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West China Cement Limited
27 March 2007

West China Cement Limited
("WCC" or "the Company")
Preliminary Results for the year to December 31, 2006

- Post-tax profits double to RMB 88.6 million (approx £5.9 million)
- Sales up 29% to RMB 307.3 million (approx £20.35 million).
- Net profit margin rises to 28.8% (18.6%)
- December admission to AIM following £22 million fundraising
- New 2m tonnes p.a. production facility at Lantian
- Strongly positioned to benefit from industry rationalisation

Chairman's Statement

Two thousand and six was a landmark year in positioning West China Cement as a key participant in the growth of the construction industry in Shaanxi Province. The Company raised £22 million in London and the Far East to complete the financing of the construction of its two new production lines at Lantian. The Company's growing production capacity means that it is well placed to benefit from growth in demand for cement in the provincial capital of Xi'an, and the area around Pucheng, where the Company's existing plants are located. Furthermore WCC's developing market presence and strong cash generating capacity mean that we are in a good position to contemplate further expansion in the south in the province.

The Initial Public Offering was successfully carried out on the AIM market in London, and it is highly satisfactory to see London at the forefront of financing the development of the needs of the fast growing Chinese economy. Following admission to AIM, WCC's shares have traded at a premium to the IPO price of £1.05, albeit in thin trading volumes. The finance raised amounted to £20.1 million net of expenses, and this completed the financing required for the RMB420 million (approx. £28 million) Lantian project. This project consists of the construction of two kilns, with related facilities, which will increase the Company's cement production capacity by 2 million tonnes to 3.5 million tonnes. The first kiln is in the process of hot commissioning and the first sales of cement are expected in April. The second line is due to enter production in the fourth quarter of this year. This new capacity is highly efficient and environmentally sound, and will be further enhanced on both counts when the RMB60 million (approx. £4 million) waste-heat generation project is completed at the end of this year. Lantian is situated 35 kilometres to the South-East of Xi' an, significantly closer to the market than its competitors, and it is linked to the Xi'an ring road by a new highway.

While Lantian did not contribute to production during 2006, WCC's output nonetheless increased by 29% over the previous year, to 1.47 million tonnes, as a result of earlier capacity expansion. Net profit for the year doubled to RMB88.6 million (approx £5.9 Million) on an increase in turnover of 29.0%, reflecting the benefits of scale as output from the Pucheng plant reached capacity. Margins were also higher as the Company was able to increase cement prices whilst costs remained broadly stable. Being able to increase output in a firm cement market meant that Net Profit margins rose to 28.8% from 18.6% in 2005. Despite this satisfactory financial performance, the board is not recommending a dividend in respect of 2006, in view of the projects in progress.

The board expects to consider the question of dividend policy afresh in regard to 2007.

China is now the world's largest cement producer with output above 1 billion tonnes per annum, and output from domestic producers grew more than 65% between 2002 and 2005, reflecting the country's continuing construction boom. While cement prices in mainland China fell during 2004 and 2005 following government measures to rein in national economic growth, the onset of rationalisation and consolidation within the industry, combined with continually increasing demand, has seen a strengthening of prices since the early part of 2006.

The outlook for well-positioned producers such as West China Cement is thus improving, and it is anticipated that the industry will become dominated by a few financially-strong regional companies using modern production methods. This trend is driven in large part by Government planners who are acting to encourage modernisation and rationalization in the cement industry through enforced closure of small, inefficient plants and the introduction of modern, environmentally-friendly manufacturing. WCC's progress to date has positioned us well to emerge as one of these so called "regional champions" with the required financial stability and modern production processes. We also aim to benefit from Government concerns about the uneven pace of economic development in China. Over recent years, Shaanxi Province, close to the geographical centre of China, has recorded stronger GDP growth than the national average and there is little competition from producers in other provinces due in large part to high transportation costs.

It is also notable that the growth in the market for cement in China is accompanied by a demand on the part of government and customers that production and service be of the highest standard. The ethos of WCC is one of excellence, in terms of the quality of product and the manner in which it is produced. WCC is committed to the highest Safety, Health and Environmental standards. It is pleasing to note that there were no serious injuries to employees or contractors working on our sites during the year and that WCC won a number of environmental awards.

The success of WCC thus far and the buoyant prospects for its market place encourage the board to consider further expansion. We are actively examining the feasibility of a further new plant, of up to 2 million tonnes production capacity, in the south of the province, an area presently served by imports from other parts of China. We hope to be able to report further progress on this later in the year.

In summary, the Board is confident that having delivered strong financial growth during 2006, WCC is now well placed to consolidate its regional position as rationalisation of the cement industry in China continues. The Company has made good operational progress, and we are looking forward to a maiden contribution from our new Lantian production lines during the year.

Robert Robertson
Non-Executive Chairman

Enquiries:

Robert Robertson, West China Cement Limited
Tel: +44 (0)7711 415602

Jasper Allen/Christopher Caldwell, Insinger de Beaufort
Tel: +44 (0)207 190 7000

Allan Piper, First City Financial Ltd
Tel: + 44 (0)207 436 7486

Chief Executive Officer's Review

Results

Profit after tax increased by 99.6%, rising from RMB 44.4 million (approx. £2.96 million) in 2005 to RMB 88.6 million (approx. £5.91 million) in 2006. Annual production at the Pucheng production plant increased by 0.33 million tonnes, or 29%, over the previous 12 months. Net profit margins rose to 28.8% from 18.6% in 2005 as the Company was able to increase cement prices whilst costs remained broadly stable.

Market Overview

Chinese Cement Market

Demand for cement products in China is expected to remain strong in the years ahead as the country continues its drive for wider industrialisation and urbanisation. The Government's 11th Five-Year Development Plan provides for the rapid development of key infrastructure projects such as highways, railways, airports and major energy supply projects, while construction in the private sector is continuing apace. According to the Regulation on Industrial Restructuring Promotion, domestic demand for cement is expected to reach 1.2 billion - 1.25 billion tonnes by 2010; and by 2020, 70% of the cement produced in China must come from manufacturers using environmentally-friendly New Dry Process Production (NDPP) technology. WCC is already using this technology, both in its original production plant at Pucheng, near Xi'an, and in the two production lines at its new Lantian plant further to the north.

Shaanxi Cement Market

Located close to the geographical centre of China, Shaanxi Province is still lagging other parts of the country in terms of its economic development. As development continues, demand for cement in the province - driven by infrastructure spending growth of 13% per annum - is expected to reach 35 million tonnes by 2010, according Shaanxi's 11th Five Year Development Plan. The same plan identifies requirements for the consolidation of the cement industry in the province, including the closure of smaller, inefficient, producers, the elimination of out-dated production technology used by shaft kiln manufacturers, and the closure of plants causing serious pollution. All of these measures should serve to enhance the competitive strength of companies such as West China Cement that have achieved critical mass and adopted NDPP technology ahead of the competition.

Customers and Sales

The Company continued with the successful expansion of its customer base during 2006, but remain focused heavily on Shaanxi Province, where it is well positioned to use the existing transport infrastructure to supply clients. A little over half of sales during the year went to customers in the Weinan area, with most of the rest going to customers around Xi'an, Yan'an and the southern part of Shaanxi. Small amounts went to Yuncheng and Fenglingdu in Shanxi Province, and to Yu Ling in Henan Province.

Province	Areas and Cities	Sales %
Shaanxi	Weinan area	50.65
	Xi'an	34.38
	Shangluo	10.61
	Yan'an	2.54
Shanxi	Yuncheng	1.71
Henan	Yuling	0.11

Although the Company has maintained its position as a key supplier to large infrastructure projects, winning involvement in seven either underway or due to start during 2007, it is also positioned to meet strong demand from the private sector, where construction work continues apace. Sales during 2006, totalled 1.47 million tonnes, with bulk sales of 0.46 million tonnes accounting for 31.1% of the total, and bagged sales of 1.01 million tonnes accounting for the remaining 68.9%. Of the total, 37%, or 0.54 million tonnes, was provided for use on major infrastructure projects, and 63%, or 0.93 tonnes for the private sector. Sales for the year reached RMB 307.32 million, up from RMB 238.24 million during 2005, representing a year-on-year increase of 29.0%. Weighted average selling price per tonne rose from RMB218 per tonne (approx. £14.53 per tonne) in 2005 to RMB244 per tonne (approx. £16.27 per tonne) in 2006.

Credit Controls

WCC continues to operate tight credit controls to maintain solid cash flow and margins, adopting different approaches for different kinds of customer. With supplies to major projects, the Company delivers monthly only after having received payment for deliveries in the previous month. Private sector customers are required to provide settlement in advance.

Operating Overview

Pucheng Plant

Annual production increased by 0.33 million tonnes, or 29%, over the previous 12 months. Input costs remained stable through the year.

Lantian Plant

Investment in the new Lantian production facility reached RMB 310 million (approx. £20.67 million) by the end of December 2006, accounting for nearly 74% of the total planned project investment of RMB 420 million (approx £28million). The Number One cement milling system on the first of the two Lantian production lines began operating in March, 2007, using bought in clinker, and is now running smoothly. The plant's 110kw electricity generating substation project began operating in February, and the road between the plant and its limestone quarry was also successfully completed. The Number Two cement milling system on the same line, and the final adjustments to the raw material and burning systems are expected to complete by April, at which time the Lantian 1 production line will be fully operational. Equipment ordering for the Lantian 2 line has now been completed, and this plant is on schedule for completion in the fourth quarter of the year.

Waste Heat Project.

WCC intends to invest more than RMB 60 million (approx. £4 million) to provide a waste heat project using manufacturing exhaust gases to generate electricity. Two generating sets of 4.5 MW each have been installed, potentially saving 19,590 tonnes of coal per annum, and cutting annual emissions of CO_2 by 52,650 tonnes and of NO_x gases by 395 tonnes. Annual cost savings as a result of this project will be of the order of RMB 14.7 million (approx. £0.98 million) and completion is scheduled by the year end.

Research and development

To improve the quality of its products and to strengthen its competitiveness in the market, the Company set up an R&D centre in conjunction with Xi'an University of Architecture and Technology. The facility is located on the university's campus and is strategically focused towards the improvement of existing manufacturing processes and further research into future NDPP technology. WCC's objective is the continual improvement of its products and to become more reactive to customer demands.

Summary

In summary, it is pleasing to be able to report that our continued operational success during the year under review has translated into a strong market presence in the Weinan area around our Pucheng plant, while the start-up of our first production line at Lantian should bolster our presence around Xi'an and in the east of Shaanxi Province. Looking ahead, we are evaluating opportunities in the south of the province, where prices are high thanks to a relatively scarcity of local supply and the high transport costs from distant manufacturing plants.

Having met our operational targets successfully during 2006, we remain confident of moving forward with equal success through 2007.

Jimin Zhang
Chief Executive Officer

West China Cement Limited

Consolidated Income Statement for the year to December 31, 2006

	2006 RMB 000	2005 RMB 000
Continuing Operations		
Revenue	307,319	238,241
Cost of sales	(200,372)	(179,041)
Gross profit	106,947	59,200
Other operating income	20,265	20,440
Selling and distribution costs	(8,147)	(5,051)
Administrative expenses	(13,754)	(14,527)
Operating profit	105,311	60,062
Investment income	402	510
Finance costs	(19,405)	(20,550)
Profit before income tax	86,308	40,022
Income tax credit	2,331	4,380
Profit for the year	88,639	44,402
Attributable to:		
Equity holders of the Company	88,639	44,402
Earnings per share		
Basic (RMB per share)	2.00	1.04
Diluted (RMB per share)	1.86	0.96

Consolidated Balance Sheet at December 31, 2006

	2006 RMB 000	2005 RMB 000
Non-current assets		
Land use rights	7,759	7,963
Property, plant and equipment	627,376	348,781
Deferred tax asset	12,364	10,032
	647,499	366,776
Current assets		
Inventories	24,191	22,082
Trade and other receivables	45,765	70,470
Pledged deposits	2,568	4,643
Cash and cash equivalents	192,388	19,583
	264,912	116,778
Total assets	912,411	483,554
Current liabilities		
Trade and other payables	85,339	80,777
Tax liabilities	5,147	4,146
Bank borrowings	150,404	100,030
Other borrowings	22,127	-
	263,017	184,953
Net current assets (liabilities)	1,895	(68,175)
Non-current liabilities		
Bank borrowings	99,300	157,800
Other borrowings	26,846	11,071

	126,146	168,871
Net assets	523,248	129,730
Equity		
Share capital	97,542	105,000
Share premium	662,593	-
Reverse acquisition reserve	(354,452)	-
Share options reserve	4,646	-
Statutory reserve	20,463	12,756
Foreign currency translation reserve	550	-
Retained earnings	91,906	10,974
Equity attributable to equity holders of the Company	523,248	128,730
Minority interest	-	1,000
Total equity	523,248	129,730

Consolidated Cash Flow Statement for the year ended December 31, 2006

	2006 RMB 000	2005 RMB 000
OPERATING ACTIVITIES		
Operating profit	105,311	60,062
Adjustments for:		
Depreciation of property, plant and equipment	28,813	27,312
Amortisation of land use rights	203	224
Allowances for doubtful debts	3,055	1,807
Gain on disposal of property, plant and equipment	-	(83)
Share based payment	303	-
Operating cash flow before movements in working capital	137,685	89,322
Increase in inventories	(2,109)	(5,418)
(Increase)/ decrease in receivables	21,650	(15,850)
Increase/ (decrease) in payables	5,074	23,295
Cash generated by operations	162,300	91,349
Other taxes refund/ (paid)	1,000	(3,583)
Interest paid	(19,405)	(20,550)
NET CASH GENERATED FROM OPERATING ACTIVITIES	143,895	67,216
INVESTING ACTIVITIES		
Interest received	402	510
Purchase of property, plant and equipment	(311,814)	(57,496)
Proceeds on disposal of property, plant and equipment	4,406	12,199
Decrease/ (increase) in cash pledged	2,075	(993)
NET CASH USED IN INVESTING ACTIVITIES	(304,931)	(45,780)
FINANCING ACTIVITIES		
Dividends paid	(512)	(11,500)
Proceeds from bank borrowings	87,930	53,500
Repayments of bank borrowings	(96,055)	(53,600)
Proceeds from other borrowings	37,915	(1,935)
Proceeds on issue of new shares (net)	305,013	0
Repayments to minority shareholders for capital contribution	(1,000)	1,000
NET CASH GENERATED FROM FINANCING ACTIVITIES	333,291	(12,535)
NET INCREASE IN CASH AND CASH EQUIVALENTS	172,255	8,901
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	19,583	10,682
Foreign exchange difference	550	0
CASH AND CASH EQUIVALENTS AT END OF YEAR	192,388	19,583

Notes to the accounts

(a) Basis of preparation

The consolidated financial statements of West China Cement Limited and its subsidiary undertakings (the "Group") and the individual financial statements of West China Cement Limited (the "Company") have been prepared in accordance with those International Financial Reporting Standards and Interpretations in force ("IFRS"), as adopted by the European Union, and those parts of the Companies (Jersey) Law 1991 applicable to companies preparing financial statements under IFRS.

The financial statements have been prepared under the historical cost convention modified to include the revaluation of investment properties and properties available for sale.

(b) Exchange rates

For the year ended December 31, 2006, the foreign operations' financial statements have been translated from GBP or HKD to RMB at the following exchange rates:

	Year end rates	Average rates
RMB: GBP	15.3155	14.7060
RMB: HKD	1.0053	1.0276

(c) Earnings per share

Basic earnings per share

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.

	2006	2005
Profit/ (loss) attributable to equity holders of the Company (RMB 000)	88,639	44,402
Weighted average number of ordinary shares in issue (thousands)	44,344	42,736
Earnings per share (RMB per share)	2.00	1.04

Diluted earnings per share

The Company has one category of dilutive potential ordinary shares - share options. Calculation is done to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. It is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2006	2005
Profit attributable to equity holders of the Company (RMB 000)	88,639	44,402
Weighted average number of ordinary shares in issue (thousands)	44,344	42,736
Adjustment for share options (thousands)	3,187	3,607
Weighted average number of ordinary shares for diluted earnings (thousands)	47,531	46,343
Diluted Earnings per share (RMB per share)	1.86	0.96

(d) Share capital

	2006 RMB 000	2006 GBP 000
Authorised:		
200,000,000 ordinary shares of 10p each	306,300	20,000
Issued and fully paid:		
63,688,366 ordinary shares of 10p each	97,542	6,369