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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 ANNUAL RESULTS ANNOUNCEMENT

Financial highlights:

RMB' Million (unless otherwise specified)	**Year ended 31 December 2011**	Year ended 31 December 2010	**% Change**
Cement Sales Volume (million tons)	**11.7**	9.9	18%
Revenue	**3,190.5**	2,960.8	8%
Gross Profit	**884.4**	1,192.4	-26%
EBITDA	**1,161.0**	1,370.6	-15%
Profit Attributable to Shareholders	**662.1**	925.1	-28%
Basic Earnings Per Share[(1)]	**15.5 cents**	25.5 cents	-39%
Proposed Final Dividend	**1.42 cents**	1.53 cents	-7%
Gross Profit Margin	**27.7%**	40.3%	-12.6 ppt
EBITDA Margin	**36.4%**	46.3%	-9.9 ppt
Net Profit Margin	**20.7%**	31.5%	-10.8 ppt
Total Assets	**8,420.7**	5,545.7	52%
Net Debt[(2)]	**2,745.7**	820.9	235%
Gearing[(3)]	**65.7%**	23.0%	42.7 ppt
Net Assets Per Share	**98 cents**	84 cents	17%

Notes:

(1) Percentage fall in earning per share greater than fall in profit attributable to shareholders was due to the increase in the number of shares following the Company's listing on the HKSE in August 2010

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

(3) Gearing is measured as net debt to equity

The board of directors (the "Board") of West China Cement Limited (the "Company") is pleased to announce its annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011 together with the comparative figures for the corresponding year of 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011** ***RMB'000***	2010 *RMB'000*
Revenue	*3*	**3,190,479**	2,960,781
Cost of sales		**(2,306,088)**	(1,768,358)
Gross profit		**884,391**	1,192,423
Other income	*4*	**156,693**	171,611
Selling and marketing expenses		**(31,537)**	(27,860)
Administrative expenses		**(183,123)**	(179,028)
Other gains and losses — net	*5*	**111,245**	966
Interest income	*6*	**10,407**	497
Finance costs	*7*	**(184,787)**	(101,005)
Profit before tax	*8*	**763,289**	1,057,604
Income tax expense	*9*	**(102,888)**	(124,337)
Profit for the year		**660,401**	933,267
Profit and total comprehensive income attributable to:			
— Owners of the Company		**662,128**	925,143
— Non-controlling interests		**(1,727)**	8,124
		660,401	933,267
Earnings per			
— Basic		**0.155**	0.255
— Diluted		**0.155**	0.254

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**6,352,020**	3,819,616
Prepaid lease payments — non-current portion		**292,269**	176,246
Mining rights		**131,663**	64,867
Other intangible assets		**110,293**	63,077
Advances for business combination		**—**	300,000
Deferred income tax assets		**24,901**	17,124
		6,911,146	4,440,930
Current assets			
Inventories		**381,926**	166,898
Trade and other receivables and prepayments	*11*	**561,474**	547,265
Restricted bank deposits		**36,526**	16,122
Bank balances and cash		**529,612**	374,459
		1,509,538	1,104,744
Total assets		**8,420,684**	5,545,674
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**119,119**	118,850
Share premium		**1,855,760**	2,001,917
Equity reserve		**(333,180)**	(341,304)
Statutory reserve		**376,274**	220,388
Share option reserve		**4,812**	593
Retained earnings		**2,046,690**	1,540,448
		4,069,475	3,540,892
Non-controlling interests		**109,066**	33,124
Total equity		**4,178,541**	3,574,016

	Notes	**2011** **RMB'000**	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*12*	**205,000**	131,255
Senior notes-non current portion	*13*	**2,462,009**	—
Provisions for other liabilities and charges		**10,446**	8,444
Deferred income tax liabilities		**10,964**	8,959
Other liabilities		**44,251**	39,215
Total non-current liabilities		**2,732,670**	187,873
Current liabilities			
Trade and other payables	*14*	**841,774**	644,056
Senior notes — current portion	*13*	**78,762**	—
Current income tax liabilities		**22,937**	59,548
Borrowings	*12*	**566,000**	1,080,181
Total current liabilities		**1,509,473**	1,783,785
Total liabilities		**4,242,143**	1,971,658
Total equity and liabilities		**8,420,684**	5,545,674
Net current assets (liabilities)		**65**	(679,041)
Total assets less current liabilities		**6,911,211**	3,761,889

NOTES:

(All amounts in RMB thousands unless otherwise stated)

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKSE") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new and revised Standards and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB which are or have become effective.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (Revised 2009)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14(Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and disclosures set out in these consolidated financial statements.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

2. **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)***

IFRS (IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the Interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with IAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. The current accounting policy of the Group is stated in note 3.

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013 with transitional provisions. The directors of the Company anticipate that the Interpretation will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013.

The directors of the Company anticipate that the application of these new or revised IFRSs will have no material impact on the results and the financial position of the Group.

3. **REVENUE AND SEGMENT INFORMATION**

The Group is engaged in the production and sale of cement. The Group's Chief Executive Officer, the chief operating decision maker reviews the results of individual plants to make decisions about the allocation of resources. These plants have similar economic characteristics and each plant's products, and production process and distribution methods are similar. In addition, the operations of the plants is under similar regulatory environment that governs production of cement and they have similar type or class of customers. Therefore, they are presented as a single reportable segment. All of the revenue and operating results of the Group are derived in western China. The revenue represents the sale of cement during each of the year ended 31 December 2011 and 2010.

4. **OTHER INCOME**

	2011	2010
	RMB'000	*RMB'000*
Tax refund *(Note (a))*	**145,934**	162,647
Government grant	**10,608**	8,964
Others	**151**	—
	156,693	171,611

(a) The tax refund mainly represents incentives in form of value added tax ("VAT") refund approved by relevant government authorities as a result of utilising industrial waste as part of the production materials.

5. **OTHER GAINS AND LOSSES — NET**

	2011	2010
	RMB'000	*RMB'000*
Net foreign exchange gains on financing activities *(Note (a))*	**108,488**	1,181
Loss on disposal of property, plant and equipment	**(431)**	(702)
Bargain purchase gain recognised in business combinations	**3,173**	—
Others	**15**	487
	111,245	966

(a) Net foreign exchange gains mainly relate to the translation of the senior notes and bank borrowings from US$ to RMB for each of the year ended 31 December 2011 and 2010.

6. INTEREST INCOME

	2011	2010
	RMB'000	*RMB'000*
Interest income from bank balances and cash and restricted bank deposits	**10,407**	497

7. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest expenses on bank and other borrowings wholly repayable within five years	**43,713**	128,595
Interest expenses on senior notes	**187,430**	—
Arrangement fee expensed on repayment of borrowings	**35,503**	7,479
Unwinding of discount	**545**	424
Less: amount capitalised	**(82,404)**	(35,493)
	184,787	101,005

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.5% (2010: 9.0%) per annum to expenditure on qualifying assets.

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	2011	2010
	RMB'000	*RMB'000*
Depreciation of property plant and equipment	**316,928**	205,927
Amortisation of prepaid lease payments	**6,690**	2,885
Amortisation of mining rights	**6,040**	3,197
Amortisation of other intangible assets	**2,129**	2,055
Total depreciation and amortisation	**331,787**	214,064
Auditors' remuneration	**1,439**	1,750
(Reversal)/provision of allowances for doubtful debts	**(5,153)**	8,495
Wages and salaries (include directors' emoluments)	**121,905**	83,482
Share option expenses	**4,812**	418
Retirement benefit scheme contributions	**14,719**	5,888
Total staff cost	**141,436**	89,788
Cost of inventories recognised as expenses	**2,100,366**	1,486,887
Loss on disposal of property, plant and equipment	**431**	702

9. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Current tax	**112,972**	127,041
Deferred tax	**(10,084)**	(2,704)
Income tax expense	**102,888**	124,337

Pursuant to the rules and regulations of Jersey and the British Virgin Islands, the Company and the subsidiary of the Company, West China Cement Co. Ltd. ("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 PRC has been calculated at the applicable tax rate on the estimated assessable profits for each of the year ended 31 December 2011 and 2010 based on existing legislations, interpretations and practices.

Under the PRC Enterprise Income Tax ("EIT") Law, the enterprise income tax rate applicable to the Group's subsidiaries located in Mainland China is 25% except for the subsidiaries entitled to preferential tax treatment as detailed in Note (a).

Income tax expenses for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2011 RMB'000	2010 RMB'000
Profit before tax	**763,289**	1,057,604
Tax at domestic income tax rate of 25% (2010: 25%)	**190,822**	264,401
Tax effects of:		
Expenses not deductible for tax purpose	**24,282**	29,424
Tax effect of tax exemption and reduced tax rate under tax holiday *(Note (a))*	**(128,395)**	(164,112)
Tax credit *(Note (b))*	**(3,219)**	(6,085)
Tax effect of changes in tax rate of deferred tax assets recognized	**2,819**	—
Withholding tax on distributed profits of PRC subsidiaries and interest income on intra-group loans *(Note (c))*	**16,005**	—
Tax losses not recognised for deferred tax assets	**574**	709
Tax expense for the year	**102,888**	124,337

(a) Pursuant to the Western Development Policy ("WDP Policy"), an enterprise is entitled to the preferential EIT rate of 15%, if its principal business engages in projects listed in the Catalogue for Industries, Products and Technologies Currently and Particularly Encouraged by the State for Development and the revenue from the principal operations accounts for over 70% of their total revenue of the enterprise. The effective period of the WDP Policy was announced in year of 2001 ("Old Notice") is from 1 January 2001 to 31 December 2010. In July 2011, a new notice under WDP Policy was announced extending the preferential EIT rate as stated in the Old Notice from 1 January 2011 to 31 December 2020 ("New Notice"). The operations of certain subsidiaries, Yaobai Special Cement Group Co., Ltd. ("Shaanxi Yaobai"), Xi'an Lantian Yaobai Cement Co. Ltd. ("Lantian Yaobai"), Ankang Yaobai Cement Co. Ltd. ("Ankang Yaobai") and Hanzhong Yaobai Cement Co. Ltd. ("Hanzhong Yaobai"), have met the requirements under the WDP Policy of the Old and New Notices for the both years.

9. **INCOME TAX EXPENSE** *(Continued)*

In addition, Lantian Yaobai, being a foreign invested enterprise, is entitled to a two-year tax holiday from its first profit-making year and a further three-year 50% tax reduction pursuant to old PRC corporate income tax law. 2011 is the last year of which Lantian Yaobai is entitled to the three-year 50% tax reduction.

The Group's subsidiary, Luxin Building Materials Co, Ltd. ("Luxin") was established in Hotan, Xinjiang Uygur Autonomous Region ("Xinjiang"). Pursuant to the relevant laws and regulations of Xinjiang, it was entitled to exemption of income tax from year of 2008 to 2012 approved by State Tax Bureau of Xinjiang.

The applicable EIT rates of above subsidiaries for the year are as follows:

	2011	2010
Shaanxi Yaobai	**15%**	7.5%
LantianYaobai	**7.5%**	7.5%
Ankang Yaobai	**15%**	15%
Hanzhong Yaobai	**15%**	15%
Luxin	**0%**	0%

No tax reductions and exemptions were granted to the other subsidiaries of the Group in the PRC for both years.

(b) Tax credit represents credit on enterprise income tax for purchase of domestically produced equipment or environment protection related equipment pursuant to the applicable PRC tax laws and regulations.

(c) Withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward at 5% tax rate under the EIT Law, and interest incomes in respect of intra-group loans in the Group at 7% tax rate based on the New Double Taxation Arrangement between Hong Kong and Mainland China.

10. **DIVIDEND**

	2011	2010
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2011 Interim — RMB2.00 cents (2010: 2010 interim dividend RMB: Nil) per share	**85,215**	—
2010 Final — RMB1.53 cents (2010: 2009 final dividend RMB Nil) per share	**65,033**	—
	150,248	—

The dividends of 2011 Interim and 2010 Final were paid out from the Company's share premium, which were in compliance with the Articles of Association adopted by the Company and Companies (Jersey) Law 1991, as amended.

Subsequent to the end of the report period, a final dividend of RMB1.42 cents per share in respect of the year ended 31 December 2011 (2010: final dividend of RMB1.53 cents in respect of the year ended 31 December 2010) in total of approximately RMB60,535,000 (2010: RMB65,033,000) has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**131,900**	230,609
Less: provision for impairment of trade receivables	**(6,561)**	(11,714)
Bills receivable	**29,874**	23,218
VAT recoverable	**94,655**	44,679
VAT refund receivable	**35,752**	17,173
Other receivables	**60,292**	20,592
Prepayments	**196,929**	220,900
Prepaid lease payment	**18,633**	1,808
Trade and other receivables and prepayments — net	**561,474**	547,265

The Group allows a credit period of 60–90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2011	2010
	RMB'000	*RMB'000*
0 to 90 days	**40,199**	159,559
91 to 180 days	**51,948**	31,585
181 to 360 days	**21,735**	14,770
361 to 720 days	**11,457**	10,211
Over 720 days	**—**	2,770
	125,339	218,895

Bills receivable are mainly aged within six months.

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. RMB31,650,000 (2010: RMB136,205,000) of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB93,689,000 (2010: RMB82,690,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 116 days (2010: 98 days).

Ageing of trade receivables which are past due but not impaired

	2011	2010
	RMB'000	*RMB'000*
0 to 90 days	**8,548**	60,991
91 to 180 days	**51,948**	21,431
Over 180 days	**33,193**	268
	93,689	82,690

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — continued

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. Movement in the allowance for doubtful debts:

	2011	2010
	RMB'000	*RMB'000*
1 January	**(11,714)**	(4,881)
Impairment losses recognised on receivables	**—**	(7,058)
Amounts written off as uncollectible	**—**	225
Impairment losses reversed	**5,153**	—
31 December	**(6,561)**	(11,714)

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB6,561,000 (2010: RMB11,714,000) which have financial difficulties.

12. BORROWINGS

	2011	2010
	RMB'000	*RMB'000*
Bank loans	**765,000**	1,205,436
Other loans	**6,000**	6,000
	771,000	1,211,436
Secured	**765,000**	1,205,436
Unsecured	**6,000**	6,000
	771,000	1,211,436
Carrying amount repayable as follows:		
Within one year	**566,000**	1,080,181
More than one year but not more than two years	**202,000**	126,255
More than two years but not more than five years	**3,000**	5,000
	771,000	1,211,436
Less: Amount due for settlement within one year and shown under current liabilities	**566,000**	1,080,181
Amount due after one year	**205,000**	131,255

12. BORROWINGS — continued

	2011	2010
	RMB'000	*RMB'000*
Bank Loans:		
The analysis of the terms of the bank loans were as follows:		
Fixed rate borrowings		
— within one year	**—**	110,000
Variable rate borrowings		
— within one year	**565,000**	970,181
— more than one year but not more than two years	**200,000**	125,255
	765,000	1,205,436
Analysis of borrowings by currency:		
Denominated in RMB	**765,000**	667,255
Denominated in United States Dollar *(Note (a))*	**—**	538,181

(a) On 14 December 2010, the Group entered into a bridge loan agreement of US$85,000,000 (approximately equal to RMB538,181,000 at 31 December 2010) with ICBCI International Finance Limited (the "ICBCI Bridge Loan"). The ICBCI Bridge Loan is secured by (i) an equity pledge over Shaanxi Yaobai provided by Faithful Alliance Limited ("Faithful Alliance"), a subsidiary of the Group; (ii) a share mortgage over the shares in Faithful Alliance executed by West China BVI; and (iii) a personal guarantee provided by Mr. Jimin Zhang ("Mr. Zhang") in favor of the lender. In addition, share certificates of 1,000,000 issued shares of the Company held by the chairman of the board, Mr. Zhang were delivered to the lender under a custody arrangement. The ICBCI Bridge Loan was subsequently repaid on 25 January 2011. The contracted interest rate was 4.30%, with effective interest rate of 13.94% after adjusted for transaction cost.

The ranges of effective interest rates on the Group's bank loans are as follows:

	2011	2010
Effective interest rate per annum:		
Fixed rate borrowings	**—**	5.31% to 6.11%
Variable rate borrowings	**6.06% to 7.22%**	5.56% to 13.94%

12. **BORROWINGS — continued**

Other borrowings:

Other borrowings are all lent by third parties, unsecured and denominated in RMB. All of the other borrowings as at 31 December 2011 and 2010 are interest free.

	2011	2010
	RMB'000	*RMB'000*
Within one year	**1,000**	—
More than one year but not more than two years	**2,000**	1,000
More than two years but not more than five years	**3,000**	5,000
	6,000	6,000

The fair values of other borrowings are approximate to their carrying amounts because the impact of discounting is not significant.

13. **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 "Senior Notes") at 100% of the face value. The Senior Notes are listed on the Singapore Exchange Securities Trading Limited and jointly guaranteed by certain subsidiaries and secured by pledges of the shares of the subsidiaries.

The Company may at its option to early redeem the Senior Notes, in whole or in part, by certain dates based on the terms of the Senior Notes. The early redemption options are regarded as embedded derivatives by directors of the Company, which is considered as closely related to the host contract and measured together with the host contract at amortised cost.

The effective interest rate is approximately 8.04% per annum after adjusted for transaction costs.

The Senior Notes recognised in the consolidated statement of financial position were calculated as follows:

	2011
	RMB'000
Net proceeds	**2,563,240**
Interest expenses	**186,145**
Interest paid	**(97,020)**
Exchange gains	**(111,594)**
Carrying amount at 31 December 2011	**2,540,771**
Less: Non-current portion	**(2,462,009)**
Current portion	**78,762**
Fair value at 31 December 2011	**2,066,695**

The fair value of Senior Notes represents the market price of the senior notes at the end of report period.

14. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**328,328**	327,195
Payables for constructions and equipment purchase	**253,804**	127,532
Advance from customers	**133,853**	80,213
Other tax liabilities	**25,238**	27,587
Bills payable	**17,580**	—
Payroll and welfare payable	**17,225**	12,813
Accrued expenses	**7,490**	9,823
Other payables	**58,256**	58,893
	841,774	644,056

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2011	2010
	RMB'000	*RMB'000*
0 to 90 days	**232,021**	174,258
91 to 180 days	**61,084**	66,934
181 to 360 days	**26,313**	28,506
361 to 720 days	**8,087**	44,594
Over 720 days	**823**	12,903
	328,328	327,195

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

15. ASSETS PLEDGED FOR SECURITY

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

	2011	2010
	RMB'000	*RMB'000*
Prepaid lease payments	**47,345**	41,710
Property, plant and equipment	**1,609,640**	1,435,827
	1,656,985	1,477,537

As at 31 December 2011, the Group provided jointly guarantee through pledge of the shares of certain subsidiaries under the Senior Notes arrangement.

16. EVENT AFTER THE REPORTING PERIOD

On 15 March 2012, Shaanxi Yaobai entered into an equity transfer agreement with three independent third parties, Shaanxi Xin Yi Da Investment Company Limited, Shaanxi Shifeng Concrete Company Limited and Shaanxi Chang You Hua Gong Company Limited pursuant to which (i) the three shareholders have conditionally agreed to transfer and Shaanxi Yaobai has conditionally agreed to acquire the a 55% interest in Shaanxi Shifeng Cement Company Limited ("Shifeng Cement") for a total consideration of RMB401,500,000; and (ii) Shaanxi Shifeng Concrete Company Limited has conditionally agreed to grant an option to Shaanxi Yaobai to acquire 10% interest in Shifeng Cement for a total consideration of RMB73,000,000. The equity transfer agreement is effective upon satisfying a condition precedent on or before 24 March 2012. Details of the proposed transaction are set out in the Company's announcement on 15 March 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Whilst the year 2011 has proved to be a tough year for the Group, it has also been a breakthrough year. The Company began the year with the successful completion of a US$400 million senior notes issuance. The notes carry an interest rate of 7.5% and mature in 2016, significantly strengthening the Group's balance sheet as well as providing the Company with capital for acquisitions and organic growth. The Group has taken its first steps outside of Shaanxi Province into Southern Xinjiang and has become a prudent consolidator in its core market areas in Shaanxi Province. The Group's year-end capacity in December 2011 reached 16.2 million tons, including 650,000 tons of capacity in Xinjiang Province, compared with 12.5 million tons capacity at the end of 2010. The Group's effective capacity for 2011 was 13.5 million tons. These achievements have been executed against the backdrop of a tough competitive and pricing environment in Shaanxi Province. The Group's core markets in the east and the south of the province have provided the Group with an inherent geographical advantage, and consolidation is setting the scene for an increasingly disciplined market going forward.

OPERATING ENVIRONMENT

2011 Market Trends

The Shaanxi cement market has undergone significant change in 2011. Over the year, competition has increased within the province with new capacity coming on stream. This new capacity growth, concentrated in Central Shaanxi, and the Baoji region in particular, has precipitated competition amongst producers which has resulted in consequential price falls of cement products. Competition has been most intense in Central Shaanxi, where some producers were operating at near cash cost levels. This situation reached its highest intensity in the second half of 2011.

The increased levels of supply coincided with two other factors that exacerbated the competition and price falls. Firstly, credit tightening and lower growth levels of fixed asset investment ("FAI") in China as a whole have led to a fall in the cement demand growth that we have recently experienced in Shaanxi Province. This has been most evident in delays to certain infrastructure projects planned for Shaanxi Province, including the construction of high-speed railway lines. Secondly, the autumn period, historically a time of peak demand for cement products in Shaanxi Province experienced its highest rainfall for over 50 years. This rain led to slowdowns in construction activity, subsequent elevated levels of cement inventory for all producers running into the year-end, and a poor pricing environment.

Notwithstanding these factors, construction activity in Shaanxi Province has still proved resilient. Whilst there have been delays in rail and some road construction, other projects such as the "Southern Shaanxi Resettlement Project" and the "Hanjiang to Weihe River Water Transfer Project" commenced in the second half of 2011. These two projects are of particular significance to the Group as the bulk of construction activity takes place in its core markets in the south of the province and the Group is the designated cement supplier to both projects.

The Resettlement Project in particular has proceeded rapidly — over 150,000 people have been moved in 2011 in southern Shaanxi and the provincial government is planning for the movement of 295,000 people in 2012. The Group expects cement demand to exceed 1.2 million tons from this project alone in 2012, and the project aims to relocate 2.4 million people in the south of the province over the next 10 years.

Core Market Strength

Whilst the pricing environment has been tough, most especially in Central Shaanxi, the core market strategy in Southern Shaanxi has enabled the Group to maintain price and margin premiums in Shangluo, Ankang and Hanzhong regions superior to its regional peers in the centre of the province. This is due to the location of the Group's plants, cement transportation costs and high regional market share — over 60% in the southern regions compared with a market share of approximately 25% in the province as a whole. During a period of slower infrastructure construction activity, sales have been intensified into rural areas and rural urbanisation projects, which have remained resilient partly due to the resettlement project detailed above. The Group has been able to maintain price premiums in the south as compared with Central Shaanxi, providing a resilient base to hold up profitability.

Consolidation

This low pricing environment has precipitated consolidation amongst the industry players. Small inefficient producers have been closing down rapidly, and 2011 should be the last year where these producers represent any meaningful level of cement supply. There has also been significant consolidation in Central Shaanxi. The Group has been a prudent consolidator and has acquired plants in its core markets of Weinan and Ankang regions but has not strayed into the central region. Shaanxi Province is approaching a level of market concentration for the top 4 producers of 75-80% and it is becoming evident that the current consolidation phase is approaching its end. Further analysis regarding consolidation trends and their impact is included in the section headed "Prospects" below.

EXPANSION AND ACQUISITIONS IN SHAANXI PROVINCE

The Group's capacity growth in Shaanxi Province has been focused on maintaining a leadership position in the east and south of the province. The Group has completed the construction of a number of projects and has become a consolidator in its core markets.

At the end of 2010, the Group acquired an 80% interest in the Ankang Jianghua Plant, a 1.1 million ton cement production facility, with the subsequent acquisition of the limestone reserves and mining rights completed in June 2011. The Group expects to complete the acquisition of the remaining 20% interest in the first half of 2012.

The newly built Hanzhong Xixiang Plant, also a 1.1 million ton facility, was commissioned in May 2011. The commissioning of this plant completed the Group's expansion activities in the Hanzhong region. The plant's product mix is geared to the Hanzhong rural market, complementing the Group's two other facilities in the region — the 1.1 million ton Hanzhong Yangxian and Hanzhong Mianxian Plants.

The Group's acquisition of an 80% interest in the 2 million ton Hancheng Yangshanzhuang Plant, located in eastern Weinan region next to the Yellow River and bordering onto Shanxi Province, was completed in June 2011 at an acquisition cost amounting to approximately RMB330 per ton of cement. The Hancheng Plant is a NSP production facility employing the latest high solid-gas preheating decomposition technology that significantly reduces coal and electricity consumption, in turn reducing production costs. Costs are further reduced by the plant's ability to recycle slag and fly ash from steel and power plants located approximately 3 to 5 kilometers from the production facility. The plant not only enhances the Group's position in northwestern Weinan region but also extends market coverage into the southern Yan'an region and neighboring Shanxi Province.

The construction of the 1.5 million tons Shangluo Danfeng Line 2 plant was completed in January 2012. As the completion coincided with the winter low season, the Group has waited until March 2012 to commission the plant and it is expected to reach normal production levels by June 2012.

Finally, subsequent to the year ended 31 December 2011, on 15 March 2012, Yaobai Special Cement Co., Ltd (堯柏特種水泥集團有限公司) entered into an equity transfer agreement, pursuant to which it has conditionally agreed to acquire 55% interest in the Weinan Shifeng Cement Plant, a 2 million ton facility in Weinan region in Fuping County, approximately 50 kilometers from our Weinan Pucheng plants. The cement manufactured at the plant mainly serves the Fuping area market as well as ready mix stations in the Xi'an metropolitan area. The addition of this plant strengthens our positioning in the Weinan and Xi'an markets, increasing our pricing power between the Weinan region facilities, as well as representing a further step in the supply consolidation process in Central Shaanxi.

As mentioned in the Group's interim results for the six months ended 30 June 2011, the construction of Pucheng Line 3, a 3 million ton production line in the Weinan region, has been slowed down. The Group is continuing to monitor the market situation in Weinan region and has not made an immediate decision as to the timing of the next stage of construction of this plant.

EXPANSION AND ACQUISITIONS IN XINJIANG PROVINCE

In March and April 2011, the Group made its first steps outside of its home province with the announcement of the acquisition and construction of production capacity in Hotan, southern Xinjiang Province. The move into this area has been considered and planned over a long period. The Hotan region has abundant coal reserves in the Kunlun Mountains to the south, and oil and natural gas reserves in the Taklamakan desert to the north. The area is being developed as a key energy supply zone and has all the characteristics of a relatively backward area that is now undergoing rapid population growth, infrastructure construction and social development. Fixed asset investment in the Hotan region for the 12th Five Year Plan is set to increase fourfold over the 11th Five Year Plan.

The Hetian Luxin Plant in Hotan City, has an annual production of 650,000 tons and was acquired by the Group for a consideration of RMB160 million in May 2011. The plant has contributed approximately 6 months worth of production to the Group in 2011. The Yutian (Keriya) cement production facility, also located in the 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 with a total budgeted capital expenditure for the production facility of approximately RMB650 million.

SAFETY, ENVIRONMENT & SOCIAL RESPONSIBILITY

The Group's safety and environmental protection department continuously monitors and reviews safety procedures and continues to adhere to the best industry safety standards and practices.

The Group continues to work towards minimal possible emissions and energy consumption. All of the Group's production facilities employ NSP cement technology. The plants are situated in close proximity to their respective limestone quarries and, at many of the plants, limestone conveyor belt systems are used in order to minimize emissions from transportation. The Group is also the first cement producer in Shaanxi Province to use desulfurized gypsum and construction waste as raw material inputs into some of its cement products, and regularly recycles fly ash from power plants as well as slag from Iron & Steel plants as inputs into some of its cement products.

In 2011, residual heat recovery systems have been installed at the Weinan Pucheng Plant, Hanzhong Yangxian, Hanzhong Mianxian and Hanzhong Xixiang Plants. These systems reduce the Group's electricity consumption by approximately 30% and reduce CO_2 emissions by approximately 20,000 tons per annum per million tons of cement production. As at 31 December 2011, residual heat recovery systems have been installed at 8 out of 13 production lines, with systems for 2 more due to be completed in 2012. With the inclusion of the recent acquisition of the Weinan Shifeng Cement Plant in March of 2012, the Group will have heat recovery systems installed at over 75% of capacity by the end of 2012.

Recycling and emissions will become increasingly important in the cement industry over the next few years. The Group is carefully monitoring any potential new emission standards being discussed by the Ministry of Environmental Protection regarding carbon dioxide and nitrous oxide emissions and continually studies new process technology advances that can increase recycling and decrease emissions.

During the year, charitable donations made by the Group amounted to RMB1.9 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

PROCUREMENT

Coal costs are the largest component of the Group's cost of sales and the coal costs per ton increased from RMB580 in 2010 to RMB615 in 2011. In July 2011, the procurement method for coal changed to a bidding process at the Shaanxi Coal Transaction Centre. This process allows the Group to save approximately RMB30-40 per ton of coal, depending on coal market conditions. The Group expects to see the full year benefits of this new procurement method in 2012.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 7.8% from RMB2,960.8 million for the year ended 31 December 2010 to RMB3,190.5 million for the year ended 31 December 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 the expansion into Xinjiang Province. The Group's cement sales volume increased by 18.2% from 9.9 million tons in 2010 to 11.7 million tons in 2011. The increased volume was contributed by new production facilities which commenced operation or were acquired since 31 December 2010, including:

- 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

However, the Group's increases in revenue has grown at a lower rate as compared with the increase in sales volume and this has been due to declines in the Group's average selling price ("ASP") per ton of cement. ASP for the Group's cement products in 2011 was RMB264 per ton (2010: RMB296). The decline in ASPs has been due to the following four key factors:

(1) *Maturing cement market with increased capacity*

The Shaanxi cement market has matured with increased capacity coming on stream in 2011. Much of this new capacity is situated in western and central Shaanxi Province and has led to cement price falls of varying amounts throughout Shaanxi Province. This situation was particularly acute in the fourth quarter of 2011. During the weakest period in the fourth quarter, ASPs were approximately 21% lower than in the same period of 2010.

(2) *Increased credit tightening and infrastructure construction slowdown*

Increased credit tightening and lower fixed asset investment ("FAI") growth in China and Shaanxi Province has led to slower than anticipated demand growth for cement, especially for infrastructure projects. FAI growth in Shaanxi Province in 2011 was 30.3%, compared with 35.1% in 2009 and 30.7% in 2010. This credit tightening has led to delays of some major infrastructure projects, most significantly of railway construction in the province. The Group has sold 11.7 million tons of cement in 2011 compared with an original target of 13.5 million tons for 2011.

(3) *Increased rural market sales*

The Group has added production facilities and increased its market share 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 the Group is taking market share from small-scale producers. Rural market demand is for lower grade and lower ASP cement. The Group's sales of low-grade cement have thus increased from approximately 30% of total sales volume for the year ended 31 December 2010 to approximately 60% of total sales volume for the year ended 31 December 2011. This has resulted in lower average selling prices per ton of cement, but has also added a defensive quality to the Group's earnings as infrastructure demand for high-grade cement has been lower than expected.

(4) *Extreme weather conditions*

Shaanxi Province experienced the heaviest rainfall for over 50 years between August 2011 and October 2011, which exacerbated the supply and demand problems described above. The high levels of rainfall led to slowdowns in construction activity in the fourth quarter of 2011, usually the peak demand season, and this led to high levels of inventory for all producers in Shaanxi Province, resulting in destocking and depressed pricing into the year end.

Cost of Sales

Cost of sales increased by 30.4% from RMB1,768.4 million for the year ended 31 December 2010 to RMB2,306.0 million for the year ended 31 December 2011. The increase was primarily due to the 18.2% growth in sales volume, as well as increases in certain raw material input costs, and slightly higher unit production cost as a result of lower productivity.

Average coal costs increased by approximately 6% from approximately RMB580 per ton in 2010 to approximately RMB615 per ton in 2011. The coal purchase price has been relatively stable after the Group changed its procurement method to a bidding process in July 2011. However, the proportion of sales from plants in Southern Shaanxi increased over the year leading to higher coal transportation costs, as these plants are further away from coal suppliers.

The average electricity cost increased from approximately RMB0.40 per kwh in 2010 to approximately RMB0.45 per kwh in 2011. This has resulted in an approximate 2.5% increase in the cost per ton of production. The installation of residual heat recovery systems has continued to minimise the Group's electricity costs.

Average limestone costs increased by approximately 8% over 2010. Some of the newly acquired plants, such as the Ankang Jianghua Plant and the new plants in the Hanzhong region have marginally higher limestone operating costs.

In addition to the above, a lower level of productivity in 2011 has resulted in higher unit plant overheads. Fixed overhead charges per unit of cement, such as depreciation and wages, increased on a per ton basis.

Gross Profit and Gross Profit Margin

Despite the increase in the sales volume, gross profit decreased by RMB308.0 million, or 25.8%, from RMB1,192.4 million for the year ended 31 December 2010 to RMB884.4 million for the year ended 31 December 2011. Gross profit margins decreased from 40.3% for the year ended 31 December 2010 to 27.7% for the year ended 31 December 2011.

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

(i) decreases in ASP by approximately 11%;

(ii) increases in input costs such as coal, electricity, limestone and other raw materials; and

(iii) higher fixed unit overheads due to lower productivity.

Administrative Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. The balance increased by 2.3% from RMB179.0 million for the year ended 31 December 2010 to RMB183.1 million for the year ended 31 December 2011. This was mainly due to the increase in the number of production facilities in Shaanxi and Xinjiang Provinces, as well as additional legal and professional fees incurred for acquisitions during the year.

Other Income

Other income comprises value added tax ("VAT") refunds, which is a form of government incentive for the recycling of industrial waste as a production input, and government grants. Other income decreased by 8.7% from RMB171.6 million for the year ended 31 December 2010 to RMB156.7 million for the year ended 31 December 2011. The decrease was mainly attributable to decreases in the selling price and increases in input costs and capital expenditure, which led to a lower output VAT collection and a higher input VAT paid which in turn resulted in a lower net VAT surrendered. The VAT refundable was therefore lower as the net VAT surrendered decreased.

The decrease in net VAT surrendered, and VAT refunded, was partly offset by increases in the sales of lower grade cement products, using recycled input materials, that are entitled to these VAT refunds.

Senior Notes Issuance

In January 2011, the Company successfully issued US$400 million 7.50% Senior Notes Due 2016 (the "Notes"). Part of the proceeds of the Notes were used for the repayment of bank borrowings and the remaining has been used for capacity expansion, both by acquisition and construction, and to enhance the Group's working capital and liquidity position.

Other Gains and Losses — net

Other gains increased by RMB110.2 million from RMB1.0 million for year ended 31 December 2010 to RMB111.2 million for the year ended 31 December 2011. The increase was primarily due to an increase in exchange gains of RMB107.3 million arising from the Notes issuance in January 2011.

Interest Income

Interest income increased by RMB9.9 million from RMB0.5 million for year ended 31 December 2010 to RMB10.4 million for the year ended 31 December 2011. The increase was primarily due to an increase in bank deposits arising from the Notes issuance in January 2011.

Finance Costs

Finance costs increased by RMB83.8 million or 83.0% from RMB101.0 million for the year ended 31 December 2010 to RMB184.8 million for the year ended 31 December 2011. The increase was primarily due to the increase in debt as a result of the Notes issuance in January 2011.

The interest capitalised as part of the costs of assets for year ended 31 December 2011 was RMB82.4 million, representing an increase of RMB46.9 million as compared with RMB35.5 million for the year ended 31 December 2010.

Taxation

Income tax expenses decreased by RMB21.4 million or 17.3% as a result of the Group's lower profitability. The effective tax rate for the year ended 31 December 2011 increased to 13.5% (2010: 11.8%). The effective tax rate of the Group is lower compared to the PRC national tax rate of 25% as most of the Group's operating entities enjoy various preferential tax rates, such as the preferential rate of 15% for qualifying entities under the Western Development Policy.

The detailed tax rates for each of the Group's subsidiaries and the income tax expenses for the Group are outlined in note 9 to the consolidated financial statements above.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased by 28.4% from RMB925.1 million for the year ended 31 December 2010 to RMB662.1 million for the year ended 31 December 2011. Basic earnings per share decreased by 39.2% from RMB0.255 for the year ended 31 December 2010 to RMB0.155 for year ended 31 December 2011.

The non-controlling interests for the year ended 31 December 2011 are mainly attributable to the acquisitions of the 20% equity interests in Ankang Yaobai Jianghua Cement Co., Ltd. in January 2011, and Hancheng Yaobai Yangshanzhuang Cement Co., Ltd. in June 2011. The non-controlling interests for the year ended 31 December 2010 were mainly attributable to the acquisition of the 20% equity interest of Shangluo Yaobai Longqiao Cement Co. Ltd. in January 2010.

FINANCIAL AND LIQUIDITY POSITION

The Group maintained a healthy financial and liquidity position for the year ended 31 December 2011. Total assets increased by 51.8% to RMB8,420.7 million (31 December 2010: RMB5,545.7 million) while total equity grew by 16.9% to RMB4,178.5 million (31 December 2010: RMB3,574.0 million).

As at 31 December 2011, the Group had bank balances and cash, as well as restricted bank deposits, amounting to RMB566.1 million (31 December 2010: RMB390.6 million). After deducting total borrowings and Notes of RMB3,311.8 million (31 December 2010: RMB1,211.4 million), the Group had net debt of RMB2,745.7 million (31 December 2010: RMB820.9 million). Due to the Notes issuance, 76.9% (31 December 2010: 9.6%) of borrowings are at a fixed interest rate. Please refer to notes 12, 13 and 15 of the consolidated financial statements above for the details of the borrowings and the respective pledge of assets.

As at 31 December 2011, the Group's gearing ratio, measured as net debt to equity, was 65.7% (31 December 2010: 23.0%). The increase in the gearing ratio was mainly attributable to the increase in total borrowings by RMB2,100.4 million arising primarily from the Notes issuance.

The Group utilised approximately RMB802.2 million of the proceeds from the Notes issuance to repay the Group's existing bank borrowings most of which were falling due within one year, hence significantly reducing the Group's current liabilities. As at 31 December 2011, the Group had net current assets of RMB0.1 million compared to net current liabilities of RMB679.0 million as at 31 December 2010, which represents a considerable improvement of RMB679.1 million in the Group's liquidity position.

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

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure for the year ended 31 December 2011 amounted to RMB1,960.5 million (for the year ended 31 December 2010: RMB1,495.0 million) and capital commitments as at 31 December 2011 amounted to RMB571.4 million (31 December 2010: RMB657.9 million). Both capital expenditure and capital commitments were mainly related to the construction of new production facilities, installation of residual heat recovery systems, and upgrading of existing production facilities. The Group has funded these commitments from the proceeds of the Notes issuance, operating cash flow and available banking facilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group employed a total of 4,473 full time employees (31 December 2010: 3,094). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2011, the employees benefit expenses were RMB141.4 million (31 December 2010: RMB89.8 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.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

As at 31 December 2011, the remaining unutilized net proceeds of approximately HK$182.5 million have been used for working capital, repayment of bank loans and related interest, and other general corporate purposes.

MATERIAL ACQUISITION AND DISPOSALS

On 6 January 2011, the Group completed the acquisition of an 80% equity interest in a 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 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 a company with a 2 million tons cement production business, Hancheng Yaobai Yangshanzhuang Cement Company Limited (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 year ended 31 December 2011.

FOREIGN EXCHANGE RISK MANAGEMENT

During the year ended 31 December 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

The Group views 2012 as a very important year for the development of Shaanxi's cement industry. On the supply side, the industry has now reached a more mature level of development and has evolved significantly with the entry of new players into the market. This has led to an environment where non-NSP cement production is rapidly disappearing, and a market where scale and plant location become essential to industry players. Consolidation has become an important driver for the efficiency of the industry.

The decision to acquire a 55% equity interest in Shaanxi Shifeng Cement Company Ltd. in March 2012 represents a significant move in this consolidation process. There are increasingly limited acquisition targets in the province, indicating that the current consolidation phase is approaching its conclusion. The Weinan Shifeng Cement Plant allows the Group to command over 70% of the capacity in the Weinan region and this capacity's positioning in the corridor between Pucheng and Xi'an provides efficient pricing and transportation advantages for its cement products. The Group is also pleased to be able to work together with its minority shareholder in this plant, Fuping Cement, which is owned by Italcementi Group, with whom the Group has had good relations for many years.

The Shaanxi cement industry is now consolidating around four main players with a market concentration of 75-80%. The Group remains the largest producer, with superior locations in the core markets in the east and south of the province — areas where it commands market shares of at least 60%. The Group has studied the effect of consolidation in the eastern seaboard provinces of China and expects pricing discipline amongst producers to begin to return in 2012 as the effects of M&A and consolidation take hold.

On the demand side, although there have been many worries regarding credit conditions in China, the "Western Development Policy" remains a crucial component of growth and social development in Shaanxi Province and China as a whole. Whilst there have no doubt been areas of slowdown in infrastructure spending in Shaanxi Province, the development of the south of the Province and the "Guanzhong Tianshui Economic Zone" has been reiterated for the 12th Five-Year Plan, which runs from 2011 to 2015. Apart from the Resettlement and Water Transfer Projects discussed above, there are a number of important hydropower, water conservancy and irrigation projects scheduled for commencement in 2012. The Group expects Shaanxi Province and western China FAI growth rates to remain structurally higher than the east of China for a number of years.

The Group's diversification into the Hotan region of Xinjiang Province will accelerate in 2012 with the completion of the 2 million ton Yutian plant, which is expected to be commissioned at the end of June 2012. Although cement prices have come off their highs in Xinjiang Province, they are still amongst the highest in China and the Group expects to benefit from the extension of the "Western Development Plan" into Southern Xinjiang over the 12th Five-year plan.

The Group believes that consolidation will remain an important theme across the whole of China in 2012. The year 2011 saw consolidation taking effect in the eastern seaboard provinces leading to price discipline amongst producers. In Shaanxi, the cement industry is potentially seeing the beginnings of this process in 2012. In Xinjiang Province, although there are numerous new plants being constructed, the closure of old inefficient capacity is proceeding faster than in previous years in other provinces. The Group has also carefully studied the southwest region, an area of rapid development and infrastructure growth which currently has a fragmented cement industry, but where an M&A and consolidation process has commenced.

Taking into account the completion of the Shangluo Danfeng Line 2 Plant, the acquisition of the Weinan Shifeng Plant and the completion of the Yutian Plant in Xinjiang Province, the Group's total capacity is expected to reach 21.7 million tons by the second half of 2012, with 19.1 million tons in Shaanxi province. The Group remains steadfast in its medium term aim of reaching over 25 million tons of capacity by 2015, focused on the high growth western China region. The Group continues to focus on its core markets in Shaanxi Province and its core specialty of running plants in under-developed locations in western China with a predominance of infrastructure and rural development growth.

DIVIDENDS

The directors of the Company proposed to recommend the payment of a final dividend of RMB0.0142 per ordinary share for the year ended 31 December 2011. The proposed final dividend for the year ended 31 December 2011 has been approved at the Company's Board meeting on 15 March 2012. Details of the dividends for the year ended 31 December 2011 are set forth in note 10 to the consolidated financial statements.

The final dividend of RMB0.0142 per ordinary share is subject to approval by the shareholders at the forthcoming annual general meeting of the Company ("Annual General Meeting") to be held on 28 May 2012, and will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2012.

CLOSURE OF REGISTER OF MEMBERS

In order to be eligible for attending and voting at the forthcoming Annual General Meeting to be held at 28 May 2012, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shop 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 10 April 2012. The register of members of the Company will be closed from 11 April 2012 to 13 April 2012, both days inclusive, during which period no transfer of shares will be registered.

In order to determine who are entitled to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shop 1712–16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 5 June 2012. The register of members of the Company will be closed from 6 June 2012 to 8 June 2012, both days inclusive, during which period no transfer of shares will be registered. Subject to shareholder's approval of the proposed final dividend at the Annual General Meeting, the final dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2012.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles of and has complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance (the "Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the HKSE throughout the year ended 31 December 2011, 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 officers of the Company and Mr. Zhang Jimin was the chairman and also the chief executive officer of the Company responsible for overseeing the operations of the Group during such period. Although, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. However, for the purpose of complying with Code Provision A.2.1, on 23 March 2011, the Company has appointed Mr. Tian Zhenjun to take up the role of chief executive officer of the Company in place of Mr. Zhang Jimin. Mr. Zhang Jimin remains at the chairman of the Board.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the directors of the Company of the Listed Issuers (the "Model Code") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the directors of the Company (the "Directors"). Specific enquiries have been made with all the Directors and each of them has confirmed and declared that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2011.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit. 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 consolidated financial statements for the year ended 31 December 2011.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed shares during the year ended 31 December 2011. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company during the year ended 31 December 2011.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Company (www.westchinacement.com) and the HKSE (www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2011 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and make available on the abovementioned websites in due course.

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

Hong Kong, 15 March 2012

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