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)

2012 Interim Results Announcement

Financial highlights:

RMB' Million (unless otherwise specified)	**Six months ended 30 June 2012**	Six months ended 30 June 2011	% Change
Cement Sales Volume (million tons)	**6.4**	5.9	8.5%
Revenue	**1,590.1**	1,713.0	(7.2%)
Gross Profit	**301.9**	566.9	(46.7%)
EBITDA	**479.8**	691.3	(30.6%)
Profit Attributable to Shareholders	**148.5**	419.0	(64.6%)
Basic Earnings Per Share	**0.03**	0.10	(70.0%)
Interim Dividend	**Nil**	0.02	(100.0%)
Gross Profit Margin	**19.0%**	33.1%	(14.1 ppt)
EBITDA Margin	**30.2%**	40.4%	(10.2 ppt)
Net Profit Margin	**9.5%**	24.6%	(15.1 ppt)
	30 June 2012	31 December 2011	
Total Assets	**9,655.7**	8,420.7	14.7%
Net Debt[(1)]	**3,636.2**	2,745.7	32.4%
Net Gearing[(2)]	**79.6%**	65.7%	13.9 ppt
Net Assets Per Share	**1.07**	0.98	9.2%

Notes:

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

(2) Net gearing is measured as net debt to equity

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 2012 together with the comparative figures for the corresponding period of 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	**Six months ended 30 June**	
		2012	2011
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*1*	**1,590,121**	1,712,973
Cost of sales		**(1,288,198)**	(1,146,069)
Gross profit		**301,923**	566,904
Selling and marketing expenses		**(12,123)**	(16,854)
Administrative expenses		**(100,375)**	(91,651)
Other income		**80,148**	82,417
Other (losses) gains, net		**(13,655)**	45,932
Finance income		**927**	6,969
Finance costs		**(70,068)**	(107,840)
Profit before tax		**186,777**	485,877
Income tax expense	*2*	**(36,477)**	(64,874)
Profit and total comprehensive income for the period	*3*	**150,300**	421,003
Profit and total comprehensive income attributable to			
— Owners of the Company		**148,454**	418,980
— Non-controlling interests		**1,846**	2,023
		150,300	421,003
Earnings per share			
Basic earnings per share (RMB)	*5*	**0.03**	0.10
Diluted earnings per share (RMB)	*5*	**0.03**	0.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2012

	Notes	**30 June 2012** *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**7,592,998**	6,352,020
Prepaid lease payments		**382,728**	292,269
Mining rights		**138,554**	131,663
Other intangible assets		**169,925**	110,293
Deposit for an acquisition		**50,000**	—
Deferred tax assets		**44,240**	24,901
		8,378,445	6,911,146
Current assets			
Inventories		**426,041**	381,926
Trade and other receivables and prepayments	6	**677,106**	561,474
Restricted bank deposits		**62,740**	36,526
Cash and cash equivalents		**111,407**	529,612
		1,277,294	1,509,538
Total assets		**9,655,739**	8,420,684
EQUITY			
Share capital		**124,715**	119,119
Share premium		**2,196,887**	1,855,759
Share option reserve		**7,213**	4,812
Equity reserve		**(302,264)**	(333,180)
Statutory reserve		**376,274**	376,274
Retained earnings		**2,134,719**	2,046,690
Equity attributable to owners of the Company		**4,537,544**	4,069,474
Non-controlling interests		**29,997**	109,067
Total equity		**4,567,541**	4,178,541

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	*8*	**3,000**	205,000
Senior notes	*9*	**2,477,506**	2,462,009
Provisions for environmental rehabilitation		**12,625**	10,446
Deferred tax liabilities		**9,628**	10,964
Other liabilities		**42,105**	44,251
		2,544,864	2,732,670
Current liabilities			
Trade and other payables	*7*	**1,182,378**	841,774
Senior notes		**79,101**	78,762
Income tax liabilities		**31,175**	22,937
Borrowings	*8*	**1,250,680**	566,000
		2,543,334	1,509,473
Total liabilities		**5,088,198**	4,242,143
Total equity and liabilities		**9,655,739**	8,420,684
Net current (liabilities) assets		**(1,266,040)**	65
Total assets less current liabilities		**7,112,405**	6,911,211

NOTES:

1. 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, production process and distribution methods are similar. In addition, the operation 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 the periods of six months ended 30 June 2012 and 2011.

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 subsidiaries of the Group are domiciled and operate.

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Current tax	**32,157**	74,093
Deferred tax	**4,320**	(9,219)
Income tax expense	**36,477**	64,874

3. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**201,472**	137,777
Amortisation of prepaid lease payments	**4,597**	3,024
Amortisation of mining rights included in cost of sales	**4,298**	1,998
Amortisation of other intangible assets included in administrative expenses	**1,042**	1,035
Total depreciation and amortisation	**211,409**	143,834
Reversals of write-down of inventories	**—**	(2,129)
Impairment loss provided (reversed) in respect of trade receivables	**2,538**	(376)
Cost of inventories recognised as expenses	**1,081,491**	947,757
Loss on disposal of property, plant and equipment	**97**	61
Bargain purchase gain on acquisition of subsidiaries	**—**	(3,173)
Share option expenses	**2,401**	1,394
Exchange loss (gain)	**10,033**	(40,678)

4. DIVIDEND

During the current period, a final dividend of RMB1.42 cents per share in respect of the year ended 31 December 2011 (six months ended 30 June 2011: RMB1.53 cents in respect of the year ended 31 December 2010) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to RMB60,425,000 (six months ended 30 June 2011: RMB65,033,000).

The directors do not recommend the payment of an interim dividend for current interim reporting period.

An interim dividend of approximately RMB85,260,000 at RMB0.02 per share for six months ended 30 June 2011 was approved and paid in September 2011.

5. 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	
	2012	2011
	RMB'000	*RMB'000*
Earnings for the purposes of basic and diluted earnings per share	**148,454**	418,980

	Six months ended 30 June	
	2012	2011
Weighted average number of ordinary shares for the purposes of calculation of basic and diluted earnings per share	**4,281,841,839**	4,254,919,740

The calculation of diluted earnings per share did not take into account the share options of the Company for the period ended 30 June 2012 and 2011 because the exercise price of the Company's share options was higher than the average market price of the Company's share during the those periods, and hence their effects would have been anti-dilutive.

6. TRADE AND BILLS RECEIVABLES

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
Trade receivables	**156,400**	131,900
Less: provision for impairment of trade receivables	**(9,099)**	(6,561)
Bills receivable	**26,204**	29,874
	173,505	155,213

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.

	30 June 2012 *RMB'000*	31 December 2011 *RMB'000*
0 to 90 days	**63,817**	40,199
91 to 180 days	**8,474**	51,948
181 to 360 days	**43,005**	21,735
361 to 720 days	**28,545**	11,457
Over 720 days	**3,460**	—
	147,301	125,339

The Group allows an average credit period from 60 to 90 days to its credit sales customers.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Bills receivable are aged within six months.

7. TRADE AND BILLS PAYABLES

	30 June 2012 *RMB'000*	31 December 2011 *RMB'000*
Trade payables	**501,742**	328,328
Bills payables	**105,000**	17,580
	606,742	345,908

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

	30 June 2012 *RMB'000*	31 December 2011 *RMB'000*
0 to 90 days	**337,322**	232,021
91 to 180 days	**98,703**	61,084
181 to 360 days	**57,597**	24,538
361 to 720 days	**6,293**	9,862
Over 720 days	**1,827**	823
	501,742	328,328

Bills payables are aged within six months.

8. BORROWINGS

During the current period, the Group obtained new bank loans amounting to approximately RMB576,900,000 (six months ended 30 June 2011: RMB616,900,000) and repaid bank loans amounting to approximately RMB386,900,000 (six months ended 30 June 2011: RMB1,072,337,000). The new loans are carrying interest at variable market rates from 5.87% to 7.93% (six months ended 30 June 2011: from 6.06% to 7.04%) and repayable within one year.

9. SENIOR NOTES

On 25 January 2011, the Company issued 7.5%, five-year senior notes with an aggregate 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. The Senior Notes are 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 adjusting for transaction costs.

The fair value of Senior Notes is RMB2,295,939,000 at 30 June 2012 (31 December 2011: RMB2,066,695,000). It represents the market price of the senior notes at the end of report period.

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 pledged assets at the end of each reporting period is as follows:

	30 June 2012 *RMB'000*	31 December 2011 *RMB'000*
Prepaid lease payments	**119,185**	47,345
Property, plant and equipment	**2,092,727**	1,609,640
	2,211,912	1,656,985

On 25 January 2011, the Company issued senior notes of US$400,000,000. The senior 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

For the six months ended 30 June 2012, the Group has taken significant steps in consolidating its position as the largest cement producer in Shaanxi Province as well as expanding into Xinjiang Province, where economic and infrastructure growth promoted by the PRC Government's Western Development Policy remains a key feature of the 12th Five-Year Plan. This expansion and consolidation has been executed against a backdrop of a tough cement pricing environment carried over from the second half of 2011. Whilst average selling prices ("ASPs") of cement for the six months ended 30 June 2012 are significantly lower than the corresponding period in 2011, the Group has seen some gradual improvement in this pricing environment, particularly in the second quarter of 2012. Cement sales volumes have been reasonable, and the Group has continued to benefit from a resilient rural market in the absence of a significant pick up in the infrastructure market.

The Group's focus during the six months ended 30 June 2012 has been on consolidating its core markets in Shaanxi Province. The Shifeng Cement Plant and the Fuping Cement Plant acquisitions, described in more detail below, have been particularly significant in extending the Group's core market reach in eastern Shaanxi Province and represent an important step in the supply rationalisation process in Shaanxi Province. Outside of Shaanxi Province, the Group has completed the construction of the 2 million ton cement capacity Yutian Plant in Hotan, Xinjiang Province and this plant will commence production in the second half of 2012.

The Group's capacity as at 30 June 2012 has reached 21.7 million tons, including 650,000 tons of capacity in Xinjiang Province. This capacity further increased to 23.7 million tons with the commissioning of the Xinjiang Yutian Plant in July 2012, taking the Group closer to its medium term target of 30 million tons of capacity by 2015.

Operating Environment

The market backdrop to this has been one of oversupply in Shaanxi Province which has affected the Group's ASP and profitability. In spite of this oversupply, reasonable levels of cement demand coupled with an increasingly disciplined supply scenario have resulted in gradually improving prices and profit margins since the fourth quarter of 2011 and first quarter of 2012.

The Group exited 2011 facing a tough operating environment. A significant level of production capacity additions had come on stream in 2011, concentrated in Central Shaanxi in particular. This had precipitated competition amongst producers, resulting in a decrease in the price of cement products. These supply additions coincided with two other factors that exacerbated competition and price falls. Firstly, credit tightening and lower growth levels of fixed asset investment ("FAI") in China as a whole had led to some slowdown in infrastructure projects. Secondly, Shaanxi Province experienced its highest rainfall for over 50 years in the second half of 2011, leading to further construction slowdowns and high levels of cement inventory resulting in weak cement prices.

The low pricing environment has resulted in two distinct long-term benefits for the Shaanxi cement industry. Firstly, consolidation has proceeded rapidly. The Group has been a prime mover in this process, acquiring two 2 million ton cement plants in the first half of 2012, resulting in Shaanxi Province now at a level of market concentration for the top four producers of approximately 80% of NSP production. In addition, the low pricing has resulted in the continued eradication of small scale, non-NSP kilns in the province.

After the 2012 Chinese New Year holidays, following the traditional low season months of January and February, Shaanxi Province saw the first of three rounds of gradual price increases for cement products across the province and the Group has been able to increasingly benefit from these through the first half of 2012. The Group sees this improving pricing environment as evidence of some pricing discipline returning to the Shaanxi market and, whilst gradual, these price increases have held into the second quarter.

Sales volumes to rural markets have remained particularly resilient. The low pricing environment has allowed the Group to take over a significant portion of the rural market from smaller, inefficient producers, and this has been especially evident in the Southern Shaanxi regions of Shangluo, Ankang and Hanzhong, core market areas where market dominance allows the Group to retain high levels of market share and thus maintain certain pricing premiums. The "Southern Shaanxi Resettlement Project," which has been proceeding according to Government plans, has remained a strong driver of demand for the Group's cement products in the south and the Group maintains its target of supplying approximately 1.2 million tons of cement, approximately 12% of the Group's cement capacity in Southern Shaanxi, to this project alone in 2012. The infrastructure market, however, has not seen a strong pick up in the first half of 2012. Some projects, especially water conservancy ones related to the "Hanjiang to Weihe River Project," have proceeded in the first half, but the Group has not yet seen a significant return of infrastructure construction. The Company expects more activity on this front in the second half of 2012, as described in the section headed "Prospects" below.

This has resulted in the Group's sales of low-grade cement accounting for approximately 70% of total cement sales for the six months ended 30 June 2012, with high-grade cement accounting for approximately 30%, a similar proportion to the second half of 2011. Whilst reflecting the fact that infrastructure construction in Shaanxi Province has yet to pick up significantly, this ratio also reflects the inherent strength of construction in the rural markets in Shaanxi Province. This adds a defensive quality to earnings and the Group is able to benefit from the continued policy of value added tax ("VAT") rebates on low-grade cement products that use recycled industrial waste as a production input.

Expansion and Acquisitions in Shaanxi Province

In the first half of 2012, the Group has maintained its focus as a prudent consolidator in its core markets in the eastern and southern parts of Shaanxi Province.

In April 2012, the newly constructed Shangluo Danfeng Line 2 plant, with an annual capacity of 1.5 million tons of cement, was commissioned. This plant raises the Group's capacity in Shangluo Region, a remote mountainous area with some of the highest cement prices in Shaanxi Province, to 3.3 million tons, maintaining a dominant position in this region.

In March and June 2012, the Group completed two important acquisitions — the Shifeng Cement Plant and the Fuping Cement Plant, respectively. These two acquisitions considerably strengthen the Group's position and pricing power in the Weinan Region and eastern central Shaanxi Province, eliminating competition in the Weinan Region, and extending market reach into the Fuping County and northeastern Xi'an metropolitan markets. The Group sees these acquisitions as a significant step in the supply consolidation process in Shaanxi Province.

The purchase consideration for the Shifeng Cement Plant, a facility with an annual cement production capacity of 2 million tons and a 9MW residual heat recycling system, situated in Fuping County, was approximately RMB365 per ton of cement capacity on an enterprise value ("EV") basis, financed by internal cash flow and bank borrowings. The 2 million ton cement capacity Fuping Cement Plant, also in Fuping County, was valued at RMB337 per ton of cement capacity on an EV basis. The Fuping Cement Plant was acquired from the Italcementi Group and this transaction included a 35% interest in the above-mentioned Shifeng Cement Plant. The acquisition was executed on a share for asset basis with the Italcementi Group, whereby the Group issued 284,200,000 new shares, representing 6.25% of the then enlarged share capital of the Group, to Italcementi Group at HK$2.1815, representing a 27.2% premium to the prevailing 20 day moving average price. As part of this agreement, the Italcementi Group has agreed to a three-year lock-up in the shares and has nominated a non- executive director to the Board. The Directors are very pleased to welcome one of the world's largest international cement producers as a substantial shareholder of the Group.

Further details of these acquisitions are discussed in the "Material Acquisitions and Disposals" section below and in the announcements of the Company dated 15 March 2012, 16 April 2012 and 4 May 2012, respectively.

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 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. FAI 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, with an annual production of 650,000 ton, has been operating at normal capacity during the first half of 2012. The Yutian Plant, also located in the Hotan Region with an annual production capacity of 2 million tons, commenced construction in April 2011 and was commissioned in July 2012. The Group expects to ramp up the Yutian Plant to a normal production capacity during the third quarter of 2012.

Other Expansion and Acquisitions

As part of the Group's medium term target of reaching 30 million tons of capacity by 2015, the Group has identified and obtained licences for three further projects in provinces outside of Shaanxi in the west of China. All of these projects follow the industry trends of consolidation, have superior locations in high growth areas and potentially represent low acquisition cost projects for the Group in the current environment. These projects are currently at the preliminary stages of appraisal, due diligence and project planning and the Group has committed no more than a total of RMB100 million of capital expenditure to all three of these projects. The Board's decision on proceeding with these projects will be taken with careful consideration given to the Group's cash flow and funding abilities going forward, and the Group will not be committing further expenditure over and above the RMB100 million already committed in fiscal year 2012.

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 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.

During the first half of 2012, the Group has continued constructing residual heat recovery systems and three more of these are due to be installed and come into operations by year end 2012. These systems reduce the Group's production lines' 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 30 June 2012, residual heat recovery systems have been installed at 9 out of 16 production lines, and with systems for three more due to be completed in the second half of 2012, the Group expects to achieve a rate of close to 75% of capacity with heat recovery systems installed by the end of the year.

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 first half of 2012, charitable donations made by the Group amounted to RMB2.5 million, including donations made in sponsoring deprived students for college education, and supporting education, sports and cultural events.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 7.2% from RMB1,713.0 million for the six months ended 30 June 2011 to RMB1,590.1 million for the six months ended 30 June 2012. This was in spite of a growth in cement sales volume of approximately 8.5% from approximately 5.9 million tons to approximately 6.4 million tons for this period. The Group's capacity expanded in both existing and new markets in Shaanxi Province as well as a small contribution from the expansion into Xinjiang Province. New production facilities that have commenced operation, have been ramping up production, or were acquired since 30 June 2011, include:

- 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
- Shangluo Danfeng Line 2 — commenced operation in April 2012
- Weinan Shifeng Plant — acquired in March and June 2012
- Weinan Fuping Plant — acquired in June 2012

There has been little revenue contribution in the reporting period from the Weinan Shifeng and Weinan Fuping Plants as these plants were acquired in March and June, with operations not being taken over by the Group until acquisition date.

The Group's decrease in revenue as compared with the increase in sales volume has been due to significant declines in the Group's ASPs in Shaanxi Province as compared with the corresponding period in 2011. Reasons for this decline are discussed in the "Operating Environment" section above. ASP for the Group's cement products in the six months ended 30 June 2012 was RMB234 per ton as compared with RMB289 per ton in the six months ended 30 June 2011.

Cost of Sales

Cost of sales increased by 12.4% from RMB1,146.1 million for the six months ended 30 June 2011 to RMB1,288.2 million for the six months ended 30 June 2012. The increase was primarily due to the 8.5% growth in sales volume, as well as higher raw material costs, electricity costs and increases in unit production costs as a result of lower productivity. These increases have been partially offset by lower coal cost.

Due to a more competitive operating environment, the Group has raised the quality standards of its cement products. This has resulted in higher production costs, especially relating to raw material costs. The total cost of raw material has increased by approximately 26%, partly due to higher sales and production volumes and partly due to this higher raw material consumption as a result of the higher standards of cement products produced by the Group.

This was due to higher sales and production volumes, as well as increases in unit electricity prices. The average unit electricity cost, after taking into account of the savings from the heat recycling system, increased from approximately RMB0.43 per kwh in the six months ended 30 June 2011 to approximately RMB0.45 per kwh in the six months ended 30 June 2012. Whilst electricity consumption per ton of cement has improved slightly, the higher unit electricity cost has resulted in an approximate 2.1% increase in the cost of electricity per ton of cement. The installation of residual heat recovery systems has continued to minimise the Group's electricity costs.

Total depreciation cost and other plant overheads for the six months ended 30 June 2012 were significantly higher as compared with the corresponding period in 2011 due to the increase in operating plants and capacity. However, as productivity levels have been lower in the current period, this has resulted in higher unit depreciation cost and other plant overheads.

Staff costs, though only accounting for approximately 3% to 4% of total costs of sales, have increased by approximately 33.4% during the period under review. This is due to the increase of the number of operating plants and wage inflation over the period.

The average unit coal cost decreased by approximately 7.9% from approximately RMB636 per ton in the six months ended 30 June 2011 to approximately RMB586 per ton in the six month ended 30 June 2012. This decrease was mainly due to general falls in coal prices in the PRC during the reporting period under review as well some as some efficiencies gained through new procurement methods.

Gross Profit and Gross Profit Margin

Despite the increase in the sales volume, gross profit decreased by RMB265.0 million, or 46.7%, from RMB566.9 million for the six months ended 30 June 2011 to RMB301.9 million for the six months ended 30 June 2012. Gross profit margins decreased from 33.1% for the six months ended 30 June 2011 to 19.0% for the six months ended 30 June 2012.

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

(i) decreases in ASP by approximately 19.0%;

(ii) increases in input costs such as electricity and 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. These expenses increased by 9.5% from RMB91.7 million for the six months ended 30 June 2011 to RMB100.4 million for the six months ended 30 June 2012. This was mainly due to the increase in staff salaries, the number of production facilities in Shaanxi and Xinjiang Provinces, as well as additional legal and professional fees incurred for acquisitions during the reporting period under review.

Other Income

Other income comprises 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 2.8% from RMB82.4 million for the six months ended 30 June 2011 to RMB80.1 million for the six months ended 30 June 2012. The decreases in the Group's revenue has resulted in lower levels of VAT refunds, although this has been partially offset by a shift in sales mix towards lower grade cement products which are entitled to VAT refunds. Therefore, the percentage of VAT refunds over sales has improved, resulting in only a modest decline in other income as compared with the decline in revenues.

Other Gains and Losses — net

Other losses increased by RMB59.6 million from a RMB45.9 million gain for the six months ended 30 June 2011 to a RMB13.7 million loss for the six months ended 30 June 2012. The losses were primarily due to exchange losses of RMB10.0 million (six months ended 30 June 2011: exchange gain of RMB40.7 million) arising from foreign exchange translation of the Senior Notes.

Interest Income

Interest income decreased by RMB6.0 million from RMB7.0 million for the six months ended 30 June 2011 to RMB1.0 million for the six months ended 30 June 2012. The prior period balance was primarily due to bank deposit interest income arising from the Senior Notes issued in January 2011. The funds raised from the Senior Notes issuance have been mostly utilised in the Company's expansion.

Finance Costs

Finance costs decreased by RMB37.7 million or 35.0% from RMB107.8 million for the six months ended 30 June 2011 to RMB70.1 million for the six months ended 30 June 2012. Included in the prior period finance costs were early repayment charges of RMB28.8 million. No such expenses were incurred during the current period under review.

The interest capitalised as part of the costs of assets for the six months ended 30 June 2012 was RMB59.8 million, representing an increase of RMB27.0 million as compared with RMB32.8 million for the six months ended 30 June 2011.

Taxation

Income tax expenses decreased by RMB28.4 million or 43.8% as a result of the Group's lower profitability. The effective tax rate for the six months ended 30 June 2012 increased to 19.5% (2011: 13.4%). 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 income tax expenses for the Group are outlined in note 2 to the consolidated financial statements above.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased by 64.6% from RMB419.0 million for the six months ended 30 June 2011 to RMB148.5 million for the six months ended 30 June 2012. Basic earnings per share decreased by 70.0% from RMB0.1 for the six months ended 30 June 2011 to RMB0.03 for the six months ended 30 June 2012.

FINANCIAL AND LIQUIDITY POSITION

As at 30 June 2012, the Group's total assets increased by 14.7% to RMB9,655.7 million (31 December 2011: RMB8,420.7 million) while total equity grew by 9.3% to RMB4,567.5 million (31 December 2011: RMB4,178.5 million). In June 2012, 284.2 million of new ordinary shares were issued to Cimfra (China) Limited as part of the purchase consideration for Fuping Cement Plant, resulting in an increase in total equity of RMB346.7 million.

As at 30 June 2012, the Group had bank balances and cash, as well as restricted bank deposits, amounting to RMB174.1 million (31 December 2011: RMB566.1 million). After deducting total borrowings and Senior Notes of RMB3,810.3 million (31 December 2011: RMB3,311.8 million), the Group had net debt of RMB3,636.2 million (31 December 2011: RMB2,745.7 million). None (31 December 2011: 9.6%) of borrowings are at a fixed interest rate. Please refer to notes 8, 9 and 10 of the consolidated financial statements above for the details of the borrowings and the respective pledge of assets.

As at 30 June 2012, the Group's net gearing ratio, measured as net debt to equity, was 79.6% (31 December 2011: 65.7%). The increase in the net gearing ratio was mainly attributable to the increase in onshore bank borrowings by RMB482.7 million, primarily as a result of the Shifeng and Fuping Cement Plant acquisitions described in detail above and in the "Material Acquisitions and Disposals" section below.

Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern. As at 30 June 2012, bank borrowings of RMB1,250.7 million have been classified as current liabilities, and as a result, the Group has net current liabilities of RMB1,266.0 million. The Group intends to rollover part of these bank borrowings, as permitted under the existing facility terms, when they fall due.

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

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure for the six months ended 30 June 2012 amounted to RMB327.9 million (2011: RMB916.0 million) and capital commitments as at 30 June 2012 amounted to RMB701.2 million (2011: 571.9 million). Both capital expenditure and capital commitments were mainly related to the construction of new production facilities, installation of residual heat recovery systems, upgrading of existing production facilities and investment in subsidiaries. The Group has funded these commitments from the proceeds of the Senior Notes issuance, operating cash flow and available banking facilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group employed a total of 4,198 full time employees (2011: 4,335). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2012, the employees benefit expenses were RMB83.9 million (2011: RMB68.6 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

MATERIAL ACQUISITION AND DISPOSALS

In March 2012, the Group acquired a 55% equity interest in the Shifeng Cement Company Limited (陝西實豐水泥有限公司) from an independent third party for a consideration of RMB401.5 million. Shifeng Cement Company Limited comprises the Shifeng Cement Plant, a cement facility in the Weinan Region of Shaanxi Province with annual cement capacity of approximately 2 million tons.

Subsequently in the same month, the Group acquired a further 10% equity interest in the Shifeng Cement Company Limited for a consideration of RMB73 million.

In May 2012, the Group entered into an agreement to acquire a 100% equity interest in the Shaanxi Fuping Cement Company Limited (陝西富平水泥有限公司) from Cimfra China and Ciments Français. The Shaanxi Fuping Cement Company Limited comprises the Fuping Cement Plant, a cement facility with annual cement production capacity of approximately 2 million tons in the Weinan Region of Shaanxi Province, and a 35% equity interest in the Shifeng Cement Company Limited.

For further details in relation to the above acquisitions, please also refer to the announcements of the Company dated 15 March 2012, 16 April 2012 and 4 May 2012, respectively.

Save as disclosed above, the Group had no other significant material acquisitions or disposals during the six months ended 30 June 2012.

FOREIGN EXCHANGE RISK MANAGEMENT

During the six months ended 30 June 2012, 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 year of gradual recovery in the Shaanxi cement market. Following the increased supply and pricing dislocation experienced in 2011, the consolidation process has proceeded to the point that over 80% of current capacity in the Province is concentrated in the hands of the top 4 producers and, during the six months ended 30 June 2012, there has been evidence of pricing discipline returning to the Shaanxi market. The Group expects pricing power to be maintained and potentially improve into the second half of 2012.

The Group has led Shaanxi Province consolidation activity in the six months ended 30 June 2012, with the acquisitions of the Shifeng Cement Plant and the Fuping Cement Plant being a significant move in this rationalisation process. The operation of the Shifeng Cement Plant was taken over by the Group in April 2012 and of the Fuping Cement Plant in late June 2012, and the benefits of these acquisitions are expected to begin to accrue in the second half of 2012 as these plants are consolidated into the Group's activities in the Weinan Region. These benefits are expected to include improved selling prices of cement products in Weinan as the Group co-ordinates its pricing and transportation advantages between its different facilities in the region; and an increased proportion of high end cement sales as these plants serve the more urbanized markets of northern Xi'an, where high end cement demand and ready mix station customers dominate.

On the demand side in Shaanxi Province, whilst the rural and low-grade cement market has been a prominent part of the Group's sales in the six months ended 30 June 2012, a pick up in infrastructure demand into the second half of 2012 is still expected. There is increasing visibility of infrastructure project start-ups in the third and fourth quarter of 2012, including both railway projects and road construction. The Group has been supplying cement to the Lanzhou to Chongqing Railway project since the end of 2011 and has won further tenders for this project in June 2012 with supply expected to commence in September 2012. The Group also expects to be tendering for a number of other projects in the third quarter of 2012, including the Xi'an to Hefei Railway amongst others. The Group is also awaiting updates on the construction of the high speed Xi'an to Chengdu passenger line railway, which the Group conservatively expects to commence construction in 2013. This will be the first high speed railway that runs through the Qingling Mountains, with bridges and tunnels accounting for over 85% of total construction length, and is expected to consume approximately 2.5 million tons of cement in the Shaanxi Province sections. For the time being though, the Group expects the pick up in infrastructure demand to be modest. Combined with the Group's current good sales into water projects and the rural low-grade cement market, and an increasingly disciplined supply scenario, the Group expects this to result in a gradually improving cement pricing environment through the second half of 2012, with further improvements into 2013.

In spite of slowdowns in government spending in China as a whole, the "Western Development Policy" of the 12th Five-Year Plan and the "Guanzhong-Tianshui Economic Zone" remain key development priorities for the PRC Government and 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. Coupled with the fact that current cement oversupply in Shaanxi Province is less acute than in the eastern seaboard provinces, the Group expects a healthier cement market moving into 2013.

The macro backdrop of the "Western Development Policy" is also significant in terms of the Group's move into Xinjiang Province in the far west of China. The Yutian Plant, in Hotan District, with an annual capacity of 2 million tons of cement, was completed in July 2012 and together with the existing Hetian Plant, the Group expects to sell approximately 1 million tons of cement in Hotan in 2012.

The Group maintains its medium term target of reaching 30 million tons of cement capacity by 2015, focusing on its core markets in Shaanxi Province plus selected growth opportunities in other western provinces with a predominance of infrastructure, urbanisation and rural development growth. The Group will assess each opportunity on a case-by-case basis and will manage any future possible capital expenditure with careful due consideration given to its cash flow and funding abilities.

The six months ended 30 June 2012 have also been significant in that the Group has welcomed a new large shareholder, Italcementi Group, as part of its acquisition of Fuping Cement Plant. Italcementi Group is one of the world's largest cement and aggregate producers and the Group looks to benefit from the industry expertise of the Italcementi Group and future co-operation between the two groups.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2012 (2011: RMB0.02 per share).

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance practices and procedures with a view to 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 returns for the shareholders of the Company.

During the period from 1 January 2012 till 31 March 2012, the Company has applied the principles of and has complied with all code provisions of the Code on Corporate Governance Practices (the "Old Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and for the period from 1 April 2012 till 30 June 2012, the Company has complied with the code provisions included in the amendments to the Old Code which took effect since 1 April 2012 (the "New Code") and there has been no deviation from the code provisions as set forth and on the Old Code and the New Code for the six months ended 30 June 2012.

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 term of reference in compliance with the New 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 2012.

AUDITORS

The condensed consolidated financial statements for the six months ended 30 June 2012 have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the auditors of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2012, 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 Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules (the "Model Code") 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, all the Directors 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 2012.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.westchinacement.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). An interim report of the Company for the six months ended 30 June 2012 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, 15 August 2012

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 Directors are Mr. Ma Zhaoyang and Mr. Ma Weiping, and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Wong Kun Kau and Mr. Tam King Ching, Kenny.