(2,191)**	(584)
– Early repayment charges	**(7,479)**	–
– Unwinding of discount (Note 20)	**(186)**	–
– Fair value loss on financial instruments	**–**	(26,054)
Less: amounts capitalized (Note (b))	**19,486**	10,154
	(63,934)	(69,364)
Net finance costs	**(60,698)**	(68,707)

(a) Net foreign exchange gains mainly relate to the translation of the bank borrowings from US$ to RMB during the six months ended June 30, 2010. The US$ currency was depreciating as compared to RMB during the six months ended June 30, 2010.

(b) Interest expense was capitalized as construction in progress at a weighted average effective interest rate of 10% per annum for six months ended June 30, 2010 (six months ended June 30, 2009: 14% (unaudited)) (Note 6).

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.

	Six months ended June 30,	
	2010	2009
		(unaudited)
Current tax	**55,141**	16,472
Deferred tax (Note 10)	**(2,705)**	–
Income tax expense	**52,436**	16,472

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 Group as follows:

	Six months ended June 30,	
	2010	2009
		(unaudited)
Profit before tax	**418,851**	156,514
Tax calculated at statutory income tax	**104,712**	39,128
Tax effects of:		
Expenses not deductible for tax purposes	**9,717**	16,494
Tax effect of tax exemption and reduced tax rate under tax holiday (Note (a))	**(61,993)**	(39,150)
Tax charge	**52,436**	16,472

Pursuant to the applicable rules and regulations of Jersey 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 six months ended June 30, 2010 based on existing legislations, interpretations and practices.

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

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% upon the PRC tax bureau's approval at the time of dividend claim. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of their earnings generated from January 1, 2008.

(All amounts in RMB thousands unless otherwise stated)

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 tax, followed by a three-year of a 50% tax reduction commencing from the first profit-making year net of losses carried forward from previous 5 years.

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, Lantian Yaobai and Ankang Yaobai during the six months ended June 30, 2010 are as follows:

	Six months ended June 30,	
	2010	2009 (unaudited)
Shaanxi Yaobai	**7.5%**	7.5%
Lantian Yaobai	**7.5%**	7.5%
Ankang Yaobai	**15%**	15%

No tax reductions and exemptions were granted to the other subsidiaries of the Company in the PRC during the six months ended June 30, 2010.

29. EARNINGS PER SHARE

As mentioned in Note 15, each ordinary share of GBP0.1 of the Company has been subdivided into 50 ordinary shares of GBP0.002 effective on August 23, 2010, the earnings per share calculation below has taken into account of the share subdivision and based on the new number of shares after subdivision.

(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 six months ended June 30, 2010.

	Six months ended June 30,	
	2010	2009 (unaudited)
Profit attributable to equity holders of the Company	**362,812**	140,042
Weighted average number of ordinary shares in issue (thousands)	**3,282,870**	3,220,710
Basic earnings per share (RMB per share)	**0.11**	0.04

(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 granted 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 as above is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants.

	Six months ended June 30,	
	2010	2009 (unaudited)
Profit attributable to equity holders of the Company	**362,812**	140,042
Profit used to determine diluted earnings per share	**362,812**	140,042
Weighted average number of ordinary shares in issue (thousands)	**3,282,870**	3,220,710
Adjustments for share options and warrants (thousands)	**23,098**	8,285
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,305,968**	3,228,995
Diluted earnings per share (RMB per share)	**0.11**	0.04

30. DIVIDENDS

No interim dividends are declared for the six months ended June 30, 2010 (2009: Nil).

(All amounts in RMB thousands unless otherwise stated)

31. CASH GENERATED FROM OPERATIONS

	Six months ended June 30, 2010	2009 (unaudited)
Profit before income tax	**418,851**	156,514
Adjustments for:		
– Depreciation and amortization (Notes 6, 7, 8 and 9)	**98,235**	46,120
– Loss/(profit) on disposal of PPE (Note 26)	**456**	(74)
– Share-based payment	**353**	554
– Finance costs — net (Note 27)	**60,698**	68,707
Changes in working capital:		
– Inventories	**(16,743)**	(35,773)
– Trade and bills receivables	**(47,729)**	(3,939)
– Other receivables and prepayments	**(45,861)**	(19,029)
– Trade and other payables	**147,546**	164,017
Cash generated from operations	**615,806**	377,097

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

	Six months ended June 30, 2010	2009 (unaudited)
Net book amount (Note 6)	**1,248**	1,604
(Loss)/profit on disposal of property, plant and equipment (Note 26)	**(456)**	74
Proceeds from disposal of property, plant and equipment	**792**	1,678

32. CONTINGENCIES

During the six months ended June 30, 2010, the Company and the Group did not have any contingent liabilities.

33. COMMITMENTS

(a) Capital commitments

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

	As at June 30, 2010	December 31, 2009
Property, plant and equipment	**341,986**	558,336

(b) Operating lease commitments - Group companies as lessee

The Group leases various buildings 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 have been terminated by the end of the six months ended June 30, 2010.

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

	As at June 30, 2010	December 31, 2009
No later than 1 year	–	74
Later than 1 year and no later than 5 years	–	209
Later than 5 years	–	446
	–	729

(All amounts in RMB thousands unless otherwise stated)

34. FORMATION OF A SUBSIDIARY

On December 28, 2009, Shaanxi Yaobai entered into an agreement with Shaanxi Danshui Construction Materials Co., Ltd. ("Shaanxi Danshui") to form a new company, Longqiao Yaobai. The registered paid-in capital of Longqiao Yaobai is RMB125,000,000, each of Shaanxi Yaobai and Shaanxi Danshui holds 80% and 20% of the equity interests of Longqiao Yaobai respectively. According to the agreement, Shaanxi Yaobai is required to contribute cash amounting to RMB100,000,000 and Shaanxi Danshui is required to contribute certain plant and equipment with a fair value of RMB25,000,000. In addition to the capital contribution, Shaanxi Danshui also transferred a number of assets valued at RMB340,321,000 and liabilities valued at RMB200,000,000 to Longqiao Yaobai. The value of the transferred assets over liabilities was recorded as amounts due to Shaanxi Danshui.

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

As registered capital:	
Cash contributed from Shaanxi Yaobai (Note (a))	50,000
PPE contributed from Shaanxi Danshui	25,000
	75,000
Other assets transferred from Shaanxi Danshui:	
PPE	312,226
Land use rights	15,165
Mining rights	12,930
	340,321
Liabilities transferred from Shaanxi Danshui:	
Bank borrowings (Note 19)	(49,200)
Other borrowings (Note 19)	(150,800)
	(200,000)
Amount due to Shaanxi Danshui (Note (b))	(140,321)

(a) Shaanxi Yaobai contributed another RMB 50,000,000 of cash to Longqiao Yaobai in February 2010.

(b) The amount due to Shaanxi Danshui represented the value of the assets over the liabilities transferred from Shaanxi Danshui, and was recorded as a non-interest bearing amount due to a non-controlling equity holder of a subsidiary. On January 1, 2010, Longqiao Yaobai entered into a supplementary agreement with Shaanxi Danshui. Pursuant to the supplementary agreement, the amount due to Shaanxi Danshui will be fully repaid on December 31, 2011, and therefore the amount due to Shaanxi Danshui of RMB74,735,000 as at June 30, 2010 was classified as non-current liabilities.

(c) In November and December 2009, Shaanxi Yaobai paid RMB 30,000,000 to Shaanxi Danshui as advance (Note 13(b)). This receivable balance was offset with other borrowings in January 2010.

35. RELATED-PARTY TRANSACTIONS

(a) Key management compensation

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

	Six months ended June 30, 2010	2009 (unaudited)
Salaries and other short-term employee benefits	**2,334**	2,234
Share-based payments	**274**	458
	2,608	2,692

(b) Amount due from key management

	As at June 30, 2010	December 31, 2009
Yongji Li	**–**	2,662

The amount due from Mr. Yongji Li related to one of our customers in 2009 offered to settle its debts it owed to the Company by transferring its real property to the Company. Mr. Yongji Li accepted the property and assumed the liability from the customer to the Company. The amount is interest free, unsecured and has been fully repaid in June 2010.

(c) The details of security provided by Mr. Jimin Zhang for bank borrowings are set out in Note 19(a)(iv) and (v).

36. EVENTS AFTER THE BALANCE SHEET DATE

(a) At the extraordinary general meeting duly convened and held on July 20, 2010, the Company passed shareholders' resolutions to approve the cancellation of admission of the Company's ordinary shares to trading on Alternative Investment Market of London Stock Exchange (the "De-Listing") conditional upon and with effect from the date of commencement of trading of the Company's ordinary shares on the HKSE. The De-Listing came into effect simultaneously with the commencement of trading of the Company's ordinary shares on the HKSE on August 23, 2010.

(b) In addition, the Company also passed shareholders' resolutions on July 20, 2010 to approve the subdivision of each existing issued and unissued shares of £0.10 each in the share capital of the Company into 50 new ordinary shares of £0.002 each so that the authorised share capital of the Company £20,000,000 is divided into 10,000,000,000 ordinary shares of £0.002 each, which is conditional upon and with effect from the date of commencement of trading of the Company's shares on the HKSE. The subdivision came into effect upon the commencement of trading of the Company's ordinary shares on the HKSE on August 23, 2010.

(c) In August 2010, the Company issued 823,120,000 new ordinary shares of £0.002 each at HK$1.69 per share in the share capital of the Company for subsciption under a global offering, which raised total net proceeds of approximately HK$1,280,000,000. The new ordinary shares of the Company were listed on the HKSE on August 23, 2010.

(d) On August 23, 2010, the whole amount of US$50,000,000 loan under the ICBCI Facility and US$25,000,000 loan under the ICBC Facility were repaid. In addition, the first charge and the second charge over the Shares held by Mr. Zhang and personal quarantee provided by Mr. Zhang in relation to ICBCI Facitity and ICBC Facility were released on the same date (Note 19(a)(iv) and (v)). The remaining US$25,000,000 loan under the ICBC Facility will become payable by four equal instalments according to the original repayment schedule.