西部水泥

WEST CHINA CEMENT LIMITED
中 國 西 部 水 泥 有 限 公 司

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

(Stock Code: 2233)

2011 Interim Results Announcement

Financial highlights:

- Revenue increased by 41.6% to RMB1,713.0 million for the six months ended 30 June 2011, as a result of the Group's increase in sales volume following the Group's capacity expansion.
- Profit attributable to the owners of the Company increased by RMB56.2 million or 15.5% to RMB419.0 million for the six months ended 30 June 2011.
- Due to the increase in the number of shares following the Company's listing on the HKSE in August 2010, earnings per share ("EPS") amounted to RMB0.10 (six months ended 30 June 2010: RMB0.11) per share. The EPS for June 2010, taking into account of the above listing effect, would have been RMB0.085 per share.
- Gearing, measured as net borrowings to equity, increased from 23.0% as at 31 December 2010 to 57.0% as at 30 June 2011, mainly attributable to the increase in the total borrowings by RMB2,062.7 million to RMB3,274.1 million as a result of the Company's issue of senior notes.
- The board of directors of the Company proposed and approved an interim dividend of RMB0.02 per share, with total distributable dividends of approximately RMB85.3 million, representing approximately 20.3% of profit attributable to owners of the Company for the six months ended 30 June 2011.
- As at 30 June 2011, the annual cement production capacity of the Group was 16.2 million tons (31 December 2010: 12.5 million tons)
- The Companysuccessfully issued US$400 million of senior notes, with an interest rate of 7.5% per annum, maturing in January 2016. This financing has provided the Group with the scale and financial footing to further consolidate its position in its home market, Shaanxi Province, and to expand into the new market of the Hetian (Hotan) Region in Xinjiang Province.

The board of directors (the "Board") of West China Cement Limited (the "Company" together with its subsidiaries, the "Group") is pleased to announce the Group's interim results for the six months ended 30 June 2011 together with the comparative figures for the corresponding period of 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	**Six months ended 30 June**	
		2011	2010
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Revenue	1	**1,712,973**	1,209,622
Cost of sales		**(1,146,069)**	(737,045)
Gross profit		**566,904**	472,577
Selling and marketing expenses		**(16,854)**	(9,244)
Administrative expenses		**(91,651)**	(39,948)
Other income		**82,417**	56,243
Other gains / (losses) – net		**5,254**	(79)
Finance income		**47,647**	3,236
Finance costs		**(107,840)**	(63,934)
Profit before taxation		**485,877**	418,851
Income tax expense	2	**(64,874)**	(52,436)
Profit for the period	3	**421,003**	366,415
Other comprehensive income		**–**	–
Total comprehensive income for the period		**421,003**	366,415
Profit and total comprehensive income attributable to			
– Owners of the Company		**418,980**	362,812
– Non-controlling interests		**2,023**	3,603
Earnings per share for profit attributable to the owners of the Company during the period (expressed in Renminbi per share)			
Basic earnings per share	4	**0.10**	0.11
Diluted earnings per share	4	**0.10**	0.11

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2011

	Notes	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**5,588,988**	3,819,616
Prepaid lease payments - non-current portion		**308,478**	176,246
Mining rights		**129,437**	64,867
Other intangible assets		**115,025**	63,077
Advances for business combination		**–**	300,000
Deferred income tax assets		**24,393**	17,124
		6,166,321	4,440,930
Current assets			
Inventories		**358,471**	166,898
Trade and other receivables and prepayments	6	**784,465**	545,457
Prepaid lease payments - current portion		**6,048**	1,808
Restricted bank deposits		**23,964**	16,122
Cash and cash equivalents		**959,709**	374,459
		2,132,657	1,104,744
Total assets		**8,298,978**	5,545,674

	Notes	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**119,119**	118,850
Share premium		**2,006,007**	2,001,917
Share options reserve		**1,394**	593
Equity reserve		**(333,180)**	(341,304)
Statutory reserve		**220,388**	220,388
Retained earnings		**1,894,395**	1,540,448
		3,908,123	3,540,892
Non-controlling interests		**112,816**	33,124
Total equity		**4,020,939**	3,574,016
LIABILITIES			
Non-current liabilities			
Borrowings	8	**206,000**	131,255
Senior notes	9	**2,518,064**	–
Provisions for other liabilities and charges		**9,207**	8,444
Deferred income tax liabilities		**15,125**	8,959
Other liabilities		**42,376**	39,215
		2,790,772	187,873
Current liabilities			
Trade and other payables	7	**886,910**	644,056
Current income tax liabilities		**50,357**	59,548
Borrowings	8	**550,000**	1,080,181
		1,487,267	1,783,785
Total liabilities		**4,278,039**	1,971,658
Total equity and liabilities		**8,298,978**	5,545,674
Net current assets (liabilities)		**645,390**	(679,041)
Total assets less current liabilities		**6,811,711**	3,761,889

NOTES:

1. REVENUE AND SEGMENT INFORMATION

The Group's subsidiaries are engaged in the production and sale of cement. The Group's Chief Executive Officer, the chief operating decision maker reviews the results of individual plants to make decisions about the allocation of resources. These plants have similar economic characteristics and are therefore presented as a single reportable segment. All of the revenue and operating results of the Group are derived in Shaanxi and Xinjiang Provinces, the PRC. The revenue represents the sale of cement during periods of six months ended 30 June 2011 and 2010.

2. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Current tax	**74,093**	55,140
Deferred tax	**(9,219)**	(2,704)
Income tax expense	**64,874**	52,436

3. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**137,777**	94,933
Amortisation of prepaid lease payments	**3,024**	904
Amortisation of mining rights included in cost of sales	**1,998**	1,504
Amortisation of other intangible assets included in administrative expenses	**1,035**	1,035
Total depreciation and amortisation	**143,834**	98,376
Reversals of write-down of inventories	**(2,129)**	–
Impairment loss reversed in respect of trade receivables	**(376)**	–
Cost of inventories recognised as expenses	**314,623**	215,827
Loss on disposal of property, plant and equipment	**61**	456
Gain on acquisition of subsidiaries	**(3,173)**	–
Share option expenses	**1,394**	353

4. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**418,980**	362,812

	Six months ended 30 June	
	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of the basic earnings per share	**4,254,919,740**	3,282,870,000
Effect of dilutive potential ordinary shares: share options	**–**	23,098,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,254,919,740**	3,305,968,000

The calculation of diluted earnings per share did not take into account the share options of the Company for the period ended 30 June 2011 because the exercise price of the Company's share options was higher than the average market price of the Company's share.

The share subdivision in August 2010 have been taken into account in calculation of the weighted average number of ordinary shares for the period of six months ended 31 December 2010.

5. DIVIDEND

During the period ended 30 June 2011, a final dividend of RMB0.0153 per share, amounting to a total dividend of RMB65,033,000 in respect of the year ended 31 December 2010 (six months ended 30 June 2010: Nil) was declared and paid to the owners of the Company. The dividend was paid out from the Company's share premium.

Subsequent to the end of the interim period, an interim dividend of approximately RMB85,260,000 at RMB0.02 per share (six months ended 30 June 2010: Nil), to be paid out from the Company's share premium, has been proposed and approved by the directors.

6. TRADE RECEIVABLES

The Group allows an average credit period of between 30 to 90 days to its credit sales customers.

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

	At	
	30 June 2011	31 December 2010
	RMB'000	RMB'000
Trade receivables		
0 to 90 days	**243,111**	159,825
91 to 180 days	**50,994**	31,611
181 to 360 days	**68,553**	14,780
361 to 720 days	**12,583**	9,928
Over 720 days	**2,254**	2,751
	377,495	218,895

7. TRADE PAYABLES

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

	At	
	30 June 2011	31 December 2010
	RMB'000	RMB'000
0 to 90 days	**164,476**	174,258
91 to 180 days	**115,097**	66,934
181 to 360 days	**39,568**	28,506
361 to 720 days	**3,770**	44,594
Over 720 days	**740**	12,903
	323,651	327,195

8. BORROWINGS

During the period, the Group obtained new bank loans amounting to approximately RMB616,900,000 (six months ended 30 June 2010: RMB715,849,000) and repaid bank loans amounting to RMB1,072,337,000 (six months ended 30 June 2010: RMB869,200,000). The new loans are carrying interest at variable market rate from 6.06% to 7.04% and repayable within one to two years.

9. SENIOR NOTES

On 25 January 2011, the Company issued 7.5% five-year senior notes with aggregated principal amount of US$400,000,000 (the "Notes") at 100% of the face value. The Notes are listed on the Singapore Exchange Securities Trading Limited. The Notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of the subsidiaries. The Company may at its option to redeem the Notes, in whole or in part, by certain dates based on the terms of the Notes.

10. PLEDGE OF ASSETS

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

	At	
	30 June 2011	31 December 2010
	RMB'000	RMB'000
Prepaid lease payments	**48,074**	41,710
Property, plant and equipment	**1,654,398**	1,435,827

On 25 January 2011, the Company issued senior notes of US$400,000,000. The Notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of the subsidiaries (Note 9).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The first half of 2011 has been both a challenging and exciting period for the Group. The "Western Development Policy" (西部大開發政策), the "Guanzhong –Tianshui Economic Zone Development Plan" (關中天水經濟區發展規劃) and Shaanxi Province's unique position as the "Gateway to the West" have provided us with an unprecedented growth opportunity, of which our Group is taking full advantage. The Shaanxi cement market has now entered into a more mature phase of development and our "Core Market" strategy has proved to be a vital component of the Group's development. This strategy of establishing smaller plants, closer to each other, in less developed areas, has led to the successful establishment of solid market positions in southern and eastern Shaanxi Province. The Group has been geared to take full advantage of both infrastructure and rural development in Shaanxi Province. Our focus on these defendable "Core Markets" has ensured that we are not only able to maintain margins in Shaanxi Province that are superior to our regional peers, but also to expand and acquire competitors thus consolidating our leading position in the Shaanxi market. The Group's sustainable growth has maintained strong operating cash flow generation and this sound financial foundation has allowed the Group to take full advantage of the consolidation opportunities in our core markets and expansion opportunities beyond them.

This sound financial footing has been further enhanced by our capital market activity. In January 2011, the Group successfully issued US$400 million of senior notes, with an interest rate of 7.5% per annum, maturing in January 2016. The funds raised have been used to refinance our existing debts and provide capital for acquisitions and organic growth. This financing has not only enabled us to pursue our expansion activities but has also significantly strengthened our financial position for the next few years.

The Group has been able to execute its expansion and growth strategy along a number of fronts in the first half of 2011. Firstly, we have successfully expanded in Shaanxi Province through organic growth and acquisitions. Our total capacity in Shaanxi Province reached 15.6 million tons by the end of June 2011, representing approximately 27% of total production in the province, although this market share number is at least 60% in our Core Markets in southern and eastern Shaanxi Province. Secondly, the Group has ventured into Xinjiang Province, a key focus area under the PRC government's 12th Five-Year Development Plan and a significant move in the execution of the next stage of our Group's growth plan.

Expansion and Acquisitions in Shaanxi Province

The 1.1 million tons Ankang Jianghua cement production facility, of which the Group acquired an 80% stake in December 2010, has been operating smoothly and produced approximately 490,425 tons of cement in the first half of 2011. The acquisition of the limestone reserves and mining rights was subsequently completed in June 2011 and we plan to acquire the remaining 20% stake by the end of the year.

Our Hanzhong Xixiang production facility, also a 1.1 million tons cement production facility, was commissioned in May 2011 and is expected to achieve normal production levels by September 2011. Along with the two 1.1 million tons cement production facilities commissioned in the second half of 2010 - Hanzhong Mianxian and Weinan Pucheng Line 2 – this new capacity has increased our sales volume to 5.92 million tons in the first half of 2011, an increase of 46.9% over the comparable period in 2010.

In June 2011, we acquired an 80% stake in a 2 million tons cement production facility, the Hancheng Yangshanzhuang Plant, in eastern Shaanxi Province. The acquisition cost amounts to approximately RMB330 per ton of cement. This is a NSP (New-Suspension Preheater) production facility that employs the latest high solid-gas preheating decomposition technology which significantly reduces coal and electricity consumption, in turn reducing production costs. This cost reduction feature is further enhanced by the plant's ability to recycle slag and fly ash from steel and power plants located approximately 3 to 5 kilometres from the production facility. This acquisition is significant in terms of our market reach – not only enhancing our position in north-eastern Weinan region and southern Yan'an region but also extending our market coverage to neighboring Shanxi Province.

Following the acquisition of the Hancheng Yangshanzhuang Plant, the Board have decided to slowdown the construction of Pucheng Line 3, a 3 million tons production line in Weinan region. The Yangshanzhuang Plant has already satisfied our current needs in Weinan Region and our Group has reached its intermediary target of close to 18 million tons in Shaanxi Province by the end of this year. The construction of the 1.5 million tons production line in Shangluo Danfeng is on schedule and is expected to be commissioned in December 2011.

Expansion and Acquisitions in Xinjiang Province

Our first step outside of our home market has been a significant development in the first half of the year. In March and April 2011, we announced the acquisition and construction of production capacity in southern Xinjiang Province respectively. This is our first move outside of Shaanxi Province and is part of our long-term strategy to transform our Group into a significant regional player in western China. The move into Xinjiang Province has been considered and planned over a long period. The Hetian (Hotan) region in Xinjiang Province has abundant natural resources, strong growth characteristics with rapid infrastructure development and urbanisation potential. Limestone and coal are plentiful and the region lacks NSP cement production. We found the infrastructure and development dynamics in this region extremely familiar following our experience in Shaanxi Province over the previous years, both in terms of the planned development of the region and the competitive and cement pricing environment. We are able to replicate our Shaanxi strategy in Hetian (Hotan) region.

Our Yutian (Keriya) cement production facility, located in Hetian (Hotan) region, commenced construction in April 2011 and is expected to be commissioned in June 2012. The production facility will have an annual cement capacity of 2 million tons and is being constructed along with a 7.5 MW residual heat recovery system. The total budgeted capital expenditure for the production facility is approximately RMB650 million. We have also acquired a smaller cement production facility with an annual production capacity of 650,000 tons (the "Hetian Luxin Plant") in Hetian (Hotan) City for a consideration of RMB160 million, which brought a sound benefit to the Company.

Safety and Environment

The Group is happy to report no injuries to its workers in the reporting period.

The Group's Safety and Environmental Protection Department continuously monitors and reviews safety procedures and continues to work towards the best safety standards possible in the cement industry.

The Group also continues to work towards the minimal possible emissions and energy consumption. As at 30 June 2011, we have installed residual heat recovery systems at our Xi'an Lantian and Ankang Xunyang production facilities. We are currently installing six more of these systems at our other production facilities. Four of them are expected to be completed in the last quarter of this year and the remaining two are expected to be completed in the first quarter of 2012.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 41.6% from RMB1,209.6 million for the six months ended 30 June 2010 to RMB1,713.0 million for the six months ended 30 June 2011. This increase in revenue was driven by the Group's capacity expansion in both existing and new markets in Shaanxi Province as well as a small contribution from our move into Xinjiang Province. Our cement sales volume increased by 46.9% from 4.03 million tons for the six months ended 30 June 2010 to 5.92 million tons for the six months ended 30 June 2011. The increased volume was contributed by new production facilities which commenced operation or were acquired since 30 June 2010, including:

- Hanzhong Mianxian - commenced operation in July 2010
- Weinan Pucheng Line 2 - commenced operation in September 2010
- Ankang Jianghua - acquisition of 80% equity interest completed in January 2011
- Hanzhong Xixiang - commenced operation in May 2011
- Hetian Luxin - acquisition completed in May 2011
- Weinan Hancheng - acquisition of 80% equity interest completed in June 2011

The increase in the Group's sales volume has been higher than the increase in revenue. The decline in average selling prices (the "ASP") per ton of cement has been due to two key factors. Firstly, the Group has added production facilities and increased its market shares in its core markets of Weinan, Hanzhong and Ankang regions in the east and south of Shaanxi Province. A larger portion of this new output caters for the rural market, where we are taking over market share from old, inefficient small scale producers. Rural market demand is for lower grade and lower ASP cement. Our sales to rural markets have thus increased from approximately 30% of total sales volume for the six months ended 30 June 2010 to approximately 50% of total sales volume for the six months ended 30 June 2011. This has resulted in lower average selling prices per ton of cement.

Secondly, the Shaanxi cement market has matured with increased capacity from other cement companies coming on stream in the first half of 2011, mainly in western and central Shaanxi Province. This new capacity has resulted in some market dislocation and price volatility, leading to an approximate 3% to 5% decrease in the selling price of our cement products in the first half of 2011 as compared to that of the same period last year. This is a normal occurrence when new capacity is added and this dislocation is reducing over the current months as the market absorbs the new product. Whilst we have experienced some effect on our pricing, we are in a strong position in our Core Markets in the south and east where our transportation advantage allows us to continue to be a price setter. We expect pricing to improve in the second half of the year.

Cost of Sales

Cost of sales increased by 55.5% from RMB737.0 million for the six months ended 30 June 2010 to RMB1,146.1 million for the six months ended 30 June 2011. The increase was primarily due to the increase in production and sales volume as a result of new capacity.

Coal costs are the largest component of the Group's cost of sales. The cost of coal as a percentage of total cost of sales increased marginally from approximately 36.4% for the six months ended 30 June 2010 to approximately 37.4% for the six months ended 30 June 2011. This increase was partly due to year-on-year increases in coal prices, and partly due to higher coal transportation costs as a result of the increase in the number of our production facilities in southern Shaanxi Province which are further away from coal supplies. We note that the total purchase cost for coal (including transportation cost) peaked in January 2011 and has declined from a high of approximately RMB700 per ton in January 2011 (January 2010: approximately RMB540 per ton) to approximately RMB580 per ton by June 2011 (June 2010: RMB580 per ton).

Electricity costs as a percentage of total cost of sales decreased marginally from approximately 18.4% for the six months ended 30 June 2010 to approximately 17.9% for the six months ended 30 June 2011.

Gross Profit and Gross Profit Margin

As a result of the increase in the sales volume, the gross profit increased by RMB94.3 million, or 20.0%, from RMB472.6 million for the six months ended 30 June 2010 to RMB566.9 million for the six months ended 30 June 2011. There was a decrease in the gross profit margin, from 39.1% for the six months ended 30 June 2010 to 33.1% for the six months ended 30 June 2011. We refer to some of the reasons for this in above Revenue and Cost of Sales sections. In addition, coal costs which were high during the winter months have normalised.

Administrative Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. The balance increased by 129.3% from RMB40.0 million for the six months ended 30 June 2010 to RMB91.7 million for the six months ended 30 June 2011. This was mainly due to the increase in the number of production facilities in Shaanxi and Xinjiang provinces and the incurring of legal and professional fees of RMB7.0 million in relation to acquisitions.

Other Income

Other income comprises value added tax refunds, which is a form of government incentive for the recycling of industrial waste as production input, and government grants. Other income increased by 46.6% from RMB56.2 million for the six months ended 30 June 2010 to RMB82.4 million for the six months ended 30 June 2011. This increase has been in line with increases in our revenue.

Finance Income

Finance income increased by RMB44.4 million from RMB3.2 million for the six months ended 30 June 2010 to RMB47.6 million for the six months ended 30 June 2011. The increase was primarily due to the increase in interest income from bank deposits of RMB6.8 million and an increase in exchange gain of RMB37.6 million arising from the Notes issuance in January 2011.

Finance Costs

Finance costs increased by RMB43.9 million or 68.7% from RMB63.9 million for the six months ended 30 June 2010 to RMB107.8 million for the six months ended 30 June 2011. The increase was primarily due to the increase in borrowings as a result of the Notes issuance in January 2011.

Income Tax Expenses

Income tax expenses increased by RMB12.4 million or 23.7% which has been in line with increases in operating scale and profitability. The effective tax rate for the six month ended 30 June 2011 increased to 13.4% (2010: 12.5%). The effective tax rate of the Group is lower compared to the PRC national tax rate of 25% as most of the Group's operating entities enjoy various preferential tax rates, such as the preferential rate of 15% for qualifying entities under the Western Development Policy.

Profit attributable to the owners of the Company

Profit attributable to the owners of the Company increased by 15.5% from RMB362.8 million for the six months ended 30 June 2010 to RMB419.0 million for the six months ended 30 June 2011.

The non-controlling interests for the six months ended 30 June 2011 are mainly attributable to the 20% equity interests of Ankang Yaobai Jianghua Cement Co., Ltd and that for the comparing period are mainly attributable to 20% equity interests of Shangluo Yaobai Longqiao Cement Co. Ltd, of which the Group acquired in January 2010.

FINANCIAL AND LIQUIDITY POSITION

The Group maintained a healthy financial and liquidity position for the six months ended 30 June 2011. Total assets increased by 49.6% to RMB8,299.0 million (31 December 2010: RMB5,545.7 million) while total equity grew by 12.5% to RMB4,020.9 million (31 December 2010: RMB3,574.0 million).

As at 30 June 2011, the Group had cash and cash equivalents, including restricted bank deposits , amounting to RMB983.7 million (31 December 2010: RMB390.6 million). After deducting total borrowings of RMB3,274.1 million (31 December 2010: RMB1,211.4 million), the Group had net borrowings of RMB2,290.4 million (31 December 2010: RMB820.8 million). Due to the Notes issuance, 76.9% (31 December 2010: 9.6%) of the borrowings are at a fixed interest rate. Please refer to notes 8, 9 and 10 of the condensed consolidated financial statements above for the details of the borrowings and the respective pledge of assets.

As at 30 June 2011, the Group's gearing ratio was 57.0% (31 December 2010: 23.0%). The calculation of the gearing ratio was measured as net borrowings to equity. The increase in the gearing ratio was mainly attributable to the increase in total borrowings by RMB2,062.7 million arising primarily from the Notes issuance during the six months ended 30 June 2011.

The Group used approximately RMB802.2 million of the proceeds from the Notes issuance to repay existing bank borrowings most of which were falling due within one year, hence significantly reducing the Group's current liabilities. As at 30 June 2011, the Group had net current assets of RMB645.4 million compared to net current liabilities of RMB679.0 million as at 31 December 2010, which is a considerable improvement of RMB1,324.4 million in the Group's liquidity position.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

Capital expenditure for the six months ended 30 June 2011 amounted to approximately RMB951.4 million (for the year ended 31 December 2010: approximately RMB1,417.0 million) and capital commitments as at 30 June 2011 amounted to approximately RMB1,011.4 million (31 December 2010: approximately RMB657.9 million). Both capital expenditure and capital commitments were mainly related to the constructions of additional production facilities as well as the upgrading of existing production facilities. The Group has funded these commitments from the proceeds of Notes issuance, operating cash flows and available banking facilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2011, the Group employed a total of 4,335 full time employees (2010: 3,094). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2011, the employees benefit expenses were RMB68.6 million (2010: RMB40.0 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 ACQUISITIONS AND DISPOSALS

On 6 January 2011, the Group completed the acquisition of an 80% equity interest in company with a 1.1 million tons cement production business, Ankang Yaobai Jianghua Cement Co. Ltd. (安康堯柏江華水泥有限公司) ("Ankang Jianghua"), for a purchase consideration of RMB320 million. Subsequently, on 30 June 2011, the Group acquired the limestone reserve and mining rights in relation to this business for a consideration of RMB50 million.

On 31 May 2011, the Group completed the acquisition of a 100% equity interest in Luxin Building Materials Co. Ltd. (和田魯新建材有限公司) (the "Hetian Luxin Plant") from an independent third party for a consideration of RMB160 million. Hetian Luxin Plant is engaged in cement manufacturing in Hetian (Hotan) City in southern Xinjiang Province with annual cement capacity of approximately 650,000 tons.

On 30 June 2011, the Group entered into an agreement to acquire an 80% equity interest in company with a 2 million tons cement production business, Hancheng Yaobai Yangshanzhuang Cement Company Limted (韓城堯柏陽山莊水泥有限公司) ("Hancheng Yangshanzhuang"), for a consideration of RMB530 million.

Save as disclosed above, the Group had no other significant material acquisitions or disposals during the six months ended 30 June 2011.

FOREIGN EXCHANGE RISK

During the six months ended 30 June 2011, the Group's sales and purchases were all denominated in Renminbi. However, some of the Group's bank borrowings and the proceeds raised through the Notes issuance of the Company in January 2011 were denominated in foreign currency. Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and/or internationally, and the demand and supply of the Renminbi. The appreciation or devaluation of the Renminbi against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

PROSPECTS

2011 is proving to be a pivotal year in our Group's development. Following our equity fund raising and move to The Stock Exchange of Hong Kong Limited (the "HKSE") in August 2010 and our Notes fund raising in January this year, our Group now has the scale and financial footing to further consolidate our position in our home market and to expand into the new market of the Hetian (Hotan) region in Xinjiang Province. This is part of our long term plan of becoming a major western China regional cement player. Our Core Market strategy in Shaanxi Province has built a stronghold in the south and east of the province. Our move into Hetian (Hotan) in Xinjiang Province is an important diversification for our future growth profile.

Our strategy in Shaanxi Province will continue to focus on maintaining our solid leading position in the province, consolidating our existing markets and ensuring intensive sales coverage across both infrastructure and rural development in our areas. Our capacity in Shaanxi Province is currently 15.6 million tons and will reach 17.1 million tons when the Shangluo Danfeng Line 2 is completed. This new capacity plays its part in advancing the phasing out of the remaining old, inefficient producers in our area, whose rural market we are gradually taking over, and advances our target of intensifying our sales coverage. The location of our production facilities in areas at a significant distance from central Shaanxi Province where competition is the strongest, provides us with core markets in a province. Whilst we are not currently focused on constructing new capacity in Shaanxi Province beyond what is currently being built, we are in a position to take advantage of acquisition opportunities if they present themselves and if these facilities fit in with our Core Market Strategy.

In our Core Market in the south, we have recently been named the primary cement supplier for the Southern Shaanxi Resettlement Project (陝南移民搬遷工程). This project aims to resettle approximately 2.4 million people in Hanzhong, Ankang and Shangluo regions, (approximately a quarter of the total population in these regions), over the next 10 years, from 2011 to 2020. Total investment is over RMB110 billion and the expected cement consumption will be about 12-14 million tons. Another key project in southern Shaanxi Province is the "Hanjiang-To-Weihe River Water Transfer Project" (引漢濟渭工程). The project will transfer water from the south of the Qinling mountain range to the Weihe River in the north in order to resolve water shortage and irrigation problems in central and northern Shaanxi Province by 2020. The project comprises five main sections: the Huangjinxia Gorge Hydro-Junction (黃金峽水利樞紐), the Huangjinxia Gorge Pump Station (黃金峽水源泵站), the Huangjinxia-to-Sanhekou Water Transfer Project (黃金峽至三河口輸水工程), the Sanhekou Dam (三河口水庫) and the Qinling Tunnel, which is 98km long (秦嶺隧洞). These projects will drive development and urbanization in southern Shaanxi Province and also boost demand for cement in the region.

Our move into the Hetian (Hotan) region in southern Xinjiang Province will be the major growth focus for our Group over the next few years. Xinjiang Province, with its abundant natural resources, has become a major focus for the PRC government's "Western Development Policy". Infrastructure development and urbanisation is rapid. In Hetian region alone, fixed asset investment ("FAI") growth was approximately 31% in 2010 and total FAI between 2006 and 2010, during the PRC government's 11th Five-Year Development Plan, was approximately RMB31 billion. The PRC government's 12th Five-Year Development Plan, commencing this year, has earmarked RMB130 billion FAI spending in Hetian County – a more than four fold increase. Our Group has significant experience of these growth dynamics in relatively backward areas in Shaanxi and we aim to replicate our successful Core Market strategy in these new growth areas. Cement margins in Xinjiang Province is one of the highest in the PRC – and although we fully expect these to contract over time as the market develops, construction and production costs are low. Our acquisition of the 650,000 tons production facility in Hetian city, and our construction of the 2 million tons production facility in Yutian county, establishes our leadership position in the area in one fell swoop. Our growth in Xinjiang Province will then come in several phases as we identify suitable areas to build or acquire new capacity.

Our medium term aim is to reach a total cement production capacity of approximately 25-30 million tons by 2015, focused on the high growth western China region, with a core speciality of constructing and running plants in backward areas with a predominance for infrastructure development and subsequent rural development and urbanisation.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB0.02 per share (equivalent to approximately HK$0.0244, for the six months ended 30 June 2011 (30 June 2010: Nil), to shareholders of the Company whose names appear on the register of members of the Company on Friday, 9 September 2011, payable on or around Friday, 23 September 2011. This interim dividend will be paid out from share premium of the Company as is permitted by the Companies (Jersey) Law 1991, as amended. The interim dividend will be payable in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China on 18 August 2011.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Tuesday, 6 September 2011 to Friday, 9 September 2011 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend of RMB0.02 per share, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 5 September 2011.

CORPORATE GOVERNANCE

During the six months ended 30 June 2011, the Company has applied the principles of and has complied with all code provisions of the Code on Corporate Governance Practices (the "Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the HKSE, save and except for the following deviation:

CODE PROVISION A.2.1

Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the period from 1 January 2011 to 22 March 2011, the Company has not separated the roles of chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. On 23 March 2011, the Company has appointed Mr. Tian Zhenjun to take up the role of chief executive officer in place of Mr. Zhang. Mr. Zhang remains at the chairman of the Board.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written term of reference in compliance with the Code, the primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management systems of the Group and to provide advice and comments to the Board, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Wong Kun Kau and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited consolidated interim results for the six months ended 30 June 2011.

AUDITORS

The condensed consolidated financial statements for the six months ended 30 June 2011 have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the directors of the Company of Listed Issuers (the "Model Code") as set forth in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiries have been made with all the directors of the Company, all the directors of the Company confirmed and declared that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2011.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.westchinacement.com) and the HKSE (www.hkexnews.hk). An interim report of the Company for the six months ended 30 June 2011 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 18 August 2011

As at the date of this announcement, the executive Directors are Mr. Zhang Jimin, Mr. Wang Jianli, Ms. Low Po Ling and Mr. Tian Zhenjun, the non-executive Director is Mr. Ma Zhaoyang, and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Wong Kun Kau and Mr. Tam King Ching, Kenny.