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West China Cement Limited
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West China Cement Limited ('WCC' or 'The Company')

Full Year 2008 Preliminary Results

Another Record Year with Outstanding Performance and Robust Growth

West China Cement, the AIM listed cement production and sales company located in Shaanxi province, China, today announces its preliminary results for the year ended 31 December 2008.

Key Financial Highlights

- Highest ever sales revenue RMB 866 million (£87.7 million) (2007: RMB 526 million; £36.0 million) - up 65%
- Profit after tax up 64% to RMB 246 million (£24.9 million), (2007: RMB 150 million; £10.3 million)
- The Sterling pounds equivalent revenue growth was 143% and that of profit growth was 142%, following the Renminbi's strengthening against Sterling
- Earnings per share up 63% to RMB 3.84 (2007: RMB 2.35)

Key Operational Highlights

- PRC Government's determination to invest a significant proportion of the RMB 4 trillion economic stimulus package on infrastructure and post-earthquake reconstruction in Western China.

- WCC completed a US\$60 million debt financing deal in May 2008. This enabled the Company to complete the Ankang project on schedule, delivering on our promises to shareholders.
- Successful firing of Ankang kiln at the end of 2008 and full capacity of 1.8 million tonnes is expected to be achieved at the plant in the second half of the year.
- Hanzhong project approval announced today; consists of two one-million-tonne plants on either side of the city of Hanzhong, where earthquake reconstruction is paramount.
- WCC declared its intention of becoming the market leader in Shaanxi province, with a capacity of 8-10 million tonnes.

Jimin Zhang, Chief Executive Officer of WCC, said:

"2008 was a remarkable, yet challenging year for WCC, with an outstanding performance and robust growth which came mainly from organic expansion and efficiency improvement in operations.

The region in which WCC operates is due to benefit from the massive government spend on the development of infrastructure and the rebuilding of areas struck by the Sichuan earthquake last year, so we see this as a great opportunity to expedite our growth.

Despite the uncertain economic developments, WCC is well positioned to deal with the evolving market circumstances and with an ongoing strong pipeline of opportunities, we are continuing with our development and expansion strategy for 2009 and beyond."

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Notes to Editors:

West China Cement listed on the AIM market of the London Stock Exchange on 4 December 2006, raising approximately £20.1 million net of expenses.

Prior to the listing, the Company, which is headquartered in Xi'an the provincial capital of Shaanxi province, had operated three cement production plants in Pucheng with a combined production capacity of 1.5 million tonnes per annum since 2003.

In order to service the growing demand for cement in the region, a new plant running two cement production lines, funded by money raised at the IPO, opened in Lantian in 2007 and has a production capacity of 2 million tonnes.

The company's 1.8 million tonne third plant at Ankang started producing and selling cement in March 2009 and is expected to reach full capacity in the second half of 2009.

Approval for the building of two new cement plants, Yangxi an and Mi anxi an, each with a capacity of 1 million tonnes per annum, was announced today. With the massive government spend on infrastructure as part of the RMB 4 trillion fiscal stimulus package and the need to rebuild in the wake of the Sichuan earthquake which occurred in this area, the Company has chosen the appropriate location to build these latest projects.

Chairman's Statement

Against the background of world recession, it is exciting to be able to report on results for 2008 which demonstrate that the market for cement in West China's territories has continued to offer a most unusual investment opportunity. The Company reported profit before tax of RMB 258 million (£26.09 million), representing an increase of 72% over 2007 and three times the pre-tax profit of RMB 86 million (£5.64 million) achieved in 2006, the year in which the Company was floated on AIM. In terms of profit after tax, the position is very similar, while in sterling the increase has been much more pronounced following the Renminbi's strengthening against Sterling.

This remarkable profit growth is based on expanding production and sales into markets which have grown very rapidly, and which look set to benefit from the PRC Government's determination to invest in infrastructure in the Chinese interior. WCC's sales grew from 2.39 million tonnes in 2007 to 3.44 million tonnes in 2008, when the new Lantian plant, which was commissioned during 2007, ran at full capacity. In the first half of 2008 we suffered considerable cost inflation, in common with the rest of the industry. Happily we were able to pass these cost increases on in the buoyant market, with the result that gross margins edged up from 33.4% to 35.8%.

Sadly, we have to report that a fatal injury occurred during the year. WCC is committed to working without injuries to its staff or contractors, as well as working to the highest environmental and health standards. Any injury results in an enquiry as to causes and steps to avoid a recurrence. This is doubly so with a fatality.

Since the year end, production and sales of cement have begun at the new 1.8 million tonnes capacity Ankang plant in the South East of Shaanxi province and we intend to achieve full capacity in the second half of this year. The project was not entirely immune to the escalation of raw materials costs last year and the final cost will be RMB 770 million, compared with the RMB 725 million, I referred to at the half year. At the time of the results for the year ended 31 December 2007, I also mentioned that this project might have to be slowed down, in view of the unexpected virtual closure of Chinese debt markets and the unattractive state of international debt and equity markets. However, we were able to secure a debt package of \$60 million, as announced last May. At the time we felt that the package was expensive, with a basic interest cost of 13.5%, and warrants which the lender could exercise by subscription for shares or which it could put to the Company for cash settlement. But we believed that, given the very attractive characteristics of the project, it was correct to proceed and we feel that the deepening credit crunch has also vindicated the financing terms.

West China Cement has the declared intention of becoming a regional champion, the market leader in Shaanxi province, with capacity of 8-10 million tonnes. Clearly the Board examines ambitions like these in the context of changing market circumstances. Having done so, and having regard to the implications of the PRC's RMB 4 trillion economic stimulus package, I am delighted to advise that we are embarking on further expansion. This package calls for investment in infrastructure in the centre of China and to rebuild in the wake of the earthquake in Sichuan province to the South West of Shaanxi. The PRC Government's package therefore substantially underpins the strategy which WCC has been carrying out. We are now embarking on the Hanzhong project, which consists of two one-million-tonne plants on either side of the city of Hanzhong in the South West of Shaanxi province. These will serve the market in that part of our home province, and also the neighbouring provinces of Sichuan and Gansu, where earthquake reconstruction is paramount. The projects are expected to have a capital cost of RMB 763 million and are scheduled for completion in Q2 and Q3 of 2010. It will be financed from a combination of the Company's own cash flow and attractive local debt.

The early part of 2009 has been relatively quiet as is normally the case at this time of year, influenced by winter weather and the Chinese New

Year celebrations. However, we expect demand to be robust in 2009 and we look forward to another year of opportunities.

It remains to thank the Company's staff and workforce for their outstanding hard work and achievement during the year. I am confident that they will again focus on driving forward the growth of the Company and revitalising their efforts to make it the safest as well as the most profitable in the region.

Robert Robertson

Non-Executive Chairman

Chief Executive Officer's Review

Overview

2008 was another remarkable year for WCC, a cement producer in Western China, with an outstanding performance and robust growth. In spite of a challenging environment throughout the year: severe snows in January and February, rising material costs from April to September, a catastrophic earthquake in neighbouring Sichuan province, tightened credit policy in the first half of the year, and the global financial crisis towards the end of the year, WCC weathered through by adhering to its sustainable growth strategy.

WCC's growth in 2008 mainly came from organic expansion and efficiency improvement in operations. The two production lines at Lantian, which came on stream in April 2007 and August 2007 respectively, produced above the designed capacity of 2 million tonnes per annum in 2008.

WCC was able to make up the adverse weather conditions related shortfall in sales in January and February and sold a total of 3.44 million tonnes of cement in 2008 (2007: 2.39 million tonnes). WCC also managed to pass

on the effects of cost increases to its customers. Although facing a tight credit environment, WCC completed a US\$60 million debt financing deal in May 2008. This enabled the Company to complete the Ankang project on schedule, delivering on our promises to shareholders.

Financial results

I am pleased to report a record financial performance by WCC in 2008. We achieved our highest ever sales revenue of RMB 866 million (2007: RMB 526 million) and profit after tax of RMB 246 million (2007: RMB 150 million). The revenue and profit growth were 65% and 64% respectively. The corresponding revenue and profit expressed in sterling pounds were £87.7 million (2007: £36.0 million) and £24.9 million (2007: £10.3 million), respectively. To our UK based shareholders, the growth in revenue and profit are more pronounced as the Renminbi has strengthened from RMB 14.58 to the pound at the end of 2007 to RMB 9.88 at the end of 2008. The sterling pounds equivalent revenue growth was 143% and that of profit growth was 142%.

Some of the year's significant highlights include:

- Earnings per share up 63% to RMB 3.84 (2007: RMB 2.35).
- Gross margin improved from 33.4% to 35.8% and pre-tax margin from 28.6% to 29.8% despite cost inflation; this was a result of a combination of sound cost control and improved selling prices.
- Return on capital employed (EBIT/Net Assets) of 30.6% (2007: 25.6%). WCC has, as at 31 December 2008, invested RMB646 million in its third production base, Ankang. This plant is expected to commence normal production in the second half of 2009.

Business review

A difficult start

2008 was another notable year with robust delivery despite many challenges. In the first half of 2008, the Chinese economy continued its vigorous growth and when faced with evidence of "overheating", the Chinese Government introduced a series of fiscal and monetary measures such as raising the reserve requirement ratio and the bank interest rates. These

steps were aimed at curbing inflation and cooling down the overheated economy. WCC was facing difficulties in raising local debt financing for its expansion plans. Due to the tough capital market conditions as a result of the world economy having entered into a recession the availability of equity was restricted, which in turn threatened to affect the progress of our Ankang project.

Successful fund raising

In May 2008, WCC concluded a US\$60 million offshore debt financing deal with accompanying warrants. Although the deal was not cheap, we were convinced that completing the Ankang project on schedule and gaining a leading position in an important new market fully justified the cost. The Ankang project was a major breakthrough for WCC. It had brought us a step closer to our goal of becoming the leader in the Shaanxi cement industry, and more importantly, the deal enabled us to venture out of the maturing central Shaanxi market and into the highly profitable southern Shaanxi region.

Overcoming difficulties

In January and February 2008, many places in China, including Shaanxi, were hit by extreme weather conditions and terrible snowfalls. The heavy snowfall halted WCC's cement production and sales. Although WCC carried out its annual maintenance shut-down during the period of extreme weather, our profitability was nonetheless adversely affected in the first half of the year. However, with strong dedication, WCC was able to catch up with the sales lost and sold a total of 3.44 million tonnes of cement in 2008 (2007: 2.39 million tonnes).

Moving into Q2 and Q3, WCC was impacted by the sharp increase in coal and fuel costs. WCC successfully increased its cement selling price and effectively passed on the rising costs to its customers. Our selling price had increased by about RMB100 per tonne in total during 2008. Coal and fuel costs fell in Q4 but our selling price remained unchanged.

A robust second half

Our selling price remained strong in the second half of the year. The driving forces came from (1) higher cement demand in the region after the 12 May earthquake in Sichuan; and (2) higher cement demand from the robust publicly funded projects.

The world economy has been hit by the "financial tsunami" caused by the global credit crisis. China's economy is not immune to the global recession. Its growth rate has slowed down in the second half of the year in contrast to the inflationary growth in the first half. The number of new residential construction projects has been in decline. In November 2008, the Chinese Government implemented a RMB 4 trillion stimulus package to battle the economic slowdown. The two key messages which were delivered by the Chinese Government were: 1. China will ensure a minimum of 8% GDP growth in 2009; and 2. the Government, with support from Chinese banks, will create job opportunities to tackle unemployment.

It is expected that a significant amount of the monies will be channelled to the provinces in Central and Western China where the need to develop infrastructure and rebuild earthquake-stricken areas is a matter of urgency. Cement producers are one of the main beneficiaries of the government initiatives. WCC sees this as a great opportunity to expedite our growth.

Research and development

WCC is working with Xi'an University of Architecture and Technology in research and development ("R&D"). A R&D centre has been set up on the university campus. The objectives of this R&D centre are to improve production efficiency, thus reducing production costs, and to support product innovation.

Our technical department also continuously explores ways to increase productivity, enhance production efficiency and control pollution. Output from our Lantian plant has improved significantly since commencement of production in 2007. It is currently producing above 5,500 tonnes of clinker per day. Lantian was producing in excess of its designed capacity in H2 2008.

WCC is spending RMB 17.5 million to modify Pucheng's cement milling system in order to improve its cement grinding capacity. This project is scheduled to complete in April 2009. The incremental benefit from this project is estimated to be around RMB 10 million per annum.

I am proud to say that we continue to be a sector leader in technology in terms of our approach to sustainable development.

Safety and environment

Safety is always a key performance index at WCC. The Board reviews and discusses safety at work at each Board meeting. However, I am sad to report that a fatal accident involving one of our employees occurred in one of our plants during the year. A thorough investigation of the cause of the incident was carried out, lessons learned, and steps taken to ensure that a similar incident will not happen again.

WCC is committed to ongoing efforts to reduce emissions and energy consumption. The Lantian waste heat recycling plant started normal operations in early November 2008 and was producing electricity at 85% of its designed capacity by end of the month. During 2008, 9,200 kilowatts of electricity was produced and RMB 2.9 million worth of electricity costs were saved.

People

Our operations have grown very rapidly in the past three years, which in turn has provided many more job openings. Headcount increased from 788 at the end of 2005 to 1,353 at the end of 2008. We believe that our staff are the Company's most valuable assets and they are essential to the long term success of the Group. We continue to invest in the development of our people and to attract and retain the best talents in the region and beyond.

During the year we strengthened our management team by the appointment of Po Ling Low, a Financial Director with broad international experience.

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 foreign exchange risk and share price risk arising from its US\$60 million offshore loan and the associated warrants and derivative. The liquidity risk is modest, Ankang will soon contribute, and further strengthen, our operational cash flow. WCC's continued growth strategy is financed partly by internally generated cash flow and partly by local bank borrowings. As part of the economic stimulus package, the Chinese Government has, in addition to granting subsidies to development projects, reduced the reserve requirement ratio and bank interest rates. WCC should be able to raise capital expenditure loans at attractive rates locally if the need arises.

The Group is exposed to interest rates and other market risks in the ordinary course of business. WCC's approach to risk management will be set out in the consolidated financial statements.

Political, legal and regulatory

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

2009 outlook

Whilst the world economy has dipped into recession and many people are uncertain about the near future, WCC is very confident that the Group can maintain its robust growth in the coming year.

The decline in new residential construction is offset by the extensive government spending. Numerous basic infrastructure projects within our sales radius have and/or are scheduled to progress during the period of 2008 - 2010.

In order to seize an expansion opportunity and to improve WCC's market share in the Province, the Board has approved a project to build two one-million-tonne plants in Hanzhong region in South West Shaanxi. The government is dedicating significant sums to develop the infrastructure in Hanzhong and to rebuild those areas that were affected by the Sichuan earthquake. The total investment is expected to be RMB763 million. Construction has begun with completion of the first of our two production lines targeted in Q2 2010. The project will be financed by a combination of operating cash flow and local bank borrowings. On completion, the Hanzhong plants will enhance WCC's position in southern Shaanxi, where we will have a very strong market share.

Despite the uncertain economic developments, WCC is well positioned to deal with the evolving market circumstances. With an ongoing strong pipeline of opportunities, we are continuing with our development and expansion strategy.

My many thanks go to all throughout our Group and to our customers, suppliers and advisors for making 2008 another remarkable year for WCC. I would like to reassure all stakeholders that WCC's dedication to growth and excellence remains resolute.

Jimin Zhang

Chief Executive Officer

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	2007
	RMB 000	RMB 000
Continuing Operations		
Revenue	866,126	525,929
Cost of sales	(556,073)	(350,165)
Gross profit	310,053	175,764
Other operating income	44,075	38,803
Selling and distribution costs	(12,018)	(9,796)
Administrative expenses	(57,289)	(30,151)
Operating profit	284,821	174,620
Investment income	1,023	1,826
Finance costs	(28,115)	(26,173)
Profit before income tax	257,729	150,273
Income tax charge	(11,566)	-
Profit for the year	246,163	150,273
Attributable to:		
Equity holders of the Company	246,163	150,273
Earnings per share		
Basic (RMB per share)	3.84	2.35
Diluted (RMB per share)	3.84	2.34

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008

	2008	2007
	RMB 000	RMB 000
Non-current assets		
Intangible assets	57,274	57,236
Property, plant and equipment	1,528,846	944,927
Deferred tax asset	798	12,364
	1,586,918	1,014,527

Current assets		
Inventories	81,507	45,653
Trade and other receivables	147,319	111,062
Income tax recoverable	2,859	-
Pledged deposits	21,340	24,336
Cash and cash equivalents	51,698	29,997
	304,723	211,048
Total assets	1,891,641	1,225,575
Current liabilities		
Trade and other payables	234,459	187,019
Income tax liabilities	-	-
Bank borrowings	23,000	23,000
Other liabilities	7,400	3,700
	264,859	213,719
Net current assets/ (liabilities)	39,864	(2,671)
Non-current liabilities		
Bank borrowings	637,469	296,200
Other borrowings	15,221	18,415
Warrants classified as liabilities	32,908	-
Other liabilities	11,100	14,800
	696,698	329,415
Net assets	930,084	682,441
Equity		
Share capital	93,482	93,482
Share premium	638,070	638,070
Reverse acquisition reserve	(354,452)	(354,452)
Share options reserve	6,708	5,228
Foreign currency translation reserve	37,158	37,471
Statutory reserve	61,996	36,420
Retained earnings	447,122	226,222
Equity attributable to equity holders of the Company	930,084	682,441

The financial statements were approved and authorised for issue by the board of directors on 30 March 2009.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31 DECEMBER 2008

Attributable to equity holders of the Company

	<i>Share capital</i>	<i>Share premium</i>	<i>Reverse acquisition reserve</i>	<i>Share options reserve</i>	<i>Foreign currency translation reserve</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	<i>RMB 000</i>	<i>RMB 000</i>	<i>RMB 000</i>	<i>RMB 000</i>	<i>RMB 000</i>	<i>RMB 000</i>	<i>RMB 000</i>	<i>RMB 000</i>
At 1 January 2008	93,482	638,070	(354,452)	5,228	37,471	36,420	226,222	682,441
Total recognised income and expense Profit for the year	-	-	-	-	-	-	246,163	246,163
Transfer to statutory reserve	-	-	-	-	-	25,576	(25,576)	-
Share based payment	-	-	-	1,480	-	-	-	1,480
Exchange differences	-	-	-	-	(313)	-	313	-
At 31 December 2008	93,482	638,070	(354,452)	6,708	37,158	61,996	447,122	930,084
At 1 January 2007	97,542	662,593	(354,452)	4,646	550	20,463	91,906	523,248
Net income recognised directly in equity								
Exchange difference arising on translation of foreign	-	-	-	-	5,720	-	-	5,720

operation									
Add: Profit									
for the year	-	-	-	-	-	-	150,273	150,273	
Total									
recognised									
income and									
expense	-	-	-	-	5,720	-	150,273	155,993	
Transfer to									
statutory									
reserve	-	-	-	-	-	15,957	(15,957)	-	
Share									
based									
payment	-	-	-	2,184	-	-	-	2,184	
Issue of									
ordinary									
share									
pertaining to									
warrant									
exercise	620	7,267	-	(1,379)	-	-	-	6,508	
Exchange									
differences	(4,680)	(31,790)	-	(223)	31,201	-	-	(5,492)	
At 31									
December									
2007	93,482	638,070	(354,452)	5,228	37,471	36,420	226,222	682,441	

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	2007
	RMB 000	RMB 000
OPERATING ACTIVITIES		
Operating profit	284,821	174,620
Adjustments for:		
Depreciation of property, plant and equipment	61,366	44,829
Amortisation of land use rights	3,212	203
Allowances for doubtful debts	664	(1,207)
(Loss)/ gain on disposal of property, plant and equipment	(308)	1,971
Share based payment	1,480	2,184

Operating cash flow before movements in working capital	351,235	222,600
Increase in inventories	(35,854)	(21,462)
Increase in receivables	(36,921)	(64,090)
Increase in payables	45,508	96,533
Cash generated by operations	323,968	233,581
Other taxes paid	(2,859)	-
Interest paid	(54,786)	(26,173)
NET CASH GENERATED FROM OPERATING ACTIVITIES	266,323	207,408
INVESTING ACTIVITIES		
Interest received	1,023	1,826
Purchase of property, plant and equipment	(610,454)	(364,351)
Acquisition of land use rights	-	(31,180)
Proceeds on disposal of property, plant and equipment	1,834	-
Decrease/ (increase) in cash pledged	2,996	(21,768)
NET CASH USED IN INVESTING ACTIVITIES	(604,601)	(415,473)
FINANCING ACTIVITIES		
Net proceeds from bank borrowings	393,173	69,496
Repayment of bank borrowings	(30,000)	-
Proceeds from other borrowings	(3,194)	(30,558)
Proceeds on issue of new shares (net)	-	6,508
NET CASH GENERATED FROM FINANCING ACTIVITIES	359,979	45,446
NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENTS	21,701	(162,619)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,997	192,388
Foreign exchange difference	-	228
CASH AND CASH EQUIVALENTS AT END OF YEAR	51,698	29,997

NOTES TO THE GROUP FINANCIAL STATEMENTS

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.

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 Group has not adopted any standards or interpretations in advance of the required implementation dates, and it is not expected that adoption of standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements. These include IFRS 8, IFRICs 12 - 18, and revisions to IFRS 1, IFRS 2, IFRS 3, IFRS 7, IAS 1, IAS 14, IAS 23, IAS 27, IAS 32, and IAS 39.

The financial information in this announcement does not constitute the Company's statutory accounts for the twelve month periods ended 31 December 2008, but is derived from those accounts. The auditors have reported on those accounts; their report was unqualified.

b) 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.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The acquisition of West China Cement Co. Limited ("West China (BVI)") by West China Cement Limited on October 27, 2006 has been accounted for as a reverse acquisition, in accordance with IFRS 3 'Business Combinations'.

The Company became the legal parent of West China (BVI) by way of a share exchange agreement. According to the share exchange agreement, the shareholders of West China (BVI) transferred the entire issued share capital of West China (BVI) to the Company in consideration for 42,735,965 ordinary shares at 20p each. This business combination is regarded as a reverse acquisition whereby West China (BVI), the legal subsidiary, is the acquirer and has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

As a consequence of applying reverse acquisition accounting, the results for the year ended 31 December 2006 comprise the full year results of West China (BVI) and its subsidiary undertakings for the year ended 31 December 2006 plus those of the Company from October 2006, the date of the reverse acquisition, to December 31, 2006. The retained earnings in the balance sheet are those of the subsidiary undertakings plus those of the Company from the date of acquisition.

c) Foreign currencies

The functional and the presentation currency of the Company and its subsidiary undertakings are Renminbi ("RMB"). As at 1 January 2008, the functional currencies of West China Cement Limited and West China Cement Co. Limited have been changed from British Pound (GBP) to RMB and Hong Kong Dollar (HKD) to RMB because there was a change in the entities' underlying events and conditions. These entities are now funded by operations in the People's Republic of China. RMB is the currency that most faithfully reports the economic effect of the underlying operations of these entities. This is different to the policy adopted in the interim financial statements, as the directors now consider the appropriate date of change is 1 January 2008, and there are no significant differences other than some movements between reserves. The translation procedures were applied prospectively from the date of change. All items were translated into RMB and the translated amounts for non-monetary items are treated as their historical cost.

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.

The following exchange rates have been used:

	2008		2007	
	Year end rates	Average rates	Year end rates	Average rates
RMB: GBP	9.8798	12.8612	14.5807	15.2213
RMB: HKD	0.8819	0.8919	0.9364	0.9746
RMB: USD	6.8346	6.9445	N/A	N/A

d) Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, management makes various estimates and judgements (other than those involving estimates) based on past experience, expectations of the future and other information. The key sources of estimation uncertainty and the critical judgements that can significantly affect the amounts recognised in the financial information are:

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year the estimate is changed and in future years.

Allowance for bad and doubtful debts

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

Income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the year in which such determination is made.

Valuation of financial derivatives

The value of the Cash Settlement Option (as described in note 16) is derived from the strike price, the share performance and the cash flow relating to the Put Option. The Cash Settlement Option is therefore a financial derivative, which is classified as a financial liability at FVTPL.

The directors have used estimation regarding the valuation of this financial derivative, and are of the opinion that the value of the Cash Settlement Option at 31 December 2008 is approximately nil given the considerable fall in the share price in the second half of 2008.

2 Revenue

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

	2008	2007
	RMB 000	RMB 000
Revenue: Continuing operations		
Sales of cement	866,126	525,929
Other operating income		
VAT rebates	39,167	30,528
Rental income	129	91
Government incentives	1,454	5,180
Sundry income	650	-
Exchange gain	1,577	23
Creditors written back	1,098	2,981
	44,075	38,803
Investment income		
Interest from deposits	1,023	1,534
Income from treasury management	-	292
	1,023	1,826
Total revenue and income	911,224	566,558

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 RMB 300,000 (2007: RMB 150,000), bulk cement sale incentive of RMB 450,000 (2007: RMB 230,000), industrial development subsidy RMB 700,000 (2007: RMB nil) and "clean" project investment incentive of RMB nil (2007: RMB 4,800,000).

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.

	2008	2007
	RMB 000	RMB 000
PRC corporation tax		
Current tax	-	-
Deferred tax	11,566	-
	11,566	-

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

	2008	2007
	RMB 000	RMB 000
Profit before income tax	257,729	150,273
Tax calculated on the above profit, at applicable PRC corporate income tax rate of 15% (2007: 0%)	38,659	-
Effect of non taxable income	(28,611)	-
Effect of non deductible expenses	454	-
Foreign enterprises tax allowance	(5,251)	-
Deferred tax temporary differences	224	-
Reversal of deferred tax assets expired	6,091	-
Tax charge for the year	11,566	-

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. The tax which would be payable at 7.5% by SYSC for 2008 has been eliminated by other tax allowances.

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.

	2008	2007
Profit/ (loss) attributable to equity holders of the Company (RMB 000)	246,163	150,273
Weighted average number of ordinary shares in issue (thousands)	64,113	63,979
Earnings per share (RMB per share)	3.84	2.35

Diluted earnings per share

The Company has two categories of dilutive potential ordinary shares: share options and warrants. 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 and warrants is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants. Where the average market price of the Company's shares during the year is below the exercise price, which include the fair value calculated under IFRS 2 Share-based Payment, of the options or warrants, no dilutive effect arises. In 2008, the options and warrants were not dilutive.

	2008	2007
Profit attributable to equity holders of the Company (RMB 000)	246,163	150,273
Weighted average number of ordinary shares in issue (thousands)	64,113	63,979

Adjustment for share options (thousands)	-	365
Weighted average number of ordinary shares for diluted earnings (thousands)	64,113	64,344
Diluted Earnings per share (RMB per share)	3.84	2.34

5 Bank borrowings, other borrowings and warrants classified as liabilities

	2008	2007
	RMB 000	RMB 000
Current:		
Bank borrowings - secured	23,000	23,000
Non current:		
Bank borrowings - secured	578,669	207,400
Bank borrowings - unsecured	58,800	88,800
	637,469	296,200
Warrants classified as liabilities	32,908	-
Other borrowings	15,221	18,415
	685,598	314,615
Total	708,598	337,615

Bank borrowings and warrants classified as liabilities are repayable as follows:

Within one year	23,000	23,000
In the second year	670,377	260,400
In the third to fifth years inclusive	-	35,800
	693,377	319,200

Other borrowings are repayable as follows:

Within one year	-	-
In the second year	15,221	18,415
	15,221	18,415

The Group's bank borrowings are secured over certain property, plant and equipment of the Group.

The weighted average interest rates incurred were as follows:

2008	2007
------	------

RMB Bank borrowings 9.32% 8.28%

USD Bank borrowings 19.00%

-

Other borrowings 12.00% 12.00%

On 29 May 2008, the Company entered into a loan facility agreement for US\$60 million with accompanying warrants. The interest rate is 13.5% per annum. As part of the loan facility the Company also entered into a warrant agreement.

The warrant holders received warrants to subscribe for 7,802,142 ordinary shares in the Company at a strike price representing a 15% premium to the average equivalent closing price per share over the 20 trading days immediately preceding the date of the facility agreement, subject to anti-dilution adjustments and strike price resets under certain circumstances. The warrants may be exercised at any time up to 36 months after the issuance. The warrant holders are given the option to put the outstanding warrants ("Put Option") for an amount that would provide an internal rate of return of 19% on the whole loan and therefore the warrants have been classified as liabilities. The Put Option can be exercised after 30 months in certain circumstances or earlier in the event of default. Should the warrant holders choose to exercise their warrants in the normal course, they can opt for either share or cash settlement on exercise of the warrants, and the cash settlement option gives rise to a financial derivative.

50% of the loan is repayable on a date falling 24 months from the date of utilisation and the remaining 50% on a date falling 36 months from the date of utilisation of the Facility. The Company shall use its commercially reasonable efforts to achieve a "Qualifying Re-listing" with various other conditions within 30 months from the date of utilisation of the Facility. No assurance is, however, given by the Company to investors as to the achievability of this undertaking. However, should such a Qualifying Re-listing not take place, the Company must repay the principal of the loan outstanding and the warrant holders can exercise the Put Option on the portion of the outstanding warrants.

The loan is initially recorded at cost of US\$53,106,000, being the fair value, and subsequently at amortised cost. The Put Option is recognised as other liability at cost, US\$4,413,000, being the fair value, and amortised over a 30 month period. The fair values of the loan and put option were calculated by discounting the future cash flow of the loan and interest payments. The directly attributable transaction costs were debited to the loan liability.

Recognition of US\$60 million loan at 31 December 2008:

	Bank borrowing	Warrants classified as liabilities	Total
	RMB 000	RMB 000	RMB 000
Initial recognition	364,937	30,235	395,172
Financial charge for the period	36,869	2,738	39,607
Interest paid and foreign exchange movements	(30,538)	(65)	(30,603)
Balance at end of year, at amortised cost	371,268	32,908	404,176
Effective interest rate	20.2%	17.8%	

The borrowings and warrants classified as liabilities are classified as repayable in the second year because the Qualifying Re-listing is not within the control of the Company, hence there is an obligation that arises 30 months from the date of utilisation.

This borrowing is secured on shares of the subsidiary undertakings and a negative pledge was in place for most of the unpledged assets as at date of the agreement.

6 Share capital

	2008		2007			
	RMB	000GBP	000	RMB	000GBP	000
Authorised:						
200,000,000 ordinary shares of 10p each	291,614	20,000	291,614	20,000		
Issued and fully paid:						
64,113,366 ordinary shares of 10p each	93,482	6,411	93,482	6,411		

On 26 April 2007, 425,000 ordinary shares of 10p each were issued pursuant to exercise of warrants to subscribe for shares at GBP1.05 per share.

The company has one class of ordinary shares, which carry no right to fixed income.

Share options/ Warrants

The Company has the following options/ warrants in issue:

Date of grant	Exercise price GBP	Exercise period	Issued number			At end of year
			At beginning of year	Granted	Exercised	
29 November 2006 [1]	1.050	4 Dec 2008 - 4 Dec 2011	848,767	-	-	848,767
4 December 2006 [2]	1.050	4 Dec 2008 - 4 Dec 2011	796,104	-	-	796,104
14 April 2008 [3]	1.557	14 Apr 2010 - 14 Apr 2013	-	320,000	-	320,000
29 May 2008 [4]	1.358	29 May 2008 - 29 May 2011	-	7,802,142	-	7,802,142

[1] On 29 November 2006 the Company executed a warrant instrument in favour of Insinger de Beaufort which gives Insinger de Beaufort the right

to subscribe for 1,273,767 ordinary shares at GBP1.05 for a period of three years from 4 December 2006. On 26 April 2007, 425,000 warrants were exercised.

[2] Of the above 796,104 options, 636,883 options are held by Robert Robertson, and 159,221 are held by Brett Miller.

[3] On 14 April 2008, a warrant instrument was executed between the Company and Anthony Schindler. Under the agreement, the warrant holder can subscribe for up to 320,000 Ordinary Shares at GBP1.5770 per share. The subscription period commences on the second anniversary of the warrant instrument and ends on the fifth anniversary of the warrant instrument.

[4] On 29 May 2008, the Company entered into a loan facility agreement for US\$60 million with accompanying warrants. The warrant holders received warrants to subscribe for 7,802,142 ordinary shares in the Company at a strike price representing a 15% premium to the average equivalent closing price per share over the 20 trading days immediately preceding the date of the facility agreement, subject to anti-dilution adjustments and strike price resets under certain circumstances. The warrants may be exercised at any time up to 36 months after the issuance. The warrant holders are given the option, in certain circumstances, to put the outstanding warrants for an amount that would provide internal rate of return of 19% on the whole loan, and therefore the warrants have been classified as liabilities. Should the warrant holders exercise the warrants in the normal course, they can opt for shares or cash settlement on exercise of the warrants, and the cash settlement option gives rise to a financial derivative.

In addition to the above, the Company established a share option scheme on 27 October 2006. No options have been granted pursuant to the share option scheme.