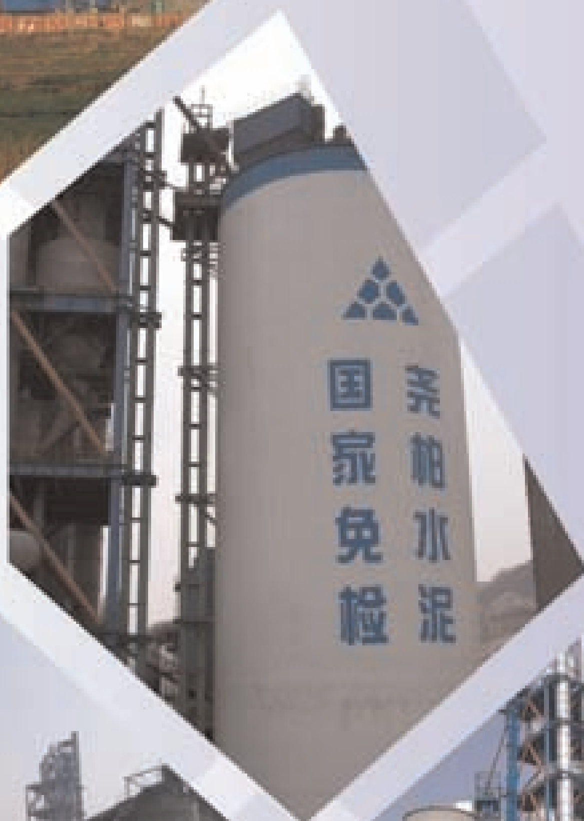
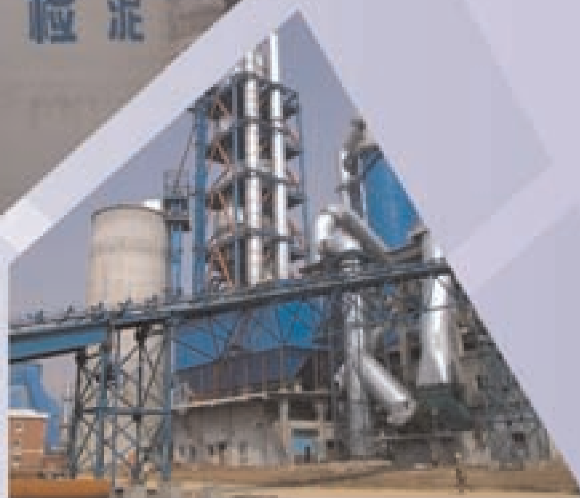
WEST CHINA CEMENT LIMITED
ANNUAL REPORT 2006





WEST CHINA
CEMENT
中国西部水泥

West China Cement Limited Annual Report 2006

Post-tax profits double to RMB 88.6 million (approx £5.9 million)

Sales up 29% to RMB 307.3 million (approx £20.5 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

New Lantian production line number 1

Contents

Directors, Secretary and Advisers

Directors	Robert Robertson *(Non-Executive Chairman)* Jimin Zhang *(Chief Executive Officer)* Jianli Wang *(Technical Director)* Zhenjun Tian *(Financial Director)* Brett Lance Miller *(Non-Executive Director)* *All of:*
Registered office	47 Esplanade St Helier Jersey JE1 0BD
Company Secretary	Zhenjun Tian
Assistant Secretary	Dominion Corporate Services Limited 47 Esplanade St Helier Jersey JE1 0BD
Nominated Adviser and Lead Broker	Insinger de Beaufort 131 Finsbury Pavement London EC2A 1NT UK
Legal Advisers to the Company (UK)	Halliwells LLP St James's Court Brown Street Manchester M2 2JF
Legal Advisers to the Company (PRC)	Zong Heng Room 339 Number 12 East Chang An Avenue Beijing 100742
Reporting Accountants	PKF (UK) LLP 1 Farringdon Place 20 Farringdon Road London EC1M 3AP
Auditors (UK)	PKF (UK) LLP Pannell House 6 Queen Street Leeds LS1 2TW

Chairman's Statement

Two thousand and six was a landmark year in positioning West China Cement (''WCC'') 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 of 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 Renminbi (RMB) 420 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. Both lines are on budget and the second 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 RMB 60 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 RMB 88.6 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 rationalisation 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

West China Cement Pucheng headquarters office

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

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. £5.9 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 remains 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 million tonnes, for the private sector. Sales for the year reached RMB 307.32 million (approx. £20.5 million), up from RMB 238.24 million (approx. £15.9 million) during 2005, representing a year-on-year increase of 29.0%. Weighted average selling price per tonne rose from RMB 218 per tonne (approx. £14.53 per tonne) in 2005 to RMB 244 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 £28 million). 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 January 2006 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 relative 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

Directors' Biographies

Robert Robertson (aged 55, Non-Executive Chairman)

Robert Robertson has over 30 years global experience in the extractive industry. He headed Anglo American's Industrial Minerals division for nine years, a period of major growth. He was Chief Executive of Tarmac, its building materials subsidiary and major aggregates, concrete, asphalt, cement and lime producer with operations in the EU, Eastern Europe, the Middle East and Asia. He held a number of senior industry positions. Previously his career was in finance, holding a number of senior positions in London, Paris, Johannesburg, New York and Rio de Janeiro. He has an MA from Oxford University.

Jimin Zhang (aged 52, Chief Executive Officer)

Mr Zhang is a founder of the Group. He began his career in the cement industry in Hanjing Cement and has more than 30 years of industry experience. From 1992 to 1994, he led the development of low-heat slag cement, moderate-heat Portland cement and highway cement, which won the Second Grade Science and Technology Progress Prize issued by the Province Government. Mr Zhang is currently undertaking an MBA at the North West University of China.

Jianli Wang (aged 43, Executive Director, Vice General Manager and Chief Engineer)

Mr Wang graduated from Luoyang Building Material Industry College with a degree in Cement Technology. He worked at the Shaanxi Design & Research Institute of Building Materials from January 1983 to March 2002 with a range of positions including technician, assistant engineer, engineer, senior engineer and director. He has been in his current position at West China Cement since March 2003.

Zhenjun Tian (aged 47, Executive Director, Vice General Manager and Chief Financial Officer)

Mr Tian has an undergraduate degree in accountancy from Xi'an Finance & Economy College. From 1988 to 1998 he worked in the financial department of Pucheng County Coal Mine Cement Factory. He joined Yaobai Cement in September 1998 and has held the following positions: general accountant, director of the financial department, assistant general manager and sales manager. Mr Tian is a qualified accountant.

Brett Lance Miller (aged 39, Non-Executive Director)

Brett Miller graduated from the University of the Witwatersrand (South Africa) with a Bachelors degree majoring in law and economics and additionally holds a law degree from the London School of Economics (after having relocated to the United Kingdom in 1988). He joined Nabarro Nathanson, a London-based law firm, in September 1993 where he practiced until December 1997. He has specialised in mergers and acquisitions and corporate finance in the energy and natural resources and smaller companies sectors. He is currently Managing Director and a key shareholder of Ruegg & Co Limited, a London based corporate finance boutique which is active in bringing new issues to the AIM and PLUS markets. Brett is also a Director of Pactolus Hungarian Property plc, an AIM listed property fund that invests in residential property in Hungary. He has considerable experience in raising equity capital for smaller companies, having been the driving force behind numerous small company flotations in a variety of sectors. He also has considerable experience in corporate finance, corporate governance issues, corporate restructurings and optimising financial capital structures.

The Directors have pleasure in submitting their report and the audited financial statements for the Group for the year ended 31 December 2006, and for the Parent Company for the period from 16 October 2006 to 31 December 2006.

Principal Activities and Business Review

West China Cement is a producer and distributor of cement, based in Shaanxi Province in the People's Republic of China and headquartered in Xi'an, the capital of Shaanxi Province. The Group has performed satisfactorily during the year and the trading performance is in line with the Directors' expectations. The Directors expect the Group's activities to be sustained through the foreseeable future.

Results and Dividends

The Consolidated Income Statement for the period is set out on page 15 of this Annual Report. The Group made a profit after tax of RMB 88,639,000. The Directors do not recommend the payment of a dividend for this period.

Directors

The names of the Directors who held office during the period and to date are:

Robert Robertson	Appointed 1 November 2006
Jimin Zhang	Appointed 16 October 2006
Zhenjun Tian	Appointed 16 October 2006
Jianli Wang	Appointed 16 October 2006
Brett Miller	Appointed 1 November 2006

Directors and Directors' Interests

The Directors and their families have the following interests in the shares of the Company:

	As at 31 Dec 2006 Number of Ordinary Shares
Robert Robertson	50,000
Jimin Zhang	37,607,667
Zhenjun Tian	nil
Jianli Wang	nil
Brett Miller	nil

Robert Robertson has been granted options pursuant to the Share Option Scheme in respect of 382,130 Ordinary Shares. These options are exercisable at the IPO placing price of £1.05 ("the Placing Price") between the second and fifth anniversaries of the date of Admission to AIM ("Admission"). In addition, Robert Robertson has been granted options in respect of a further 254,753 Ordinary Shares which become exercisable in the event that the price of an Ordinary Share increases by more than 50% in the period from Admission to AIM to the second anniversary of Admission, in which case, they shall be exercisable at the Placing Price and between the second and fifth anniversary of Admission.

Brett Miller has been granted options pursuant to the Share Option Scheme in respect of 159,221 Ordinary Shares. These options are exercisable at the Placing Price between the second and fifth anniversaries of Admission.

Communication with Shareholders and the Market

The Annual Report and Accounts and Interim Statement at each half year are the primary vehicles for communication with shareholders. Meetings with significant shareholders are arranged through our nominated advisor, and will take place after the final and interim financial statements are published. Such meetings may also take place after other significant announcements are made to the market.

General information about the Company and its business is also available on the Company's website: www.westchinacement.com

Annual General Meeting

The Annual General Meeting (''AGM'') of the Company will take place at 47 Esplanade, St Helier, Jersey JE1 0BD on 14 May, 2007 at 11.00 am. Full details of the resolutions to be put to the Meeting are given in the notice of AGM to be found on page 42 of this annual report.

The Company is not resident in the United Kingdom and is, therefore, not a close company within the meaning of the United Kingdom Income and Corporation Taxes Act 1988.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are required to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and of the Group for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Auditors

PKF (UK) LLP was appointed during the period. A resolution to re-appoint PKF (UK) LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on its behalf

Jimin Zhang
Chief Executive Officer

Independent Auditor’s Report to the Members

We have audited the Group and Parent Company financial statements (‘‘the financial statements’’) of West China Cement Limited for the year and period ended 31 December 2006. For the Group, the financial statements are for the year ended 31 December 2006 and comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, and the related Notes to the consolidated financial statements. For the Parent Company, the financial statements are for the period from 16 October to 31 December 2006 and comprise the Company Income Statement, the Company Statement of Changes in Equity, the Company Balance Sheet, the Company Cash Flow Statement, and the related Notes to the Company financial statements. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company’s members, as a body, in accordance with article 110(2) of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors’ responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (‘IFRSs’) as adopted by the European Union are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you whether, in our opinion, the information given in the Directors’ Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors’ remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors’ Report, Chief Executive’s Review and the Chairman’s Statement. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's and the Parent Company's affairs as at 31 December 2006 and of the Group's profit for the year then ended and the Company's loss for the period then ended;

- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991; and

- the information given in the Directors' Report is consistent with the financial statements.

PKF (UK) LLP
Leeds, UK
Registered Auditors
26 March 2007

Consolidated Income Statement
For the year ended December 31, 2006

	Note	**2006** **RMB 000**	*2005* *RMB 000*
Continuing Operations			
Revenue	3	307,319	238,241
Cost of sales		(200,372)	(179,041)
Gross profit		106,947	59,200
Other operating income	3	20,265	20,440
Selling and distribution costs		(8,147)	(5,051)
Administrative expenses		(13,754)	(14,527)
Operating profit	4	105,311	60,062
Investment income	3,6	402	510
Finance costs	7	(19,405)	(20,550)
Profit before income tax		86,308	40,022
Income tax credit	8	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	9		
Basic (RMB per share)		2.00	1.04
Diluted (RMB per share)		1.86	0.96

Consolidated Balance Sheet
At December 31, 2006

	Note	2006 RMB 000	*2005 RMB 000*
Non-current assets			
Land use rights	10	7,759	7,963
Property, plant and equipment	11	627,376	348,781
Deferred tax asset	12	12,364	10,032
		647,499	366,776
Current assets			
Inventories	13	24,191	22,082
Trade and other receivables	14	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	15	85,339	80,777
Tax liabilities		5,147	4,146
Bank borrowings	16	150,404	100,030
Other borrowings	16	22,127	–
		263,017	184,953
Net current assets (liabilities)		1,895	(68,175)
Non-current liabilities			
Bank borrowings	16	99,300	157,800
Other borrowings	16	26,846	11,071
		126,146	168,871
Net assets		523,248	129,730
Equity			
Share capital	17	97,542	105,000
Share premium	19	662,593	–
Reverse acquisition reserve	19	(354,452)	–
Share options reserve	19	4,646	–
Statutory reserve	19	20,463	12,756
Foreign currency translation reserve	19	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

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2007.

Jimin Zhang
Chief Executive Officer

Consolidated Statement of Changes in Equity
For the year ended December 31, 2006

	Attributable to equity holders of the Company								
	Share capital RMB 000	Share premium RMB 000	Share options reserve RMB 000	Statutory reserve RMB 000	Foreign Currency Translation reserve RMB 000	Retained earnings RMB 000	Total RMB 000	Minority Interest RMB 000	Total RMB 000
At 1 January 2005	60,000	–	–	5,172	–	32,920	98,092	–	98,092
Increase in share capital	45,000	–	–	–	–	(45,000)	–	–	–
Adjustment to reserve	–	–	–	(264)	–	(1,500)	(1,764)	–	(1,764)
Capital contribution from minority shareholders	–	–	–	–	–	–	–	1,000	1,000
Transfer to reserve	–	–	–	7,848	–	(7,848)	–	–	–
Profit for the year	–	–	–	–	–	44,402	44,402	–	44,402
Dividends relating to 2003	–	–	–	–	–	(6,000)	(6,000)	–	(6,000)
Dividends relating to 2004	–	–	–	–	–	(6,000)	(6,000)	–	(6,000)
At 31 December 2005	105,000	–	–	12,756	–	10,974	128,730	1,000	129,730

	Attributable to equity holders of the Company									
	Share capital RMB 000	Share premium RMB 000	Reverse Acquisition reserve RMB 000	Share options reserve RMB 000	Statutory reserve RMB 000	Foreign Currency Translation reserve RMB 000	Retained earnings RMB 000	Total RMB 000	Minority Interest RMB 000	Total RMB 000
At 1 January 2006	105,000	–	–	–	12,756	–	10,974	128,730	1,000	129,730
Acquisition of minority shares	–	–	–	–	–	–	–	–	(1,000)	(1,000)
Reverse acquisition adjustment	(39,548)	394,013	(354,452)	–	–	483	–	496	–	496
Issue of shares by way of shares placement	32,090	304,851	–	4,343	–	–	–	341,284	–	341,284
Issue costs	–	(36,271)	–	–	–	–	–	(36,271)	–	(36,271)
Share options	–	–	–	303	–	–	–	303	–	303
Profit for the year	–	–	–	–	–	–	88,639	88,639	–	88,639
Transfer to reserve	–	–	–	–	7,707		(7,707)	–	–	–
Foreign exchange reserve	–	–	–	–	–	67		67	–	67
At 31 December 2006	97,542	662,593	(354,452)	4,646	20,463	550	91,906	523,248	–	523,248

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

1. General information

West China Cement Limited was incorporated on October 16, 2006 in Jersey under the Companies (Jersey) Law 1991. The address of the registered office is 47 Esplanade, St Helier, Jersey JE1 0BD and the principal place of business is Unit 1903, Tower A, Gaoke Plaze, 1 Gooxin Road, Xi'an Hi-Tech Industrial Development Zone, Xi'an, Shaanxi Province, the Peoples' Republic of China.

The Company is an investment holding company. The principal activity of its subsidiaries is the production and sales of cements.

These consolidated financial statements are the Group's first financial statements. The consolidated financial statements are presented in Renminbi (''RMB''), the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in Note 2.

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

(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 comparative figures are those of the subsidiary undertakings for the year ended December 31, 2005.

2. Principal accounting policies (continued)

(c) 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.

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

(d) Revenue recognition and segmental reporting

Revenue from sales of cement is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Interest income is recognised on a time apportion basis.

For the year ended December 31, 2005 and 2006 the Group comprised only one business and geographical segment.

(e) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and that all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the year necessary to match them on a systematic basis to the costs which it is intended to compensate. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments.

(f) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Principal accounting policies (continued)

(g) Share-based payments

The cost of granting share options and other share-based remuneration to employees and Directors is recognised through the income statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. These share-based payments are measured at fair value at the date of grant by use of the option pricing model known as the Black – Scholes formula using assumptions deemed to be consistent with the price which the incentive might have been worth if it were traded in the open market.

For equity-settled transactions with non-employees, the costs are recognised through the income statement (or where they relate to issue costs, taken against the share premium account if appropriate) with measurement normally based on the fair value of goods or services received.

(h) Retirement benefit costs

The Group participates in a statutory defined contribution pension plan administered by local government agencies. Contributions payable to the plan are recognised as an expense in the profit and loss account as incurred.

(i) Income tax

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit with the exception of deferred tax on revaluation surpluses where the tax basis used is the accounts historic cost.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the income statement except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset only when they relate to taxes levied by the same authority, with a legal right to set off and when the Group intends to settle them on a net basis.

(j) Land use rights

Land use rights represent operating lease payments paid to the PRC government authorities. Land use rights are stated at cost less accumulated amortisation and any impairment losses. The land use rights are amortised on the straight-line basis over the terms of the rights of 50 years.

(k) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and provision for any impairment in value.

Depreciation of property, plant and equipment is calculated on the straight-line basis over the expected useful life of the assets, after taking into account its estimated residual value of 5% as follows :–

2. Principal accounting policies (continued)

Property and plant	20 years
Motor vehicles	8 years
Electrical equipment	5 years
Machinery	12 years

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents buildings, plant, machinery and equipment under construction and pending installation, which is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(l) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss is recognised as an expense immediately, unless the relevant assets are carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, cost comprises direct materials, direct labour, and an appropriate proportion of overheads.

Net realisable value is based on the estimated selling price less all further costs expected to be incurred to completion and disposal.

(n) Financial instruments

Trade and other receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less provision for impairment. When the effect of discounting would be immaterial, the receivables are stated at cost less provision for impairment.

Cash and cash equivalents
Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other payables
Trade payables are not interest bearing and are stated at their nominal value.

Other payables which are normally settled on credit terms are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Borrowings
All loans and borrowings which are interest-bearing are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with borrowing, and are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gain and losses are recognised in net profit or loss when liabilities are derecognised or impaired, as well as through the amortisation process.

2. Principal accounting policies (continued)

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(o) Critical accounting estimates and judgements

In the process of applying 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 accounting of their estimated residual values. The determination of the useful lives and residual values involve management's estimation.

Provision for bad and doubtful debts
The Group performs ongoing credit evaluations of its customers and adjust 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 been 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.

3. Revenue

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

	2006 **RMB 000**	*2005* *RMB 000*
Revenue: Continuing operations		
Sales of cement	307,319	238,241
Other operating income		
VAT rebates	18,791	18,899
Rental income	93	113
Government incentives	720	220
Sundry income	278	1,125
Exchange gain	383	–
Profit on disposal of property, plant and equipment	–	83
	20,265	20,440
Investment income		
Interest from deposits	402	510
Total revenue	327,986	259,191

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.

3. Revenue (continued)

The VAT rebate relates to a local government incentive to environmental-friendly enterprises. The approval of the rebates is accessed annually after each financial year. The VAT rebate is therefore recognised on a receipts basis, i.e. when the rebate is approved and granted.

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 500,000 (2005: Nil) and unpacked-cement sale incentive of RMB 220,000 (2005: RMB 220,000).

Included in sundry income is income from repairs of customers' machinery and bespoke machinery sales.

4. Operating profit

Operating profit has been arrived at after charging/ (crediting):

	2006	*2005*
	RMB 000	*RMB 000*
Amortisation of land use rights	204	224
Depreciation of property, plant and machinery	28,813	27,312
Staff costs (Note 5)	18,015	13,534
Changes in inventories	4,490	1,937
Raw materials and consumables used	140,269	92,172
Auditors' remuneration – statutory audit		
Group auditor	230	–
Subsidiary undertakings' auditors	400	–
Auditors' remuneration – pre-flotation corporate finance work		
Group auditor	1,991	–
Subsidiary undertakings' auditors	728	–
Net foreign exchange losses/ (gains)	(383)	–

5. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2006	*2005*
	Number	*Number*
Management and administration	85	76
Sales	52	59
Production	848	653
	985	788

Their aggregate remuneration was as follows:	RMB 000	RMB 000
Wages and salaries	16,232	12,763
Other welfare expenses	1,783	771
	18,015	13,534

6. Investment income

	2006	*2005*
	RMB 000	*RMB 000*
Interest on deposits	402	510

7. Finance costs

	2006 RMB 000	2005 RMB 000
Interest on bank borrowings	18,968	19,725
Interest on other borrowings	1,452	825
	20,420	20,550
Less: Amount capitalised as construction in progress	(1,015)	–
	19,405	20,550

The Group had arranged separately identifiable borrowings to finance the construction of qualifying assets. The costs relating to these borrowings are capitalised within the cost of the qualifying assets.

8. 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.

	2006 RMB 000	2005 RMB 000
PRC corporation tax		
Tax refund	–	(10,510)
Deferred tax	(2,331)	6,130
	(2,331)	(4,380)

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

	2006 RMB 000	2005 RMB 000
Profit before income tax	86,308	40,022
Tax at PRC corporation tax rate of 15% (2005: 15%)	12,946	6,003
Tax refund	–	(10,510)
Effect of non deductible expenses	317	374
Deferred tax temporary differences	(103)	(247)
Effect of tax benefit arising from purchasing the prescribed eligible plant and equipment	(15,491)	–
Tax credit for the year	(2,331)	(4,380)

Shaanxi Yaobai Special Cement Ltd (''SYSC''), the only income generating undertaking, was exempted from PRC corporate income tax (''CIT'') for five years commencing from the date of its incorporation on December 21, 2000 because the Company invested in prescribed plant and equipment, with environmental benefits recognised by the PRC government.

In the above reconciliation, PRC CIT has been calculated at a rate of 15% on the taxable income as reported in the statutory financial statements of SYSC, which are prepared in accordance with PRC GAAP.

In 2005, SYSC received a tax refund totalling RMB 10,510,000 being the refund of 2003 and 2004 CIT of RMB 4,569,000 and RMB 5,941,000 respectively pursuant to Entitlement to Exemption Notices issued by the local tax bureau of Weinan municipal.

In addition, SYSC received full deduction of CIT for 2005 under ''Investment in domestic product and equipment in technology transformation'' scheme.

9. 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

10. Land use rights

The land use rights represent amounts prepaid on an operating lease. The leasehold land is situated in the PRC and is held by the Company under a medium term lease.

	2006	*2005*
	RMB 000	*RMB 000*
Cost, at beginning and end of year	8,637	8,637
Amortisation		
At beginning of year	674	450
Amortisation charge for the year	204	224
At end of year	878	674
Net book value		
At beginning of year	7,963	8,187
At end of year	7,759	7,963

11. Property, plant and equipment

	Property and plant RMB 000	Motor vehicles RMB 000	Electrical equipment RMB 000	Machinery RMB 000	Construction in progress RMB 000	Total RMB 000
At cost						
At January 1, 2005	176,700	2,966	989	196,131	3,314	380,100
Additions	17,089	992	664	22,524	19,410	60,679
Transfers	–	–	–	–	(3,183)	(3,183)
Disposal	(314)	(488)	(28)	(5,085)	(10,179)	(16,094)
At December 31, 2005	193,475	3,470	1,625	213,570	9,362	421,502
Accumulated depreciation						
At January 1, 2005	22,522	402	348	26,115	–	49,387
Charge for the year	10,043	351	263	16,655	–	27,312
Disposal	(125)	(137)	(6)	(3,710)	–	(3,978)
At December 31, 2005	32,440	616	605	39,060	–	72,721
Net book value						
At December 31, 2005	161,035	2,854	1,020	174,510	9,362	348,781

	Property and plant RMB 000	Motor vehicles RMB 000	Electrical equipment RMB 000	Machinery RMB 000	Construction in progress RMB 000	Total RMB 000
At cost						
At January 1, 2006	193,475	3,470	1,625	213,570	9,362	421,502
Additions	6,621	1,593	366	5,659	301,660	315,899
Transfers to completed assets	–	–	–	–	(4,085)	(4,085)
Disposal	(2,122)	(621)	–	(3,418)	–	(6,161)
At December 31, 2006	197,974	4,442	1,991	215,811	306,937	727,155
Accumulated depreciation						
At January 1, 2006	32,440	616	605	39,060	–	72,721
Charge for the year	10,735	573	329	17,176	–	28,813
Disposal	(665)	(81)	–	(1,009)	–	(1,755)
At December 31, 2006	42,510	1,108	934	55,227	–	99,779
Net book value						
At December 31, 2006	155,464	3,334	1,057	160,584	306,937	627,376

11. Property, plant and equipment (continued)

Depreciation expenses have been charged in the income statement as follows:

	2006	*2005*
	RMB 000	*RMB 000*
Charged in cost of sales	27,496	26,056
Charged in general and administrative expenses	1,317	1,256
	28,813	27,312

The carrying amounts of the Group's construction in progress included in property, plant and equipment included capitalised interest of RMB 1,015,000 as at December 31, 2006. Interest was capitalised at an average annual rate of 11% for the year ended December 31, 2006.

At the balance sheet dates, certain property, plant and equipment, which had aggregate net book value as follows were pledged to secure bank borrowings granted to the Group.

Net book value	114,226	24,508

12. Deferred tax assets

The following are deferred assets recognised by the Group and movements thereon during the year:

	Tax allowances on capital expenditure	Other temporary differences	Total
	RMB 000	RMB 000	RMB 000
At January 1, 2005	(15,491)	(672)	(16,163)
Charge/ (Credit) to income statement	6,377	(247)	6,130
At December 31, 2005	(9,114)	(919)	(10,033)
Charge/ (Credit) to income statement	(2,228)	(103)	(2,331)
At December 31, 2006	(11,342)	(1,022)	(12,364)

The temporary differences arise in connection with allowances and provisions at balance sheet date.

There are no significant unrecognised deferred tax assets and liabilities at the balance sheet date.

13. Inventories

	2006	*2005*
	RMB 000	*RMB 000*
Raw materials	18,629	12,030
Work in progress	5,314	9,227
Finished goods	248	825
	24,191	22,082

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB 140,269,000 (2005: RMB 92,172,000).

14. Trade and other receivables

	2006	*2005*
	RMB 000	*RMB 000*
Trade receivables	30,982	68,540
Less: Allowances for doubtful debts	(3,098)	(6,857)
	27,884	61,683
Bills receivable	140	600
Deposits prepayments	9,192	4,112
Other receivables	9,458	4,280
Less: Allowances for doubtful debts	(909)	(205)
	8,549	4,075
	45,765	70,470

The average credit period taken on sales of goods is between 50 – 90 days. Allowances have been made for estimated irrecoverable amounts from the sale of goods. This allowance has been determined by reference to past default experience.

The Directors consider that the carrying amounts of the above receivables approximate to their fair value.

15. Trade and other payables

	2006	*2005*
	RMB 000	*RMB 000*
Trade payables	58,620	51,279
Bills payable	900	4,662
Advances from customers	8,001	9,818
Amount due to Directors	248	123
Accruals	8,052	10,584
Dividends payable	–	512
Other payables	9,518	3,799
	85,339	80,777

The average credit period taken for trade purchases is between 40 – 50 days.

Accruals comprise accrued salary of RMB 3,526,000 (2005: RMB 1,625,000), other staff costs and welfare of RMB 2,690,000 (2005: RMB 2,373,000) and other accrued operating expenses of RMB 1,836,000 (2005: RMB 6,685,000).

The amounts due to Directors represent advances from Directors for daily operation and are interest-free, unsecured and repayable on demand.

The Directors consider that the carrying amounts of trade and other payables approximate to their fair value.

16. Bank and other borrowings

	2006 **RMB 000**	*2005* *RMB 000*
Current:		
Bank borrowings – secured	15,000	23,000
Bank borrowings – unsecured	–	100
Current portion of non-current bank borrowings – secured	67,900	9,000
Current portion of non-current bank borrowings – unsecured	67,504	67,930
	150,404	100,030
Other borrowings	22,127	–
	172,531	100,030
Non current:		
Bank borrowings – secured	–	6,500
Bank borrowings – unsecured	99,300	151,300
	99,300	157,800
Other borrowings	26,846	11,071
	126,146	168,871
Total borrowings	298,677	268,901
Bank borrowings are repayable as follows:		
Within one year	150,404	100,030
In the second year	99,300	157,800
In the third to fifth years inclusive	–	–
After five years	–	–
	249,704	257,830
Other borrowings are repayable as follows:		
Within one year	22,127	–
In the second year	–	10,584
In the third to fifth years inclusive	26,846	487
After five years	–	–
	48,973	11,071

The above borrowings, all denominated in RMB, are at fixed interest rates and expose the Group to fair value interest rate risk.

The Group's bank borrowings are secured over certain property, plant and machinery of the Group. The aggregate net book value is disclosed in Note11.

The weighted average interest rates paid were as follow:

	2006	*2005*
Bank borrowings	7.56%	7.81%
Other borrowings	12.00%	8.12%

17. Share capital

	2006	
	RMB 000	*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

On incorporation, the authorised share capital of the Company was GBP10,000 divided into 100,000 ordinary shares of GBP1 each.

On October 27, 2006, each ordinary share of GBP1 each was subdivided into 10 ordinary shares of 10p each and the authorised share capital of the Company was increased from GBP10,000 to GBP20,000,000 by the creation of additional 199,900,000 ordinary shares of 10p each.

The 2005 share capital shown in the balance sheet of RMB 105,000,000 related to the subsidiary companies, as a consequence of applying reverse acquisition accounting (see note 2b).

The changes in issued and fully paid share capital are as follows:

	Number of shares	Nominal value GBP
October 16, 2006 – Issue of subscriber shares of GBP1 on incorporation	2	2
October 27, 2006 – Subdivision of shares into 100,000	(2)	
shares of 10p each	20	-
October 27, 2006 – Issue of new ordinary share of 10p each pursuant to acquisition of West China Cement Co Ltd (BVI)	42,735,965	4,273,597
December 4, 2006 – Issue of new ordinary shares by way of shares placement	20,952,381	2,095,238
Ordinary shares in issue at December 31, 2006	63,688,366	6,368,837

Share options

The Company has granted options to certain Directors. The number of options in issue are as follows:

Date grant	Exercise price RMB	Exercise period	Issued number Dec 31, 2006
December 4, 2006	1.05	Dec 4, 2008 – Dec 4, 2011	541,351
December 4, 2006[1]	1.05	Dec 4, 2008 – Dec 4, 2011	254,753

[1] This option is exercisable upon satisfying certain market price conditions.

Of the above, 636,883 options are held by Robert Robertson, and 159,221 are held by Brett Miller.

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

Warrants

On November 29, 2006 the Company executed a warrant instrument in favour of Insinger de Beaufort which gives Insinger de Beaufort the right to subscribe 1,273,767 ordinary shares at GBP1.05 for a period of three years from December 4, 2006.

18. Share-based payments

During the year the Company granted 796,104 share options to Directors (Note 17). The exercise price of the options is equal to the market price on the date of the grant. The vesting period of these options is two years. The total estimated fair value of the options at the date of grant was RMB 3,787,000. The options have been valued using the Black-Scholes model with the following main assumptions:

Grant date	Dec 4, 2006
Exercise price	GBP1.05
Expected life	5 years
Expected volatility	20%
Expected dividend yield p.a.	0%
Risk-free rate	5.179%
Expected forfeiture p.a.	0%

Expected volatility was determined based on the standard deviation of share price of the companies in the similar industry over the last 3 years.

The total charged to the income statement during the year was RMB 303,000 (2005: Nil).

19. Reserves

The movements of reserves are set out in the statement of changes in equity.

Share premium

The balance in share premium represents the premium arising on issue of equity shares to acquire West China Cement Co Limited (BVI) and the premium arising on issue of equity shares by way of share placement less expenses incurred.

Reverse acquisition reserve

Reverse acquisition reserve arose as a result of the reverse acquisition of the Company by West China Cement Co Limited (BVI).

Share options reserve

Share options reserve represents the fair value of the share options and share warrants at the date of grant, charged to the income statement over the vesting period (or to the share premium account, as appropriate) in accordance with IFRS 2 Share based payments.

Statutory reserve

This is a compulsory reserve in accordance to the PRC Company Law and the articles of association of SYSC, whereby the Company is required to allocate 10% of its annual profit after tax but before dividends to a reserve account. This revenue reserve can be used to offset prior years' losses, if any, and may be converted into share capital provided that the balance after conversion is not less than 25% of the registered capital. The allocation ceases when the aggregate of this reserve equal to 50% of the share capital of the entity.

Foreign currency translation reserve

This reserve arose on translating the financial statements of foreign operations to RMB on consolidation.

20. Acquisition of subsidiaries

Reverse acquisition of West China Cement Limited

On October 27, 2006, West China Cement Co Limited (BVI) completed the reverse acquisition of West China Cement Limited. The acquisition was at fair value, and resulted in zero acquisition goodwill.

West China Cement Limited has no trading activities and reported zero profit before tax prior to its acquisition. West China Cement Limited contributed RMB Nil cash flow to the Group.

21. Contingent liabilities

The Directors are unaware of any contingent liabilities at the year end.

22. Capital commitment

	2006	*2005*
	RMB 000	*RMB 000*
Capital commitments in respect of the acquisition of property, plant and equipment	65,040	223,670

23. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's separate financial statements.

Remuneration of Directors and key management personnel

The remuneration of key management personnel of the Group is set out below in aggregate.

	2006	*2005*
	RMB 000	*RMB 000*
Salaries	680	705
Other welfare	336	37
Share based payment	303	–
	1,319	742

The remuneration of Directors and key management personnel is analysed as follows:

	2006 Salary RMB 000	2006 Benefits RMB 000	2006 Total RMB 000	*2005 Total RMB 000*
Robert Robertson*	127	–	127	–
Brett Miller*	89	–	89	–
Jimin Zhang*	200	84	284	260
Jianli Wang*	120	64	184	160
Zhenjun Tian*	120	50	170	165
Qiang Du	–	–	–	100
Zhixin Chen	120	40	160	20
Wenyu Li	120	98	218	–
	680	336	1,016	705

* Directors at 31 December 2006

Advances from key management personnel

During the year, certain Directors and key management personnel advanced money to the Group for daily operations of the Group. The advances were as follows:

	2006 RMB 000	*2005 RMB 000*
Zhenjun Tian*	20	58
Wenyu Li	162	–
Tang Zhiyuan	–	65
Jianli Wang*	66	–
	248	123

* Directors at 31 December 2006

24. Financial instruments and risk factors

The Group is exposed to interest rate, foreign exchange and other market risk in the ordinary course of business. The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations.

Liquidity risk

The Group maintains sufficient cash and liquid assets and the availability of funding through an adequate amount of committed credit facilities, so the Group's liquidity risk is minimal.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The credit risk on trade receivables is minimal because from past experience, customers seldom default.

The Group has no significant concentration of credit risk, with exposure over a large number of customers.

Interest rate risk

The Group's interest rate risk is primarily attributable to bank borrowings. The interest rate risk is high as the Group has significant bank borrowing at fixed interest rates.

25. Fair value estimation

The fair values of inventories, accounts receivable, deposits, prepayments, other receivables, cash and bank balances, tax payable/recoverable, accounts payable, receipts in advance, accrued expenses and other payables are not materially different from their carrying amounts.

The carrying values of short-term loans are estimated to approximate to their fair values because of the short-term maturity of these instruments.

26. Controlling Party

The controlling party is Jimin Zhang. Under an agreement dated 29 November 2006 Mr Zhang has agreed not to exercise his controlling interest in the share capital of the Company in respect of certain matters.

Company Income Statement
For the period from October 16 to December 31, 2006

	2006
	RMB 000
Turnover	–
Admin. Expenditure	–
Share based payment	303
Auditors' remuneration – statutory audit	230
Loss before taxation	**(533)**
Income tax expense	–
Loss for the period	**(533)**

Statement of Changes in Equity
For the period from October 16 to December 31, 2006

	Share capital RMB 000	Share premium RMB 000	Share options reserve RMB 000	Foreign currency translation reserve RMB 000	Retained earnings RMB 000	Total RMB 000
Issue of shares to acquire subsidiary	65,452	394,013	–	–	–	459,465
Issue of shares by way of placement	32,090	304,851	4,343	–	–	341,284
Issue costs	–	(36,271)	–	–	–	(36,271)
Share options	–	–	303	–	–	303
Loss for the period	–	–	–	–	(533)	(533)
Foreign currency translation	–	–	–	(63)	–	(63)
At December 31, 2006	97,542	662,593	4,646	(63)	(533)	764,185

Company Balance Sheet
At December 31, 2006

	Note	*2006* *RMB 000*
Non current assets		
Investment in subsidiaries	2	459,465
Current assets		
Amount due from subsidiary undertakings	3	292,629
Cash and bank balances		12,888
		305,517
Total assets		764,982
Current liabilities		
Other payables and accruals		797
Net current assets		304,720
Net assets		764,185
Equity		
Share capital	4	97,542
Share premium		662,593
Share options reserve		4,646
Foreign currency translation reserve		(63)
Retained earnings		(533)
Equity attributable to equity holders of the Company		764,185

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2007.

Jimin Zhang
Chief Executive Officer

Company Cash Flow Statement
For the period from October 16 to December 31, 2006

	2006
	RMB 000
OPERATING ACTIVITIES	
Operating profit (loss)	(533)
Adjustments for:	
Share based payment	303
Increase/ (decrease) in payables	230
NET CASH FROM OPERATING ACTIVITIES	–
FINANCING ACTIVITIES	
Proceeds on issue of new shares (net)	305,013
Advances to subsidiaries	(292,062)
NET CASH FROM FINANCING ACTIVITES	12,951
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,951
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	–
Foreign exchange difference	(63)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12,888

1. Principal accounting policies

The separate financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in the Note 2 to the consolidated financial statements except as noted below.

(a) Investment in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

(b) Foreign currency

The functional currency of the Company is Sterling. The financial statements of the Company are presented in RMB, chosen because the revenue and expenses of the Group's main operation are ultimately denominated in RMB. Transactions in sterling are translated to RMB at the average exchange rates for the year unless exchange rates fluctuate significantly. Sterling denominated assets and liabilities are converted to RMB at the exchange rate prevailing on the balance sheet date. Exchange differences arising are transferred to foreign currency translation reserve.

2. Investment in subsidiaries

	2006
	RMB 000
Investment at cost	459,465

On October 27, 2006, the Company issued 42,735,965 ordinary share of 10p each in exchange for the entire share capital of West China (BVI). The cost of acquisition was the fair value of the subsidiaries, estimated by the Directors as being RMB 459,465,000, equivalent of GBP 30,000,000.

Details of the subsidiaries at December 31, 2006 are as follows:

			Proportion of ownership and voting rights	
Name of subsidiary	**Place and date of incorporation**	**Principal activities**	**Direct**	**Indirect**
West China Cement Co. Ltd	British Virgin Islands; July 14, 2006	Investment holding	100%	–
Shaanxi Yaobai Special Cement Co. Ltd	The People's Republic of China; December 21, 2000	Production and sales of cement	–	100%
Xi'an Lantian Yaobai Cement Co. Ltd	The People's Republic of China; December 16, 2005	Production and sales of cement	–	100%

3. Amount due from subsidiary undertakings

	2006
	RMB 000
West China Cement Co. Ltd	107,751
Shaanxi Yaobai Special Cement Co. Ltd	184,878
	292,629

4. Share capital

Details of share capital are given in note 17 to the consolidated financial statements.

WEST CHINA CEMENT LIMITED

(the "**Company**")

NOTICE IS HEREBY GIVEN that an Annual General Meeting (the "**AGM**") of the Company will be held in accordance with the Companies (Jersey) Law 1991, as amended (the "**Law**") and the Company's Articles of Association at 47 Esplanade, St Helier, Jersey JE1 0BD on 14 May 2007 at 11.00 am to consider and, if thought fit, to pass the following resolutions as ordinary and special resolutions of the Company (as the case may be, as indicated below).

ORDINARY RESOLUTIONS

1. THAT the Company's annual accounts for the financial year 2006 together with the Directors' report and auditors' report on those accounts be received and adopted.
2. THAT PKF (UK) LLP be and hereby are re-appointed as the Company's auditors;
3. THAT the Directors of the Company be authorised to determine the remuneration of the Company's auditors;
4. THAT in accordance with Article 116 of the Company's Articles of Association, Mr Jimin Zhang, who retires by rotation as a Director, be re-elected as a Director of the Company.

SPECIAL RESOLUTION

5. THAT the Directors be authorised generally pursuant to Article 4.16 of the Articles to allot or make offers or agreements to allot up to 10,000,000 shares of 10 pence each in the capital of the Company as if the rights of pre-emption provided by Article 4.8 of the Articles did not apply PROVIDED THAT such authority shall expire at the conclusion of the next Annual General Meeting of the Company unless previously revoked, varied or extended by the Company in general meeting by special resolution, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted after such expiry and the Directors may allot shares pursuant to such an offer or agreement as if the authority conferred hereby had not expired and provided that any authority to allot shall be in substitution for and supersede or revoke any earlier such authority conferred on the Directors to the extent not utilised.

BY ORDER OF THE BOARD

………………………………………

The Company Secretary

Dated: 2 April 2007

Registered Office:
47 Esplanade
St Helier
Jersey
JE1 0BD

Notes:

1. To be passed, an Ordinary Resolution requires a majority of the votes cast in favour and a Special Resolution requires a majority of at least two-thirds of the votes cast in favour.
2. A member who is entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and/or voting in person at the Meeting.
3. To be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the registered office of the Company not less than forty-eight hours before the time appointed for holding the Meeting or (where relevant) any adjournment thereof.
4. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share.