

Company	West China Cement Limited
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WEST CHINA CEMENT LIMITED

Full Year 2007 Preliminary Results

Strongest results to date lay foundations for significant future growth

31 March 2008: West China Cement (WCC), the producer and distributor of cement based in the western Chinese province of Shaanxi, whose shares are quoted on the London Stock Exchange's AIM market, today announced its preliminary results for the year ended 31 December 2007.

Key financial highlights

- Revenues increased to Rmb 526 million (£37.6 million) from Rmb 307 million (£21.9 million) – up 71 per cent
- Record post-tax profit of Rmb 150 million (£10.7 million), a 69 per cent increase over 2006

Key operational highlights

- The two new production lines at the Lantian plant were both completed on time and operated to capacity by the end of 2007
- Tonnage produced for the year totalled 2.42 million tonnes, with the new lines at Lantian contributing 0.98 million tonnes
- Construction of a new plant in Ankang, South East Shaanxi commenced during the year as planned. Construction is targeted for completion in 2009, bringing the total capacity of all WCC plants to 5.3 million tonnes in 2009
- The Ankang plant will have a capacity of 1.8 million tones and is located in a region which

is poorly served by cement producers. The Chinese Government has cited the western provinces of the country as in need of development, particularly in infrastructure, to match the development of the east, therefore providing multiple opportunities for WCC

Jimin Zhang, Chief Executive Officer of WCC, said:

“Today’s results show that WCC delivered on its promises in 2007 and achieved record operating results. Growth in revenues and profits has been achieved despite rising energy costs and adverse weather conditions.

“The Government of China’s decision to focus on the Shaanxi Province for development is an exciting opportunity for the company. This will involve the rapid building of roads, railways, power plants, airports and a metro system in Xi’an – all large projects requiring cement. The Shaanxi Province five year plan estimates cement demand at 25 million tonnes in 2006 rising to 40 million tonnes by 2010.”

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Chairman's review

West China Cement (WCC) delivered on its promises in 2007, with another notable year in the Group's growth. Post-tax profit increased by 69 per cent to RMB 150 million (£10.7 million) and revenues grew to RMB 526 million (£37.6 million). This reflected maiden contributions from the two new production lines at Lantian, to the South East of Xi'an.

Demand for cement in Shaanxi was robust in 2007, with the prices of our various products increasing in the range of 2 per cent to 4 per cent. Very heavy rain and resultant flooding affected both production and demand for a large part of the second half of the year. Against this background it is pleasing to report volumes in line with expectations, with a total tonnage for the year of 2.42 million tonnes, with the new lines at Lantian contributing 0.98 million tonnes. Inflationary pressures were evident, particularly in coal prices. As a result, WCC's gross margin decreased marginally from 34.8 per cent to 33.4 per cent. Our new Lantian lines were commissioned in March and July at the budgeted capital cost of RMB 470 million (£33.6million). After the normal start-up curve and the weather related hiatus, both plants were operating at capacity by the year end.

Completion of the Lantian plant brings WCC's total capacity to 3.5 million tonnes, of which 2 million tonnes is from Lantian and the balance is from the North of Xi'an at Pucheng. Construction is underway on a further plant at Ankang, an area which to date has been poorly served by cement producers, to supply the market in the south-east of the Shaanxi province. The capital cost of the Ankang plant is targeted to be RMB 640 million (£45.7 million) net of tax credits but before financing costs. The plant will have a capacity of 1.8 million tonnes and completion is targeted for early 2009. This is a challenging and exciting project for WCC which will significantly benefit construction projects in the region.

I mentioned at the half year ended 30 June 2007 that we intended to finance Ankang from a combination of internally generated funds and bank debt, and that we were looking at financing options to expand the company's cement capacity further towards our medium term target of 8

to 10 million tonnes. The credit squeeze which began in the second half of 2007 and which in China took the form of a cessation of bank lending, together with the nervousness of financial markets generally, render some of these financing options less favourable. Our Ankang project remains nevertheless very attractive and the Board is actively pursuing financing options so that it can be completed on schedule. If financing is not available on acceptable terms, we will consider slowing the project down, for completion at the end rather than start of 2009.

In view of the exciting growth opportunities which WCC faces, the Board has resolved not to recommend a dividend for 2007.

The Chinese cement market has continued to benefit from a combination of strong growth in demand and rationalisation which have been the drivers of the industry since 2006. The sustained strong demand has been driven by central and local government infrastructure projects, as set out in the People's Republic of China (PRC) Government's 11th Five Year Plan (2006 until 2010), and is further under-pinned in Shaanxi by its "Develop the West" policy; these together have led to above average fixed asset investment growth in WCC's home province. Cement demand in Shaanxi province has grown from 28 million tonnes in 2006 to 31 million tonnes in 2007 and we expect demand to grow to 35 million tonnes in 2008. This favourable scenario is supported by the ongoing closure of old, backward and polluting cement capacity which is driven by Government directives focusing on energy consumption, economies of scale and environmental improvement. It is estimated that over 70 million tonnes of backward capacity was closed down in the PRC in 2007; our estimates point to over 2.6 million tonnes of old capacity being closed in Shaanxi Province in 2007 and over 3.5 million slated for closure in 2008. These factors all point to continued growth and favourable pricing in the Shaanxi cement market through 2008 and beyond.

2008 promises to be another important year for WCC, with existing plants forecast to operate close to capacity, and the continued construction of the Ankang plant. As was well publicised in the West, there was a recurrence of freak weather conditions in the early part of 2008, with heavy snow disrupting the country and the construction industry in particular. We used this

period to carry out as much maintenance as possible and it is our ambition to make up any production backlog over the year, provided weather conditions are more or less normal. Underlying cement demand remains robust.

I would like to thank all WCC's staff and workforce for their exceptional hard work. The company has continued to grow at a rapid pace, and all are to be congratulated on achieving this while maintaining high standards of safe and environmentally sound practice.

Robert Robertson

Non-Executive Chairman

Chief Executive Officer's overview

WCC had another remarkable year in 2007. Our development was assisted by the completion of the new lines at the Lantian plant after our successful admission to London's AIM market in December 2006, which raised £22 million for the company. The new lines at Lantian increase our capacity from 1.5 million tonnes to 3.5 million tonnes.

Financial results

For 2007, WCC is reporting its strongest ever operating results: revenues of Rmb 526 million (£37.6 million) (2006: Rmb 307 million) and post tax profit of Rmb 150 million (£10.7 million) (2006: Rmb 89 million). Our earnings per share improved from Rmb 2.00 (14p) per share to Rmb 2.35 (17p) per share.

While the higher cost of coal has added pressure on production costs, we have successfully limited this impact such that the fall in operating profit margin was relatively modest. In addition, despite the adverse weather conditions during August – October 2007, we met our target rates of production as well as profit. In 2007, we achieved an operating profit margin of 33.2 per cent compared to 34.3 per cent in 2006.

Business review

Production

In 2007, production at our Pucheng plant decreased slightly from 1.46 million tonnes to 1.44 million. Although output and sales were badly affected by the heavy rains suffered in August - October 2007, our production and sales team largely made up the shortfall in the last two months of the year. As a result Pucheng achieved its target for the year.

The two production lines in our Lantian plant were completed and operations commenced on schedule. Lantian Line One started production at the end of March and Lantian Line Two at the end of July. Target production levels were achieved within two months of opening and Lantian achieved a total production of 0.98 million tonnes in 2007.

Overcoming difficulties - adverse weather

Between August and October 2007 the Shaanxi province experienced one of the worst rainy seasons seen in the last 100 over years. Repeated downpours during the summer months seriously affected our cement production, transportation and sales. After the rainy months, our management team and workforce strived to recover the lost sales and to limit the impact of the downtime, with our Pucheng and Lantian plants swiftly resuming production to their maximum capacities.

Overcoming difficulties – increased costs

In 2007 increasing transport costs and coal prices impacted our cost base. We responded to this with the selective use of technology and by implementing other cost-saving measures. During the year we upgraded facilities so that desulphurised gypsum could be utilised instead of natural gypsum as production input; this initiative has reduced our production cost by Rmb 3-5 per tonne of cement. In addition, WCC effectively reduced procurement costs through the implementation of centralised raw materials purchasing. The impact of increased fuel and coal prices was partially offset by these cost-saving measures.

Research and development

The Group is engaged with Xi'an University of Architecture and Technology in research and development ("R&D") projects. An R&D centre has been set up on the university campus. During the year, the R&D centre has improved WCC's raw material mixing formula, increased the use of industry waste as raw material input and reduced production costs. These R&D initiatives are designed to support the continuous improvement of our products which, in turn, should enable WCC to respond better to customer needs and demands.

Project pipeline

WCC has a strong pipeline of projects, which will assist the Group in delivering organic growth and value creation to its stakeholders. The Group will continue to invest in growth projects to ensure that it is well positioned to continue to deliver growth well into the future, although financing development will be dependent on some recovery in financial markets.

Ankang project

The project to build a plant serving a new market in the Southern Shaanxi region was approved by the Board in 2007 and the construction work began immediately. The total investment is expected to be Rmb 640 million net of tax credits, which will include the construction of Asia's longest conveyor belt which would run between WCC's factory and the neighbouring limestone quarry. This project is another example of WCC's commitment to environmental protection, as the conveyor belt will reduce the use of heavy trucks in limestone transportation, hence reducing fuel usage and carbon dioxide emission.

Key challenges

In pursuing its strategy WCC, along with many of its peers in the cement industry, faces a number of key challenges. The ability to respond to these challenges successfully will play an important role in ensuring that WCC is well placed to extract maximum benefit from all of its future growth options. The Board has identified the following as being of particular importance:

Cost escalation

PRC is facing rapidly increasing inflationary pressures. Controlling cost escalation will help

ensure that WCC realises maximum value from its existing operations. WCC is committed to an on-going programme of cost savings, which includes: (1) increasing employee efficiency; (2) finding cheaper substitutes for production input; (3) improving internal controls; and (4) recycling.

Energy

There is now more focus than ever on global energy demand. Energy is a key cost element in cement production. WCC will continue to seek to improve its production efficiency and consider further investment in waste heat recycling projects. As well as reducing energy consumption and cost, there is also a high possibility that the waste heat recycling projects will be able to generate additional income for the Group through the sale of carbon credits under the PRC Government sponsored Clean Development Mechanism. WCC is currently reviewing the feasibility of this option.

Safety

WCC attaches great importance to the safety of its employees and works hard at instilling and maintaining a safety orientated culture throughout the Group. Safety measurement systems were enhanced during 2007, and key safety benchmarks were measured and accessed monthly with lessons learnt from any incidents which occurred. The Board reviews and discusses safety at work issues at each Board meeting.

No major incidents occurred in 2007. WCC's operating subsidiaries were awarded the "Advanced Enterprise in Safety Production 2007" by Shaanxi Supervision and Administration Bureau for Safety Production.

Environment

Pollution is a key concern in the cement industry. The Chinese Government places major emphasis on environmental issues and has closed down many cement plants which do not meet the national environmental protection standards. All of WCC's plants meet current national standards. In 2007 our Pucheng plant was named as an "Advanced Enterprise in

Environmental Protection” by the local government. WCC is committed to ongoing efforts to reduce its impact on the environment.

We aim to minimise emissions and have committed capital investment into building waste heat recycling plants in order to reduce energy usage. The construction of the Lantian waste heat recycling plant started in October 2007 and is expected to be completed by mid 2008. The total investment is Rmb 60 million and the expected energy/ cost savings are approximately Rmb 13 million per annum. The Board is considering similar projects investment in our other plants.

People

Our employees are essential to the long term success of the Group. We continue to invest in the development of our people and strive to ensure that the Group is well positioned to attract and retain the best talent in the region and beyond.

Treasury risk management

The Group’s principal treasury policy and decisions are set at Board level. The Board delegates responsibility for managing financial risk to the Executive Board. The treasury function is managed by the investment and corporate development department. The accounting department provides an independent control function to monitor and report on treasury activities.

The Group is exposed to liquidity risk arising from the need to finance its growth strategy. The Group is exposed to interest rate, foreign exchange and other market risks in the ordinary course of business.

Political, legal and regulatory

Businesses may be affected by any political and regulatory developments in the PRC, although WCC can have no control over changes in local inflation, market interest rates or fiscal policy, the Company actively monitors regulatory and policy developments.

2008 prospects

China's rapid economic growth has driven development in the western part of China. Current cement demand is strong, driven by continued urbanisation, robust infrastructure investment and new rural construction. On the supply side, the PRC Government is controlling the establishment of new cement plants and closing down inefficient and polluting plants. This provides a good basis for strong cement prices.

As a leading cement producer in Shaanxi and with its strategic location in the heart of the region, I am confident that WCC will continue to produce excellent results in the forthcoming years. Despite facing various challenges during 2007 such as increasing energy costs, adverse weather conditions and rising input costs, the Group's growth and development remained robust. I am confident that our people are prepared for and will overcome other challenges which they may face in 2008. We will continue to seek to serve all our stakeholders in a successful and profitable way.

We are committed to providing high returns to our stakeholders by: (1) strengthening our production and safety management; (2) improving our cost-saving management; (3) optimising our labour utilisation; (4) enhancing our technology transformation; (5) adjusting our marketing strategies to respond to changing market conditions; (6) striving to put Ankang into operation by early 2009; (7) continuing to seek optimal funding options; and finally (8) exploring other growth avenues.

I would like to thank the Board of Directors, the management and all our employees for their support over the past year.

Jimin Zhang

Chief Executive Officer

Consolidated Income Statement for the year ended December 31, 2007

2007

2006

	<i>RMB 000</i>	<i>RMB 000</i>
Continuing Operations		
Revenue	525,929	307,319
Cost of sales	(350,165)	(200,372)
Gross profit	<u>175,764</u>	<u>106,947</u>
Other operating income	38,803	20,265
Selling and distribution costs	(9,796)	(8,147)
Administrative expenses	(30,151)	(13,754)
Operating profit	<u>174,620</u>	<u>105,311</u>
Investment income	1,826	402
Finance costs	(26,173)	(19,405)
Profit before income tax	<u>150,273</u>	<u>86,308</u>
Income tax credit	-	2,331
Profit for the year	<u><u>150,273</u></u>	<u><u>88,639</u></u>
Attributable to:		
Equity holders of the company	<u><u>150,273</u></u>	<u><u>88,639</u></u>
Earnings per share		
Basic (RMB per share)	<u><u>2.35</u></u>	<u><u>2.00</u></u>
Diluted (RMB per share)	<u><u>2.34</u></u>	<u><u>2.00</u></u>

Consolidated Balance Sheet at year ended December 31, 2007

	<i>2007</i>	<i>2006</i>
	<i>RMB 000</i>	<i>RMB 000</i>
Non-current assets		
Intangible assets	57,236	7,759
Property, plant and equipment	944,927	627,376
Deferred tax asset	12,364	12,364
	<u>1,014,527</u>	<u>647,499</u>
Current assets		
Inventories	45,653	24,191
Trade and other receivables	111,062	45,765
Pledged deposits	24,336	2,568

Cash and cash equivalents	29,997	192,388
	<u>211,048</u>	<u>264,912</u>
Total assets	<u>1,225,575</u>	<u>912,411</u>
Current liabilities		
Trade and other payables	187,019	85,339
Tax liabilities	-	5,147
Bank borrowings	23,000	150,404
Other borrowings	-	22,127
Other liabilities	3,700	-
	<u>213,719</u>	<u>263,017</u>
Net current (liabilities)/ assets	<u>(2,671)</u>	<u>1,895</u>
Non-current liabilities		
Bank borrowings	296,200	99,300
Other borrowings	18,415	26,846
Other liabilities	14,800	-
	<u>329,415</u>	<u>126,146</u>
Net assets	<u>682,441</u>	<u>523,248</u>
Equity		
Share capital	93,482	97,542
Share premium	638,070	662,593
Reverse acquisition reserve	(354,452)	(354,452)
Share options reserve	5,228	4,646
Foreign currency translation reserve	37,471	550
Statutory reserve	36,420	20,463
Retained earnings	226,222	91,906
Equity attributable to equity holders of the company	<u>682,441</u>	<u>523,248</u>

Consolidated Cash Flow Statement for the year ended December 31, 2007

2007

2006

	<i>RMB 000</i>	<i>RMB 000</i>
OPERATING ACTIVITIES		
Operating profit	174,620	105,311
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	44,829	28,813
Amortisation of land use rights	203	203
Allowances for doubtful debts	(1,207)	3,055
Gain on disposal of property, plant and equipment	1,971	-
Share based payment	2,184	303
Operating cash flow before movements in working capital	222,600	137,685
Increase in inventories	(21,462)	(2,109)
(Increase)/ decrease in receivables	(64,090)	21,650
Increase/ (decrease) in payables	96,533	5,074
Cash generated by operations	233,581	162,300
Other taxes refund/ (paid)	-	1,000
Interest paid	(26,173)	(19,405)
NET CASH GENERATED FROM OPERATING ACTIVITIES	207,408	143,895
INVESTING ACTIVITIES		
Interest received	1,826	402
Purchase of property, plant and equipment	(364,351)	(311,814)
Acquisition of land use rights	(31,180)	-
Proceeds on disposal of property, plant and equipment	-	4,406
Decrease/ (increase) in cash pledged	(21,768)	2,075
NET CASH USED IN INVESTING ACTIVITIES	(415,473)	(304,931)
FINANCING ACTIVITIES		
Dividends paid	-	(512)
Net proceeds from/ (repayment of) bank borrowings	69,496	(8,125)
Proceeds from other borrowings	(30,558)	37,915

Proceeds on issue of new shares (net)	6,508	305,013
Repayments to minority shareholders for capital contribution	-	(1,000)
NET CASH GENERATED FROM FINANCING ACTIVITIES	45,446	333,291
NET INCREASE IN CASH AND CASH EQUIVALENTS	(162,619)	172,255
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	192,388	19,583
Foreign exchange difference	228	550
CASH AND CASH EQUIVALENTS AT END OF YEAR	29,997	192,388

1. Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1. 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, if any.

2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings using the acquisition method of accounting. The results of the subsidiary undertakings acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. Foreign currencies

The functional currency of the subsidiary undertakings is Renminbi ("RMB"), and the presentation currency of the Group is RMB. Transactions in currencies other than RMB are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date, and gains or losses arising on retranslation are included in the net profit for the year. Non-monetary assets and liabilities are translated using historical rate, and exchange rate differences arising are classified as equity and transferred to foreign currency translation reserve.

On consolidation, the assets and liabilities of foreign operations are translated at the exchange rate prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year unless exchange rates fluctuate significantly. Exchange differences arising on a monetary item that forms part of the Company's net investment in foreign subsidiary undertakings are recognised in a separate component of equity in foreign currency translation reserve. These differences are recognised in income statement on disposal of the net investment.

For the year ended 31 December 2007, the foreign operations' financial statements have been translated from GBP or HKD to RMB at the following exchange rates:

		2007	2007	2006	2006
		Year end rates	Average rates	Year end rates	Average rates
RMB:	GBP	14.5807	15.2213	15.3155	14.7060
RMB:	HKD	0.9364	0.9746	1.0053	1.0276

2. Revenue

An analysis of the Group's revenue is as follows:

	2007	2006
	RMB 000	RMB 000
Revenue: Continuing operations		
Sales of cement	525,929	307,319
Other operating income		
VAT rebates	30,528	18,791
Rental income	91	93
Government incentives	5,180	720
Sundry income	-	278

Exchange gain	23	383
Creditors written back	2,981	-
	<u>38,803</u>	<u>20,265</u>
Investment income		
Interest from deposits	1,534	402
Income from treasury management	292	-
	<u>1,826</u>	<u>402</u>
Total revenue	<u>566,558</u>	<u>327,986</u>

Sales of cement represents the invoiced value of cement sold, net of value added tax ("VAT") and other sales taxes and is after allowances for goods returned and trade discounts.

The VAT rebates relate to a local government incentive to enterprises for recycling industry waste as production input. Only certain approved products are entitled to this rebate. The rebate is accounted for on an accruals basis.

Rental income represents parking income generated from the vacant land in front of one of the production plants.

Government incentives include recycling incentives of RMB150,000 (2006: RMB500,000), bulk cement sale incentive of RMB230,000 (2006: RMB220,000) and "clean" project investment incentive of RMB4,800,000 (2006: Nil).

3. Income tax expense

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

	2007	2006
	RMB 000	RMB 000
PRC corporation tax		
Tax refund	-	-
Deferred tax	-	(2,331)
	<u>-</u>	<u>(2,331)</u>

The tax movement for the year can be reconciled to the profit per the income statement as follows:

	2007	2006
	RMB 000	RMB 000

Profit before income tax	150,273	86,308
	<hr/>	<hr/>
Tax calculated on the above profit, at applicable PRC corporation tax rate of 0% (2006: 15%)	-	12,946
Tax refund	-	-
Effect of non deductible expenses	-	317
Deferred tax temporary differences	-	(103)
Effect of tax benefit arising from purchasing the prescribed eligible plant and equipment	-	(15,491)
	<hr/>	<hr/>
Tax credit for the year	-	(2,331)
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As foreign invested enterprises, Shaanxi Yaobai Special Cement Ltd ("SYSC") and Xi'an Lantian Yaobai Cement Co. Ltd ("XLYC"), the two income generating subsidiary undertakings, were entitled to preferential tax treatment whereby they are allowed a two-year tax holiday followed by a three-year period in which they are taxed at 50% of the normal PRC corporate income tax ("CIT") rate. SYSC is exempted from CIT in year 2006 and 2007; XLYC is exempted from CIT in year 2007 and 2008.

Prior to July 2006, SYSC was locally owned hence revenue earned prior to becoming a foreign invested enterprise was taxed at the applicable CIT rate of 15%.

4. 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.

	2007	2006
Profit/ (loss) attributable to equity holders of the Company (RMB 000)	150,273	88,639
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Weighted average number of ordinary shares in issue (thousands)	63,979	44,344
	<hr/>	<hr/>
Earnings per share (RMB per share)	2.35	2.00
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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.

	2007	2006
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Profit attributable to equity holders of the Company (RMB 000)	150,273	88,639
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Weighted average number of ordinary shares in issue (thousands)	63,979	44,344
Adjustment for share options (thousands)	365	59
	<hr/>	<hr/>
Weighted average number of ordinary shares for diluted earnings (thousands)	64,344	44,403
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Diluted Earnings per share (RMB per share)	2.34	2.00
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END