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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)

2010 Annual Results Announcement

Financial highlights:

- Revenue increased by approximately 95.2% from approximately RMB1,516.8 million for the year ended December 31, 2009 to approximately RMB2,960.8 million for the year ended December 31, 2010, as a result of the Group's robust expansion which in turn resulted in an increase in sales volume.

- Gross profit increased by approximately 86.7% from approximately RMB638.7 million for the year ended December 31, 2009 to approximately RMB1,192.4 million for the year ended December 31, 2010. Gross profit margin for the reporting period was approximately 40.3% (2009: approximately 42.1%).

- Basic earnings per share, after being adjusted for the exceptional charge of losses on warrant redemption of RMB168.5 million for the year ended December 31, 2009 and shares delisting and listing expenses of RMB 65.7 million for the year ended December 31, 2010, increased by approximately 80.0% from RMB0.155 per share to RMB0.273 per share, reflecting strong revenue and profit growth.

- Gearing, measured as net debt to equity, improved significantly from approximately 99.1% as at December 31, 2009 to approximately 23.0% as at December 31, 2010, mainly attributable to the increase in equity by approximately RMB2,278.8 million to approximately RMB3,574.0 million as a result of the initial public offering of the Company in Hong Kong in August 2010, an increase in earning and the repayment of borrowings during the year ended December 31, 2010.

- Proposed declaration of final dividend of RMB1.53 cents per ordinary share for the year ended December 31, 2010.

The board of directors (the "Board") of West China Cement Limited (the "Company") is pleased to announce its first annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended December 31, 2010 together with the comparative figures for the corresponding year of 2009 as follows:

CONSOLIDATED BALANCE SHEET

As at December 31, 2010

(All amounts in RMB thousands unless otherwise stated)

		As at December 31,	
	Note	**2010**	2009
ASSETS			
Non-current assets			
Property, plant and equipment		**3,819,616**	2,611,502
Land use rights		**178,054**	124,571
Mining rights		**64,867**	46,373
Other intangible assets		**63,077**	65,104
Advances for business combination	13(a)	**300,000**	—
Deferred income tax assets		**17,124**	13,540
		4,442,738	2,861,090
Current assets			
Inventories		**166,898**	128,979
Trade and other receivables and prepayments	2	**545,457**	317,670
Restricted cash		**16,122**	19,582
Cash and cash equivalents		**374,459**	346,258
		1,102,936	812,489
Total assets		**5,545,674**	3,673,579
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**118,850**	97,623
Share premium			
– Proposed final dividend		**65,033**	—
– Others		**1,936,884**	672,775
Share options reserve		**593**	5,439
Reverse acquisition reserve		**(341,304)**	(341,304)
Statutory reserve		**220,388**	118,140
Retained earnings		**1,540,448**	717,553
		3,540,892	1,270,226
Non-controlling interests		**33,124**	25,000
Total equity		**3,574,016**	1,295,226

	Note	As at December 31, **2010**	2009
LIABILITIES			
Non-current liabilities			
Borrowings	4	**131,255**	360,058
Provisions for other liabilities and charges		**8,444**	6,265
Deferred income tax liabilities		**8,959**	8,079
Other liabilities		**39,215**	117,049
		187,873	491,451
Current liabilities			
Trade and other payables	3	**644,056**	559,395
Current income tax liabilities		**59,548**	38,639
Borrowings	4	**1,080,181**	1,288,868
		1,783,785	1,886,902
Total liabilities		**1,971,658**	2,378,353
Total equity and liabilities		**5,545,674**	3,673,579
Net current liabilities		**(680,849)**	(1,074,413)
Total assets less current liabilities		**3,761,889**	1,786,677

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2010

(All amounts in RMB thousands unless otherwise stated)

	Note	**Year ended December 31,**	
		2010	2009
Revenue	5	**2,960,781**	1,516,766
Cost of sales	6	**(1,768,358)**	(878,087)
Gross profit		**1,192,423**	638,679
Selling and marketing expenses	6	**(27,860)**	(15,064)
Administrative expenses	6	**(179,028)**	(77,846)
Other income	7	**171,611**	71,526
Other losses - net	8	**(215)**	(1,057)
Operating profit		**1,156,931**	616,238
Finance income	9	**1,678**	1,190
Finance costs	9		
– Loss on redemption of warrants		**—**	(168,451)
– Other finance costs		**(101,005)**	(73,830)
Finance costs - net		**(99,327)**	(241,091)
Profit before income tax		**1,057,604**	375,147
Income tax expense	10	**(124,337)**	(44,687)
Profit for the year		**933,267**	330,460
Other comprehensive income		**—**	—
Total comprehensive income for the year		**933,267**	330,460
Profit / total comprehensive income attributable to			
– Equity holders of the Company		**925,143**	330,460
– Non-controlling interests		**8,124**	—
		933,267	330,460
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Renminbi per share)			
Basic earnings per share	11(a)	**0.255**	0.102
Diluted earnings per share	11(b)	**0.254**	0.101
Dividends	12	**65,033**	—

NOTES:

(All amounts in RMB thousands unless otherwise stated)

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, except that certain financial assets and financial liabilities are stated at fair value or recognised initially at fair value and subsequently measured at amortised cost using the effective interest method as appropriate.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Going concern basis

As at December 31, 2010, the Group's current liabilities exceeded its current assets by approximately RMB680,849,000. The Group's current liabilities mainly included bank borrowings, trade and other payables and advances from customers. The directors of the Company have prepared the Group's cash flow projections for the period from January 1, 2011 to May 31, 2012 and have assessed the compliance of loan covenants. The directors are of the opinion that, having taken into consideration of the expected cash flows and available financial resources of the Group, the Group has sufficient financial resources to meet its liabilities as and when they fall due in the 12 months from December 31, 2010. In addition, the Group has received net proceeds of approximately RMB2,578,154,000 (equivalent to US$391,335,000) through issuing US$400,000,000 Senior Notes due January 25, 2016 on January 25, 2011 (see Note 13(c)). Accordingly, the directors believe that the Group will continue as a going concern and consequently have prepared the consolidated financial statements on a going concern basis.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

- International Accounting Standard ("IAS") 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of IAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortized over the lease term. It is not considered to have any impact on the Group's financial statements.

- IAS 36 (amendment), 'Impairment of assets', effective January 1, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). It is not expected to have any impact on the Group's financial statements.

- Second improvements to International Financial Reporting Standards (2009) were issued in April 2009 by International Accounting Standard Board ("IASB"). All improvements are effective in the financial year of 2010. These improvements do not have any significant impact on the Group's financial statements.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

- International Financial Reporting Interpretations Committee Interpretation ("IFRIC") 17, 'Distribution of non-cash assets to owners' (effective on or after July 1, 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after July 1, 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective July 1, 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remains classified as at fair value through profit or loss in its entirety.

- IFRIC 16, 'Hedges of a net investment in a foreign operation' effective July 1, 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within a group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, a group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group. IAS 38 (amendment), 'Intangible assets', effective January 1, 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from January 1, 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 - Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning January 1, 2010 and have not been early adopted.

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption. The impact on the Group's financial statements is considered insignificant.

- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted. The impact on the Group's financial statements is considered insignificant.

- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after February 1, 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. It is not expected to have any impact on the Group's financial statements.

- IFRIC 19, ‘Extinguishing financial liabilities with equity instruments’, effective July 1, 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. It is not expected to have any impact on the Group’s financial statements.

- ‘Prepayments of a minimum funding requirement’ (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, ‘IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction’. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. It is not expected to have any impact on the Group’s financial statements.

- Third improvements to International Financial Reporting Standards (2010) were issued in May 2010 by IASB. All improvements are effective in the financial year of 2011. The impact on the Group’s financial statements is considered not significant.

- Since October 2010, the IASB has published amendments to IFRS 7, ‘Financial instruments: Disclosures on derecognition’, additions to IFRS 9, ‘Financial instruments - Classification and measurement for financial liability’, accounting and amendments to IAS 12, ‘Income taxes on deferred tax: Recovery of underlying assets’. Management is in the process of making an assessment of their impact and is not yet in a position to state what impact, if any, they may make.

2. Trade and other receivables and prepayments

	As at December 31,	
	2010	2009
Bills receivable	**23,218**	5,370
Trade receivables (Note (a))	**230,609**	95,676
Less: provision for impairment of trade receivables (Note (c))	**(11,714)**	(4,881)
	242,113	96,165
Other receivables (Note (b))	**184,251**	54,975
Holding deposit for a potential acquisition (Note (d))	**—**	100,000
Less: provision for impairment of other receivables (Note (c))	**(1,807)**	(370)
	182,444	154,605
Prepayments	**120,900**	66,900
Trade and other receivables and prepayments – net	**545,457**	317,670

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

As at December 31, 2009 and 2010, trade and other receivables and prepayments were mainly denominated in RMB, except that as at December 31, 2010 a balance of RMB15,069,000 which was included in other receivables was denominated in HK dollar.

Note(a)

Bills receivable are mainly aged within three months.

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

	As at December 31,	
	2010	2009
Within 90 days	**168,098**	64,220
Over 90 days and within 180 days	**33,275**	9,198
Over 180 days and within 360 days	**15,560**	6,947
Over 360 days and within 720 days	**10,758**	11,365
Over 720 days	**2,918**	3,946
	230,609	95,676

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

As at December 31, 2010, trade receivables of RMB11,714,000 were impaired (2009: RMB4,881,000).

As at December 31, 2010, the trade receivables that were neither past due nor impaired were RMB136,205,000 (2009: RMB59,296,000).

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

	As at December 31,	
	2010	2009
Overdue for 1 to 90 days	**60,991**	12,731
Overdue for 91 to 180 days	**21,431**	6,723
Overdue for 181 to 360 days	**268**	12,045
	82,690	31,499

Note (b)

Details of other receivables are as follows:

	As at December 31,	
	2010	2009
Value-added tax ("VAT") recoverable and income tax receivable	**43,997**	17,839
VAT refund receivable	**17,171**	—
Receivable from non-controlling interests of a subsidiary	**—**	30,000
Others (i)	**123,083**	7,136
	184,251	54,975

(i) Included in the balance was an amount of RMB100,000,000 paid by the Group to a third party on behalf of a new subsidiary to be established on January 6, 2011 for purchasing inventories. Please see Note 13(a)(ii) for details.

Note (c)

Movements in impairment of trade receivables are as follows:

	Year ended December 31,	
	2010	2009
At beginning of the year	**(4,881)**	(3,465)
Provision for impairment of trade receivables	**(7,058)**	(1,416)
Receivables written off during the year as uncollectible	**225**	—
At end of the year	**(11,714)**	(4,881)

Movements in impairment of other receivables are as follows:

	Year ended December 31,	
	2010	2009
At beginning of the year	**(370)**	(414)
Provision for impairment of other receivables	**(1,437)**	—
Reversal of impairment of other receivables	**—**	44
At end of the year	**(1,807)**	(370)

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

Note (d)

The balance represented a holding deposit paid by the Group to a third party for the purpose of securing the exclusivity of a business acquisition. Please see Note 13(a)(i) for details.

3. Trade and other payables

	As at December 31,	
	2010	2009
Trade payables	**327,195**	185,950
Other payables	**178,846**	141,343
Advances from customers	**80,213**	56,920
Accrued taxes other than income tax (Note (a))	**27,587**	32,288
Staff salaries and welfare payables	**12,813**	17,204
Other liabilities	**9,823**	10,472
Bonus payable	**6,000**	6,000
Acquisition consideration payable	**823**	36,050
Interest payable	**673**	3,007
Payable to non-controlling interests of a subsidiary	**83**	70,161
	644,056	559,395

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

The ageing analysis of the trade payables were as follows:

	As at December 31,	
	2010	2009
Within 90 days	**263,893**	147,187
Over 90 days and within 180 days	**39,564**	21,926
Over 180 days and within 360 days	**16,633**	12,851
Over 360 days and within 720 days	**7,105**	3,967
Over 720 days	**–**	19
	327,195	185,950

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

	As at December 31,	
	2010	2009
VAT (i)	**14,431**	20,433
Resource tax, bulk cement special funds and other taxes	**13,156**	11,855
	27,587	32,288

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

Input VAT on purchases of raw materials, fuel, utilities and certain PPE can be deducted from output VAT. VAT payable is the net difference between output and deductible input VAT.

4. Borrowings

	As at December 31,	
	2010	2009
Non-current		
Bank borrowings-secured (Note (a))	**257,255**	704,522
Less: Current portion	**(132,000)**	(376,464)
	125,255	328,058
Other borrowings (Note (b))	**6,000**	32,000
	131,255	360,058
Current		
Bank borrowings-secured (Note (a))	**948,181**	790,604
Other borrowings (Note (b))	**—**	121,800
Current portion of bank borrowings-secured	**132,000**	376,464
	1,080,181	1,288,868
Total borrowings	**1,211,436**	1,648,926

(a) Bank borrowings

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

	As at December 31,	
	2010	2009
RMB		
- borrowed by subsidiaries (i) (ii)	**667,255**	794,800
US$		
- US$60 million (iii)	**—**	358,921
- US$50 million from Superb Miles Limited (iv)	**—**	341,405
- US$85 million from ICBC International Finance Limited (v)	**538,181**	—
	1,205,436	1,495,126

Bank borrowings were secured as follows:

	As at December 31,	
	2010	2009
Jointly secured by land use rights and PPE (i)	**410,000**	478,000
Jointly secured by land use rights, PPE and equity interests of subsidiaries (ii)	**257,255**	316,800
Secured by equity interests of a subsidiary (iii)	**—**	358,921
Secured by the Company´s shares (iv)	**—**	341,405
Secured by equity interests of a subsidiary (v)	**538,181**	—
	1,205,436	1,495,126

(i) The bank borrowings were secured by certain land use rights and property and plant and equipment of the Group, with total carrying amounts of RMB548,811,000 as at December 31, 2010 (2009: RMB 681,764,000).

(ii) The Group's bank borrowings of RMB257,255,000 as at December 31, 2010 (2009: RMB 316,800,000) were jointly secured by certain land use rights property and plant and equipment of the Group with total carrying values of RMB928,726,000 as at December 31, 2010 (December 31, 2009: RMB987,091,000), and secured by 100% equity interests of Lantian Yaobai, Ankang Yaobai, Hanzhong Yaobai and Mianxian Yaobai. The loan was also secured by corporate guarantees issued by Lantian Yaobai, Ankang Yaobai, Hanzhong Yaobai and Mianxian Yaobai. During the year ended December 31, 2010, the Group incurred capital expenditures exceeding the limit stipulated in the loan agreement. In connection with such breach of compliance, the Group obtained a waiver from compliance with the limit from the agent bank representing the majority of lending banks by April 30, 2010. On December 29, 2010, the clauses in connection with compliance of capital expenditure limit were removed from the loan agreement. These borrowings were subsequently repaid on February 16, 2011.

(iii) The Group's bank borrowings of US$60,000,000 from Credit Suisse, Singapore Branch ("CS Facility") as at December 31, 2009 were secured by 100% equity interests of Shaanxi Yaobai. The amount was fully repaid on March 9, 2010 and all related facility securities have been discharged. In connection with the repayment, an early repayment charge of RMB7,479,000 was paid by the Company (Note (9)). In addition, the Group had issued warrants for subscription of 7,082,142 ordinary shares (equivalent to 354,107,100 ordinary shares after subdivision) in the Company at a strike price of US$2.6916 as part of the CS Facility. On November 3, 2009, the Group redeemed the warrants by paying the warrant holders with total amount of RMB206,455,000. Taking into account the fair value of the warrants upon the redemption amounting to approximately RMB38,004,000, the Group charged a net amount of RMB168,451,000 as finance cost in 2009.

(iv) The Group's bank borrowings of US$50,000,000 from Superb Miles Limited, a subsidiary of ICBC International Holdings ("ICBCI Facility") as at December 31, 2009 were guaranteed by a director, Mr. Jimin Zhang ("Mr. Zhang"), and secured by 19,393,776 shares (equivalent to 969,688,800 shares after share subdivision) of the Company (the "Shares") held by Mr. Zhang. The whole amount of US$50,000,000 was fully repaid on August 23, 2010 and the charge over the Shares held by Mr. Zhang and personal guarantee provided by Mr. Zhang were released on the same day.

(v) On December 14, 2010, the Company entered into a bridge loan agreement of US$85,000,000 with ICBC 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; (ii) a share mortgage over the shares in Faithful Alliance executed by West China BVI; and (iii) a personal guarantee provided by Mr. Zhang in favor of the lender. In addition, share certificates of 1,000,000 issued shares of the Company held by Mr. Zhang were delivered to the lender under a custody arrangement. The ICBCI Bridge Loan was subsequently repaid on January 25, 2011 (Note 13(c)).

The Group's bank borrowings are repayable as follows:

	As at December 31,	
	2010	2009
6 months or less	**881,081**	626,563
6-12 months	**199,100**	540,505
1-2 years	**125,255**	204,596
2-5 years	**—**	123,462
	1,205,436	1,495,126

The fair values of current bank borrowings approximate to their carrying amounts as the discounting impact is not significant.

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

	As at December 31,	
	2010	2009
Carrying amount		
- US$ bank borrowings (i)	**—**	77,258
- RMB bank borrowings (ii)	**125,255**	250,800
	125,255	328,058
Fair value		
- US$ bank borrowings (i)	**—**	114,819
- RMB bank borrowings (ii)	**125,255**	250,800
	125,255	365,619

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

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

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

	As at December 31,	
	2010	2009
RMB bank borrowings	**6.64%**	7.27%
US$ bank borrowings	**12.00%**	12.94%

(b) Other borrowings

Other borrowings are all lent by third parties, unsecured and denominated in RMB. All of the other borrowings as at December 31, 2010 (2009: RMB3,000,000) are interest free. The weighted average effective interest rate for the remaining other borrowings as at December 31, 2009 was 9.16% per annum.

Other borrowings are repayable as follows:

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

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

5. Revenue and segment information

The Group's subsidiaries are engaged in the production and sale of cement. The chief operating decision maker reviews the results of individual plants to make decisions about the allocation of resources. These have similar economic characteristics and are therefore presented as a single reportable segment in these consolidated financial statements. All of the revenue and operating results of the Group are derived in Shaanxi Province, the PRC. The revenue represents the sale of cement during each of the year ended December 31, 2010 and 2009.

From January 1, 2009 onwards, the Group has expanded its operations through establishing/acquiring the following subsidiaries:

Subsidiaries established/acquired	**Operation commencement/acquisition date**
Ankang Yaobai Cement Co., Ltd.	Operation commenced in January, 2009
Hanzhong Yaobai Cement Co., Ltd.	Operation commenced in January, 2010
Shangluo Yaobai Longqiao Cement Co., Ltd.	Operation commenced in January, 2010
Hanzhong Mianxian Yaobai Cement Co., Ltd.	Operation commenced in July, 2010
Shangluo Yaobai Xiushan Cement Co., Ltd. ("Xiushan Yaobai")	Acquired on August 1, 2009

6. Expenses by nature

	Year ended December 31,	
	2010	2009
Changes in inventories of finished goods and work in progress	**(3,320)**	(17,440)
Raw materials and consumables used	**526,550**	303,015
Employee benefit expenses	**89,788**	57,653
Depreciation and amortization	**213,643**	103,103
Utilities and electricity	**960,337**	456,938
Marketing expenses	**8,221**	3,773
Transportation expenses	**20,233**	10,459
Provision for impairment loss on receivables	**8,495**	1,372
Entertainment expenses	**8,234**	4,582
Advertising costs	**2,354**	3,873
Auditor's remuneration	**1,750**	1,898
Taxes and levies	**30,968**	16,220
Operating lease payments	**835**	1,556
Expenses incurred in connection with the listing of the Company's shares on the HKSE	**65,679**	—
Other expenses	**41,479**	23,995
Total cost of sales, selling and marketing and administrative expenses	**1,975,246**	970,997

7. **Other income**

	Year ended December 31,	
	2010	2009
Tax refund (Note (a))	**162,647**	65,035
Government grant	**8,964**	6,491
	171,611	71,526

(a) The tax refund mainly represents the refund of VAT for sales of certain types of cement where industrial and construction wastes have been recycled.

8. **Other losses - net**

	Year ended December 31,	
	2010	2009
Write-back of aged payables	**1,526**	1,344
Donations	**(1,894)**	(825)
Loss on disposal of PPE	**(702)**	(2,733)
Others	**855**	1,157
	(215)	(1,057)

9. **Finance income and costs**

	Year ended December 31,	
	2010	2009
Finance income		
– Interest income on short-term bank deposits	**497**	803
– Net foreign exchange gains on financing activities (Note (a))	**1,181**	387
	1,678	1,190
Finance costs		
– Interest expense on bank borrowings	**(126,850)**	(113,443)
– Interest expense on other borrowings	**(1,745)**	(1,176)
– Charges on early repayment of bank borrowings (Note 4(a)(iii))	**(7,479)**	—
– Unwinding of discount	**(424)**	—
Less: amounts capitalized (Note (b))	**35,493**	40,789
	(101,005)	(73,830)
Loss on redemption of warrants (Note 4(a)(iii))	**–**	(168,451)
	(101,005)	(242,281)
Net finance costs	**(99,327)**	(241,091)

(a) Net foreign exchange gains mainly relate to the translation of the bank borrowings from US$ to RMB for each of the year ended December 31, 2010 and 2009. The US$ currency was depreciating as compared to RMB for each of the year ended December 31, 2010 and 2009.

(b) Interest expense was capitalized as construction in progress at the weighted average effective interest rate of 9% per annum for the year ended December 31, 2010 (2009: 13%).

10. Income tax expense

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

	Year ended December 31,	
	2010	2009
Current tax	**127,041**	57,726
Deferred tax	**(2,704)**	(13,039)
Income tax expense	**124,337**	44,687

Tax on the Group's profit before tax differs from the theoretical amount that would arise using the PRC corporate income tax rate of 25% as follows:

	Year ended December 31,	
	2010	2009
Profit before tax	**1,057,604**	375,147
Tax calculated at statutory income tax	**264,401**	93,787
Tax effects of:		
Expenses not deductible for tax purposes	**4,887**	614
Tax effect of tax exemption and reduced tax rate under tax holiday (Note (a))	**(164,112)**	(101,429)
Tax credit (Note (b))	**(6,085)**	(4,355)
Losses not subject to tax	**24,537**	55,333
Tax losses not recognized for deferred tax assets	**709**	737
Income tax expense	**124,337**	44,687

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

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for each of the year ended December 31, 2010 and 2009 based on existing legislations, interpretations and practices.

Under the new PRC CIT Law, the corporate income tax rate applicable to the Group' s subsidiaries located in Mainland China from January 1, 2008 is 25% except for the subsidiaries entitled to preferential tax treatment as detailed in Note (a).

(a) In light of that Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai and Hanzhong Yaobai are established in the western development zone of China, they are entitled to the preferential tax treatment for Western Development Policy ("WDP Policy") if they are engaged in projects listed in the Catalogue for Industries, Products and Technologies Currently and Particularly Encouraged by the State for Development (as amended in 2000) as their principal business and the revenue from the principal operations accounts for over 70% of their total revenue. The applicable reduced preferential CIT rate under the WDP Policy is 15%. The operations of Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai and Hanzhong Yaobai have met the requirements under the WDP Policy and have obtained approval. WDP Policy expired by the end of 2010.

Furthermore, given that Shaanxi Yaobai and Lantian Yaobai are foreign invested enterprises, pursuant to old PRC corporate income tax law, they are entitled to a tax holiday of a two-year exemption from national corporate income tax, followed by a three-year 50% tax reduction commencing from the first profit-making year net of losses carried forward from previous five years. 2010 and 2011 are the last year of three-year 50% tax reduction enjoyed by Shaanxi Yaobai and Lantian Yaobai respectively.

The applicable CIT rates of Shaanxi Yaobai, Lantian Yaobai, Ankang Yaobai and Hanzhong Yaobai for each of the year ended December 31, 2010 and 2009 are as follows:

	Year ended December 31,	
	2010	2009
Shaanxi Yaobai	**7.5%**	7.5%
Lantian Yaobai	**7.5%**	7.5%
Ankang Yaobai	**15%**	15%
Hanzhong Yaobai	**15%**	25%

No tax reductions and exemptions were granted to the other subsidiaries of the Company in the PRC for each of the year ended December 31, 2010 and 2009.

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

11. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year ended December 31, 2010 and 2009.

	Year ended December 31,	
	2010	2009
Profit attributable to equity holders of the Company	**925,143**	330,460
Weighted average number of ordinary shares in issue (thousands)	**3,623,230**	3,226,550
Basic earnings per share (RMB per share)	**0.255**	0.102

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the share options and warrants issued by the Company, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants.

	Year ended December 31,	
	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	**925,143**	330,460
Weighted average number of ordinary shares in issue (thousands)	**3,623,230**	3,226,550
Adjustments for share options and warrants (thousands)	**23,658**	32,650
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,646,888**	3,259,200
Diluted earnings per share (RMB per share)	**0.254**	0.101

12. Dividends

A dividend in respect of the year ended December 31, 2010 of RMB0.0153 per share, amounting to a total dividend of RMB65,033,000, is to be paid out from the Company's share premium. Such dividend is to be proposed at the annual general meeting on May 18, 2011. These financial statements do not reflect this dividend payable. In the opinion of the directors, such distribution is in compliance with the Articles of Association adopted by the Company and also the Companies (Jersey) Law 1991, as amended.

The aggregate amounts of the dividends proposed during the year ended December 31, 2010 (2009: Nil) have been disclosed in the consolidated statement of comprehensive income in accordance with the Hong Kong Companies Ordinance.

13. Events after the balance sheet date

(a)(i) On January 6, 2011, the Group acquired 80% equity interests in a cement production business through establishing a new joint venture, namely Ankang Yaobai Jianghua Cement Co. Ltd. (安康堯柏江華水泥有限公司, "New JV"), together with a 20% non-controlling interests, namely Shaanxi Ankang Jianghua Group Cement Co. Ltd. (陝西安康江華集團水泥有限公司, "Jianghua"). The business licence of New JV was approved by Ankang Administration for Industry and Commerce on January 6, 2011. As a result of the acquisition, the Group is expected to increase its market share in Ankang City, Shaanxi Province.

Pursuant to a joint venture agreement (the "JV Agreement") entered into by a Company's subsidiary, Shaanxi Yaobai, Jianghua and a Jianghua's related party, namely Ankang Jianghua Mining Resources Co. Ltd. (安康市江華礦產資源有限責任公司, "Jianghua Mining") on December 31, 2010, the Group would inject cash and assets totalling RMB320,000,000 into New JV, of which RMB120,000,000 would be credited as paid-in capital and RMB200,000,000 would be credited as share premium; and Jianghua would inject a group of assets and liabilities with net value of RMB80,013,000 into new JV, of which RMB30,000,000 would be credited as paid-in capital and RMB50,013,000 would be credited as share premium.

Upon the conclusion of the JV Agreement, the Group prepaid RMB200,000,000 to Jianghua for the purpose of establishing New JV. In connection with this business acquisition, the Group had already paid RMB100,000,000 to Jianghua in November 2009 as a deposit to secure the exclusivity (Note 2(d)). Accordingly the Group in total paid Jianghua RMB300,000,000 in advance up to December 31, 2010.

Upon the establishment of New JV, the Group injected cash of RMB120,000,000 and receivables due from Jianghua of RMB200,000,000 into New JV as paid-in capital and share premium respectively; and Jianghua injected assets, mainly representing a cement production plant and other related non-current assets, totalling RMB378,481,000 and payables totalling RMB298,468,000 into New JV.

In summary, total considerations paid by the Group for the purpose of business acquisition totalled approximately RMB320,000,000.

As further stipulated in the JV Agreement, Jianghua Mining is obliged to transfer the mining right of a lime mine to New JV within three months subsequent to the date of the JV Agreement. The consideration is not exceeding RMB50,000,000 and to be determined based on the valuation of the mining right upon the transfer, and will be paid by New JV.

As at the date of this report, management has not finalised the identification of the fair value of the net assets acquired due to the valuation of certain tangible and intangible assets acquired including land use rights, PPE and mining rights has not been completed.

(a)(ii) In connection with establishment of New JV, on December 30, 2010, the Group prepaid Jianghua an amount of RMB100,000,000 on New JV's behalf for purchasing inventories from Jianghua. The inventories were transferred to New JV subsequent to New JV's establishment with creating a corresponding accounting entry of crediting the account of "Amount due to Shaanxi Yaobai" on the balance sheet of New JV.

(b) On January 10, 2011, the Group signed an agreement with the non-controlling shareholder of Longqiao Yaobai to acquire the remaining 20% equity interests in Longqiao Yaobai from the non-controlling shareholder with a cash consideration of RMB25 million. As a result of the acquisition, the Group holds 100% equity interests in Longqiao Yaobai.

(c) On January 25, 2011, the Company issued US$400,000,000 Senior Notes due January 25, 2016 (the "Notes") and listed on the Singapore Exchange Securities Trading Limited. The Notes bear interest from January 25, 2011 at 7.5% per annum payable semi-annually in arrears on January 25 and July 25 of each year. The Notes are senior obligations of the Company guaranteed by two subsidiaries, namely West China BVI and Faithful Alliance.

The Company may at its option redeem the Notes, in whole or in part, at any time on or after January 25, 2014, at redemption prices set forth in the Company's offering memorandum dated January 18, 2011 (the "OM") plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to January 25, 2014, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of ordinary share of the Company at a redemption price of 107.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, the Company may redeem the Notes, in whole but not in part, at any time prior to January 25, 2014, at a price equal to 100% of the principal amount of the applicable Notes plus a premium as set forth in the OM. Upon the occurrence of a change of control triggering event as detailed in the OM, the Company must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

After deducting the costs directly attributable to issuance of the Notes, the net proceeds received by the Company amounted to US$391,335,000. Upon the receipt of the net proceeds, the ICBCI Bridge Loan of US$85,000,000 was fully repaid (Note 4(a)(v)).

(d) On February 16, 2011, the Group repaid bank borrowings of RMB257,255,000 (Note 4(a)(ii)).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Expanding Capacity

The Group has been rolling out its "core markets" strategy by building new facilities in southern Shaanxi. During the year ended December 31, 2010, three of the Group's production facilities or production line, of which two of them are located in southern Shaanxi, commenced operation. These production facilities/ line are:

- Yangxian production facility (approximately 1.1 million tons annual capacity), which commenced operation in January 2010,
- Mianxian production facility (approximately 1.1 million tons annual capacity), which commenced operation in July 2010, and
- Pucheng second production line (approximately 1.1 million tons annual capacity), which commenced operation in September 2010.

In addition to organic growth, the Group also expanded via business acquisition in 2010. In an effort to acquire a production facility with an annual capacity of approximately 1.1 million tons of cement production capacity and to increase its market share in Ankang region, on December 31, 2010, Shaanxi Yaobai Special Cement Co., Ltd., a wholly owned subsidiary of the Company, entered into a joint venture agreement with Shaanxi Ankang Jianghua Group Cement Co., Ltd. to acquire 80% interest in Ankang Yaobai Jianghua Cement Co. Ltd ("Jianghua").

As of December 31, 2010, the Group operated 8 production facilities with 10 production lines in total, including Jianghua. The Group has an annual cement production capacity of approximately 12.5 million tons (2009: 8.5 million tons). Construction of the Group's Xixiang project is on schedule and this project is expected to be completed in the first quarter of 2011, which will increase the Group's annual cement production capacity by another 1.1 million tons.

Pioneering Environmentally-friendly Technologies

All of the Group's production facilities employ the New Suspension Preheater ("NSP") cement technology, which requires less energy during the production of clinkers and is more environmentally friendly than non-NSP technologies.

As part of the Group's focus on emissions reduction and cost reduction, it has invested in the construction of the residual heat recovery system at its production facilities. The system collects residual heat produced from the kiln for power generation, reducing the amount of electricity acquired hence reducing the production costs and heat released to the environment. In 2010, the construction of the system commenced in Yangxian, Mianxian, Pucheng and Xixiang and the construction of the same in Danfeng and Jianghua will be commenced in 2011. The Group intends to install the residual heat recovery system at all of its production facilities in the future.

The Group is also the first cement player in Shaanxi Province which utilises desulfurisation gypsum and construction waste as additives. In addition, the Group recycles fly ash from power stations and slag iron plants as additives in its cement production. These recycling efforts have not only reduced the Group's production costs, but have also helped to reduce industrial waste and environmental pollution, which enabled the Group to enjoy various government subsidies.

Achieving Outstanding Operating Results

Leveraging the above technological and resources advantage, the Group has achieved total cement sales of 9.9 million tons for the year under review. Gross profit and net profit margins are substantially higher than our peers.

Listing on the HKSE

The successful listing of the shares of the Company on the Main Board of the Hong Kong Stock Exchange (the "HKSE") on August 23, 2010 (the "Listing Date") has brought the Group into another growth era. The Company was previously admitted to the Alternative Investment Market (the "AIM") in London on December 4, 2006 and upon the Company's listing on the HKSE, the shares of the Company were delisted from the AIM. The Company raised net proceeds of HK$ 1,521 million on the initial public offering ("IPO").

FINANCIAL REVIEW

Revenue

Revenue increased by approximately 95.2% year-on-year to approximately RMB2,960.8 million for the year ended December 31, 2010 (2009: approximately RMB1,516.8 million). Such remarkable growth is owing to the Group's expanding production and sales into new markets in Shaanxi where demands for cement have grown very rapidly as a result of increasing infrastructure investments in Shaanxi Province. The Group's cement sales increased by approximately 94.1% from approximately 5.1 million tons in 2009 to approximately 9.9 million tons in 2010. This increase in sales volume was mainly the contribution from the newly constructed and acquired production facilities in Danfeng, Yangxian, Mianxian and Pucheng counties.

Cost of Sales

Cost of sales increased by approximately 101.4% year-on-year to approximately RMB1,768.4 million for the year ended December 31, 2010 (2009: approximately RMB878.1 million). The increase was generally in line with the increase of the sales volume.

The cost of coal is one of the largest components of the Group's cost of sales. The cost of coal as a percentage of cost of sales increased from approximately 31.2% for the year ended December 31, 2009 to approximately 36.5% for the year ended December 31, 2010. This increase was primarily due to an increase in coal transportation costs, which in turn, was primarily caused by the additions of production facilities in southern Shaanxi, which are located further away from coal mines than the other production facilities. In addition, the recovery of the global economy also contributed to the maiden increase in coal price.

The electricity costs as a percentage of cost of sales decreased from approximately 20.7% for the year ended December 31, 2009 to approximately 18.4% for the year ended December 31, 2010. The Group's residual heat recovery system has become increasingly important to its cost structure and will continue to reduce the Group's electricity costs as a percentage of cost of sales as the Group installs more units at its production lines.

Gross Profit and Gross Profit Margin

As a result of the increase in the sales volume, the gross profit increased by, approximately RMB553.7 million or approximately 86.7%, from approximately RMB638.7 million for the year ended December 31, 2009 to approximately RMB1,192.4 million for the year ended December 31, 2010. The gross profit margin was approximately 40.3% for the year ended December 31, 2010. The slight decrease in gross profit margin was primarily due to an increase in coal costs as discussed above.

Administrative Expenses

Administrative expenses primarily include staff costs, general administrative expenses, depreciation and amortization. For the year ended December 31, 2010, the administrative expenses also included approximately RMB65.7 million of expenses relating to the delisting of the Company's shares from the AIM and the listing of the Company's shares on the HKSE.

Administrative expenses increased by approximately 130.0% year-on-year to approximately RMB179.0 million for the year ended December 31, 2010 which was primarily attributable to the expenses arising out of the delisting of the Company's shares from the AIM and the listing of the Company's shares on HKSE which amounted to approximately RMB65.7 million and the newly added Danfeng, Yangxian, Mianxian and Pucheng production facilities. Without taking into account of the one off shares delisting and listing charge of RMB65.7 million, the administrative expenses as a percentage of the revenue decreased from approximately 5.1% in 2009 to approximately 3.8% in 2010 , which was primarily a result of the economies of scale after the expansion of the Group's production facilities.

Finance Costs

Net finance costs primarily include interest expenses on bank and other borrowings, early repayment charges, and after deducting interest income, net foreign exchange gains on financing activities and interest capitalised as part of the costs of assets.

Net finance costs decreased by approximately 58.8% year-on-year to approximately RMB99.3 million for the year ended December 31, 2010 (2009: approximately RMB241.1 million). The significant decrease was primarily owed to an inclusion in the finance costs for the year ended December 31, 2009 of an exceptional charge of RMB168.5 million losses on warrant redemption. The exceptional charge was recorded upon the full redemption of warrants issued to the Group's loan creditors in 2009 in connection with a US$60 million loan the Group borrowed in 2008. The US$60 million loan was fully repaid in 2010.

The interests capitalised as part of the costs of assets for year ended December 31, 2010 were approximately RMB35.5 million (2009: approximately RMB40.8 million).

Taxation

For the year ended December 31, 2010, the effective tax rate of the Group was 11.8% (2009: 11.9%) The change in effective tax rate was primarily due to different tax rates applied by for each of the operating subsidiaries of the Company. Each of such operating subsidiaries are located in the PRC and some of them are entitled to various preferential tax treatments. The detailed tax rates for each of these subsidiaries and the income tax expenses for the Group are outlined in note 10 to the consolidated financial statements above.

Income tax increased from approximately RMB44.7 million in 2009 to approximately RMB124.3 million in 2010. The increase in income tax was mainly due to an increase in sales contributed by the new subsidiaries of the Company.

Profit Attributable to Equity Holders of the Company

The Group achieved a profit attributable to equity holders of approximately RMB925.1 million (2009: approximately RMB330.5 million), an increase of approximately RMB594.6 million or 179.9%, as compared to 2009. Basic earnings per share rose approximately 150.0% to RMB0.255 for year ended December 31, 2010. (2009: RMB0.102).

After adjusting the exceptional charges of approximately RMB168.5 million losses on warrant redemption for year ended December 31, 2009 and approximately RMB65.7 million shares delisting and listing expenses for year ended December 31, 2010, profits attributable to equity holders were approximately RMB499.0 million and RMB990.8 million for the years ended December 31, 2009 and December 31, 2010, respectively, representing a year-on-year growth of 98.6% for year 2010. The adjusted basic earnings per shares were RMB0.15 and RMB0.27 for years ended December 31, 2009 and December 31, 2010, respectively, representing an increase of approximately 80% for the year ended December 31, 2010.

Financial and Liquidity Position

The Group maintained a healthy financial and liquidity position for the year ended December 31, 2010. The total assets increased by approximately 51.0% to approximately RMB5,545.7 million (2009: approximately RMB3,673.6 million) while the total equity grew by approximately 175.9% to approximately RMB3,574.0 million (2009: approximately RMB1,295.2 million).

As at December 31, 2010, the Group had cash and cash equivalents (including restricted cash) amounted to approximately RMB390.6 million (2009: approximately RMB365.8 million). After deducting the total borrowings of approximately RMB1,211.4 million (2009: approximately RMB1,648.9), the Group had a net borrowing of approximately RMB820. 8 million (2009: approximately RMB1,283.1 million). Approximately 9.6% (2009: approximately 34.1%) of the borrowings are at fixed interest rate. Please refer to note 4 to the consolidated financial statements above for the details of the borrowings and the respective charge of assets.

As at December 31, 2010, the Group's gearing ratio, measured as net debt to equity, was approximately 23.0% (2009: approximately 99.1%). The significant improvement in the gearing ratio was attributable to the increase in equity by approximately RMB2,278.8 million to approximately RMB3,574.0 million, as a result of the Hong Kong IPO, an increase in earning and the repayment of borrowings during the year ended December 31, 2010.

In January 2011, the Company has successfully issued US$400 million 7.50% Senior Notes Due 2016 (the "Notes"). Part of the proceeds of the Notes will be used for debt restructuring and the remaining will be used to fuel further expansion projects and to enhance the Group's working capital and liquidity position.

Capital Expenditure and Capital Commitment

Capital expenditure for the year ended December 31, 2010 amounted to approximately RMB1,417.0 million (2009: approximately RMB697.7 million) and capital commitments as at December 31, 2010 amounted to approximately RMB657.9 million (2009: approximately RMB558.3 million). Both the capital expenditure and capital commitments were mainly related to constructions of new production facilities, installation of residual heat recovery systems, and upgrading of existing production facilities. The Group funded its capital expenditure by using cash generated from operating activities, proceeds from the Company's IPO and bank borrowings. The Group planned to fund its capital commitments and any future capital expenditures from future operating cash flow, net proceeds from equity and debt issuances and and other sources of finance when appropriate.

Contingent Liabilities

As at December 31, 2010 and 2009, the Group had no material contingent liabilities.

Use of proceeds from the Company's initial public offering

The Company was listed on the HKSE on August 23, 2010 and raised net proceeds of approximately HK$1,521.0 million (equivalent to approximately RMB1,330.1 million). Details of the use of proceeds have been set out in the prospectus of the Company dated August 10, 2010. As at December 31, 2010, approximately HK$1,338.5 million of the net proceeds have been used with the remaining sum of approximately HK$182.5 million being unutilised as at December 31, 2010, as follows:

– approximately HK$638.8 million was used for constructions of new production facilities, installation of residual heat recovery systems, and upgrading of existing production facilities.

– approximately HK$699.7 million was used for working capital, repayment of loans and related interest, and other general corporate purposes.

Employees and Remuneration Policy

As at December 31, 2010, the Group employed a total of 3,069 full time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended December 31, 2010, the employee benefit expense was approximately 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 of the Company, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

Material Acquisition and Disposals

During the year ended December 31, 2010, the Company's subsidiaries and associates had no material acquisition or disposals.

Foreign Exchange Risk Management

During the year ended December 31, 2010, the Group's sales and purchases were all denominated in Renminbi. However, some of the Group's bank borrowings and the proceeds raised through the IPO offering of the Company in August 2010 were denominated in foreign currencies.

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

Prospects and Plans

The outlook

2011 augurs well for the Group. The stable growth of the PRC's economy, and the "Western Development Plan" policies will fuel growth of infrastructure developments in Shaanxi and provinces in West China. The government's policy of phasing out small production plants will also be beneficial for major production facilities such as those held by the Group. As a leader in Shaanxi's cement market, the Group enjoys rapid growth amidst such a conducive operating environment.

The Group will increase its participation in infrastructural projects including Huanghanhou Railway, Guzhu Expressway, Xunhe Cascade Hydropower Station etc. Meanwhile, with cement prices expected to stay relatively stable for the near future, the Group expects to maintain its better-than-industry-average profit margins primarily owing to its strategic locations and its fine market reputation. The Group expects its sales and profitability to continue to enjoy growth for 2011 and beyond.

The Group will continue to beef up its production capacity so as to fully capitalise on growing market demand for cement products. The production facilities that commenced operations during 2010 in Yangxian, Mianxian and Pucheng counties, as well as the newly formed joint venture of Jianghua in Ankang region, will have a full-year operation in 2011. These newly added capacities will certainly fuel additional sales for the Group in the coming years.

The Group is strengthening its market position in Weinan region, northeastern Shaanxi, and in Shangluo region, southern Shaanxi, by adding a new production line in each of these regions. We plan to add an annual capacity of 3.0 million tons production line in Pucheng, Weinan region and an annual capacity of 1.5 million tons production line in Danfeng, Shangluo region during 2011. The additional capacities will fill the market vacuum as a result of closures of outdated capacities in these regions. We plan to achieve a total production capacity of approximately 18 million tons per annum in Shaanxi by the first half of 2012. No doubt, our market leadership position in southern Shaanxi will be further strengthened as a result of completion of these new projects.

In addition to the above-mentioned new projects, the Group is embarking on an exciting investment, beyond its home ground towards Xinjiang Province. The Group has selected southern Xinjiang as its entry to this new market. The investment in Xinjiang Province will be in several phases and the Board is currently finalising the first phase.

The Group will continue to look for opportunities for building new plants and acquiring existing plants, both in Shaanxi and in neighbouring provinces such as Hubei, Sichuan, Gansu and Xinjiang. The Group will fully leverage its competitive advantages to capture opportunities presented by the "Western Development Plan" policies.

Development Strategy

In 2006, the Group has drawn up a three-phased plan for its strategic development when the Company was admitted to the AIM in London:

Phase 1: Regional Development

In the first phase, the Group would focus on market development in southern Shaanxi, being the selected “core market”. The strategic plan was carried out successfully and the Group has gained a leadership position in these core markets as well as in Shaanxi Province. The Group has surpassed its declared goal of achieving a capacity of 8-10 million tons by the end of 2010.

Phase 2: Regional Consolidation

In the second phase, the Group aims to strengthen its market position in the region. The Group believes that its newly built and newly acquired production facilities in southern and northeastern Shaanxi will generate economies of scale in production and sales and will further strengthen the leadership position of the Group in the region. In addition, it is expected that there will be an acceleration in the phasing-out of obsolete facilities and a large-scale consolidation in the industry over the next few years in Shaanxi Province as well as in China. The Group will take the opportunity to integrate its businesses in various markets.

Phase 3: Regional Replication

In the third phase, the Group plans to replicate the successful strategy and business models which it has developed in southern Shaanxi in other regions with similar market conditions, such as southern Gansu, northern Hubei, Xinjiang and Sichuan – with a view to maintaining sustainable and rapid growth in the future. The Group aims to achieve an annual production capacity of 25 – 30 million tons in the next five years.

DIVIDEND

The directors of the Company proposed to recommend the payment of a final dividend of RMB 1.53 cents per ordinary share for the year ended December 31, 2010. The proposed final dividend, if approved by the Shareholders at the forthcoming annual general meeting of the Compamy, will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on Friday, March 25, 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, March 22, 2011 to Friday, March 25, 2011, 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 and to attend and vote at the forthcoming annual general meeting of the Company, 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 Monday, March 21, 2011. Subject to shareholder's approval of the proposed final dividend of shares at the forthcoming 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 Friday, March 25, 2011.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard 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 all operations 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 Practices (the "Code") as set forth in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the HKSE throughout the period from the Listing Date to December 31, 2010, save and except for the following derivation:

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 the Listing Date to December 31, 2010, the Company has not separated the roles of chairman and chief executive officer. Mr. Zhang Jimin is the chairman and also the chief executive officer of the Company responsible for overseeing the operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conducive to strong and consistent leadership, enabling the Company to operate efficiently.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the directors of the Company of Listed Issuers (the "Model Code") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Specific enquiries have been made with all the directors of the Company, all the directors of the Company confirmed and declared that they have complied with the required standards as set out in the Model Code during the period from the Listing Date to December 31, 2010.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written term of reference in compliance with the Code, the primary duties of the Audit Committee are to review and superise 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 of the Company, namely Mr. Lee Kong Wai Conway, Mr. Wong Kun Kau and Mr. Tam King Ching Kenny. Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended December 31, 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its listed shares during the year ended December 31, 2010. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company during the period from the Listing Date to December 31, 2010.

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 December 31, 2010 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, March 2, 2011

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.