

WEST CHINA CEMENT LIMITED

Annual Report 2007



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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 Ltd
47 Esplanade
St Helier
Jersey JE1 0BD

Nominated Adviser
and Broker

NCB Stockbrokers Ltd
51 Moorgate
London EC2R 6BH
UK

Legal Advisers to the
Company (UK)

Memery Crystal LLP
40 Southampton Buildings
London WC2A 1AP

Legal Advisers to the
Company (PRC)

Zong Heng
Room 339
Number 12 East Chang An Avenue
Beijing
100742

Auditors (UK)

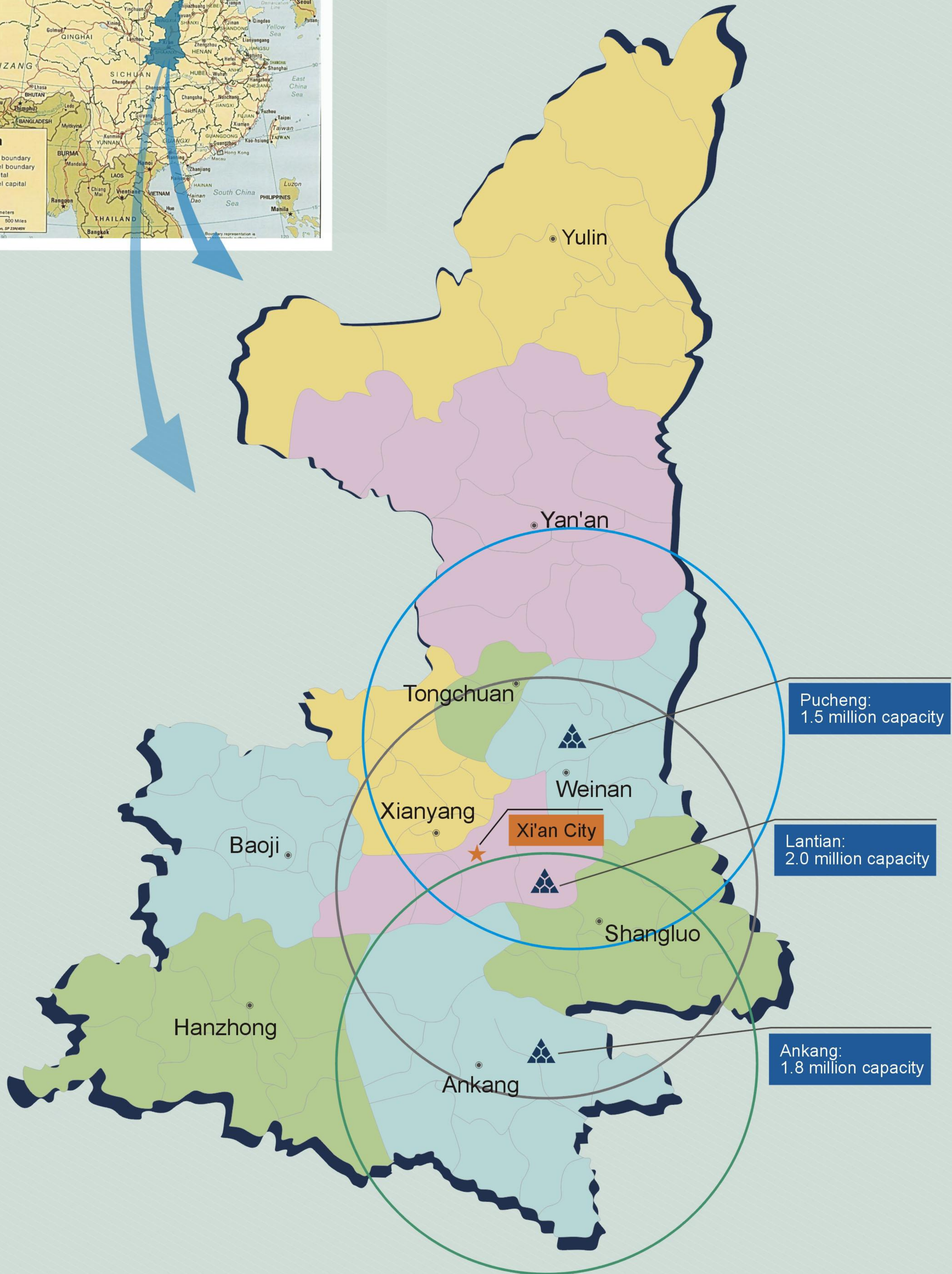
PKF (UK) LLP
Pannell House
6 Queen St
Leeds LS1 2TW

Registrars

Computershare Investor Services
(Channel Islands Ltd)
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW

Shaanxi Map

WCC Plant Locations



Highlights

Key Financial Highlights

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

Key Operational Highlights

- The two new production lines at the Lantian plant were both completed on time and operated to capacity by the end of 2007
- Tonnage produced for the year totalled 2.42 million tonnes, with new plants at Lantian contributing 0.98 million tonnes
- Construction of a new plant in Ankang, South East Shaanxi commenced during the year as planned. Construction is targeted for completion in 2009, bringing the total capacity of all WCC plants to 5.3 million tonnes in 2009
- The Ankang plant will have a capacity of 1.8 million tonnes and is located in a region which is poorly served by cement producers. The Chinese Government has cited the western provinces of the country as in need of development, particularly in infrastructure, to match the development of the east, therefore providing multiple opportunities for WCC.

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West China Cement is a leading cement producer and distributor in Shaanxi, focusing on adding value for shareholders, customers and employees through the Group's emphasis on long term growth.



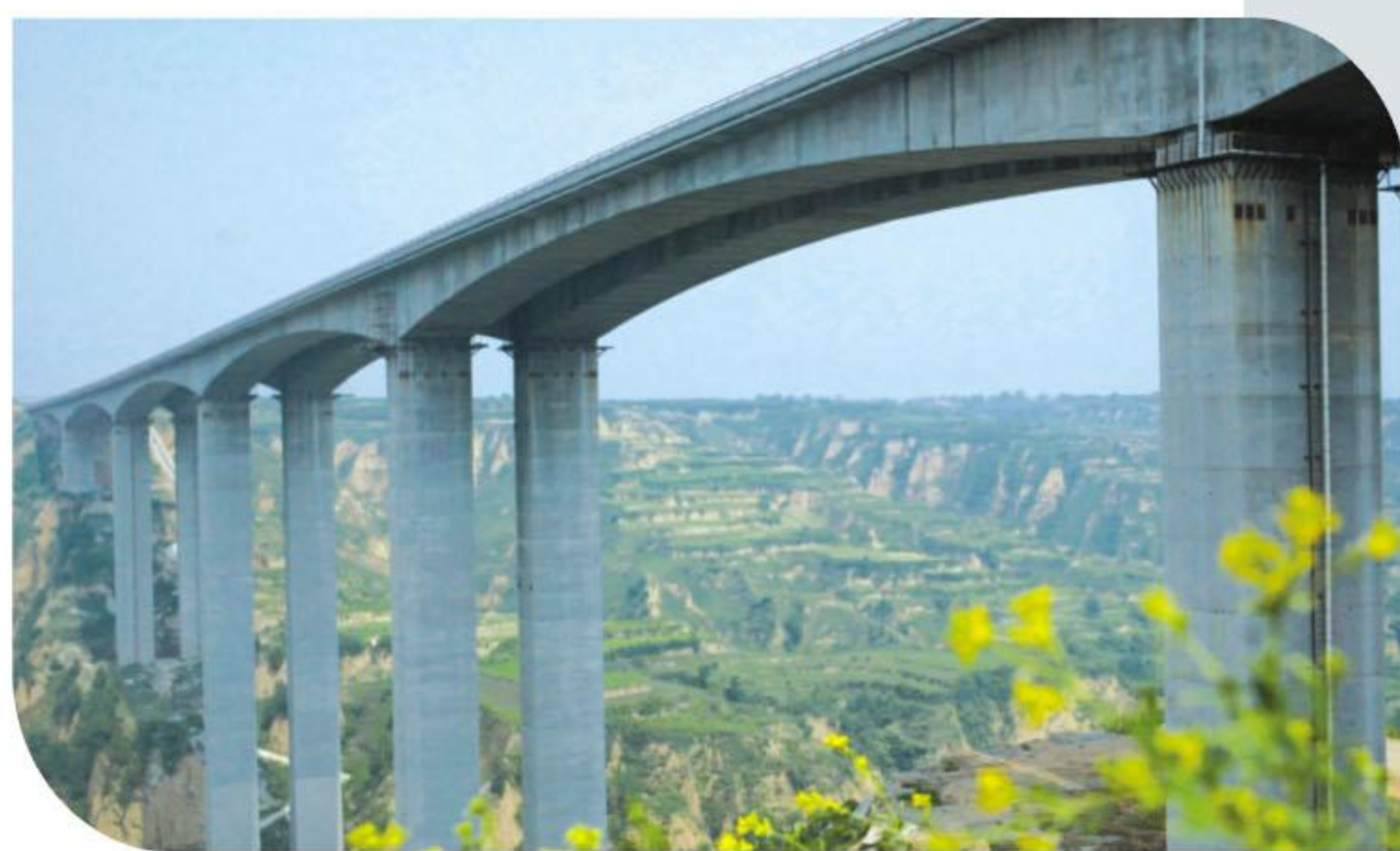
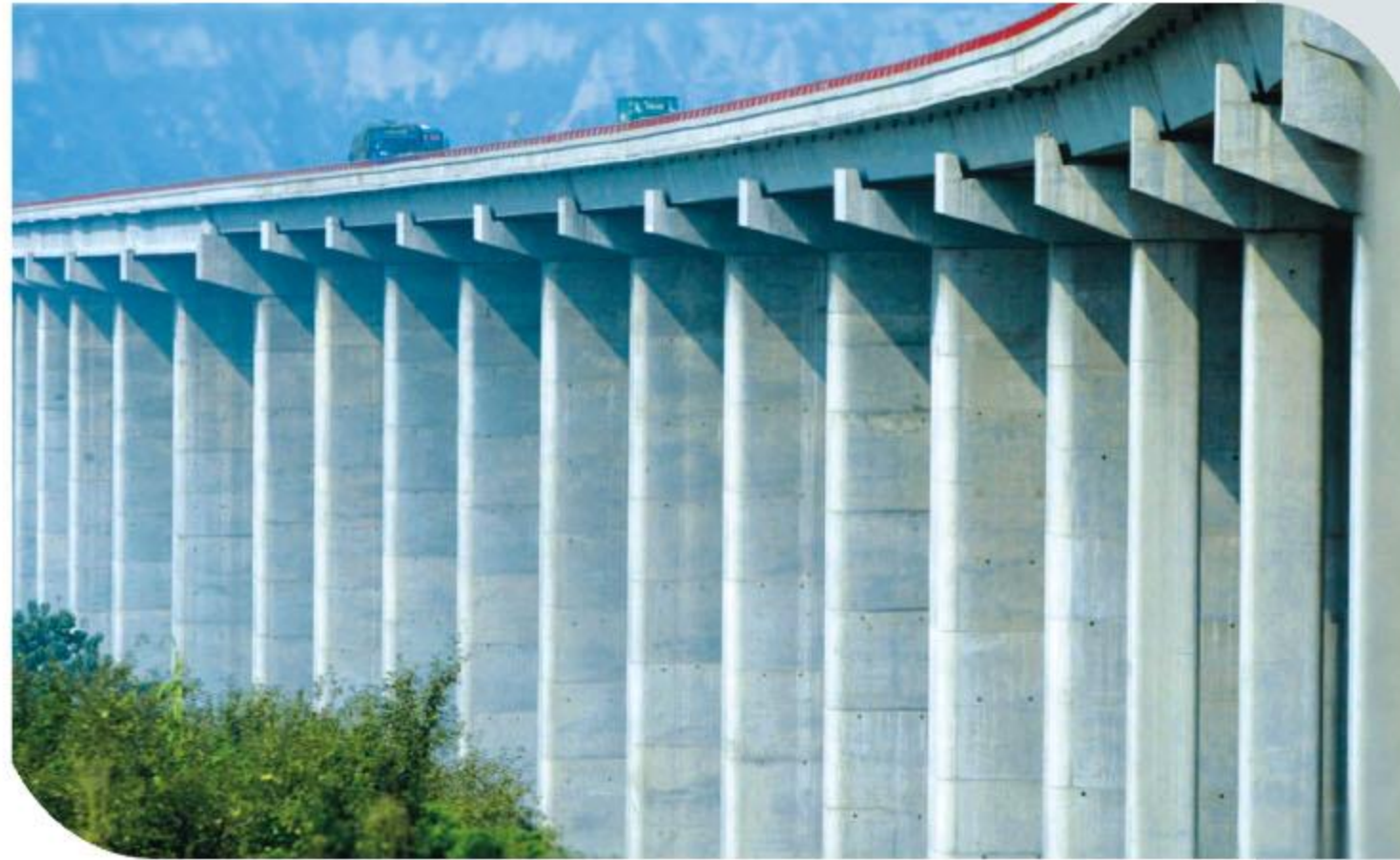
Our Plants and Offices



1	4
2	5
3	6

- 1. Pucheng Plant
- 2. Lantian Plant
- 3. Ankang Project
- 4. Pucheng Office Building
- 5. Lantian Office Building
- 6. Government officials visited our company

Part of Our Projects



1	4
2	5
3	6
	7

1. The West Third Ringway of Xi'an
2. Library of Xi'an International Studies University
3. Gaoke Plaza
4. Zhichuan Bridge
5. Jinshugou Bridge
6. Qinling Zhongnan Mountain Highway Tunnel
7. Xi'an-Hanzhong Expressway

Chairman's Review



Another strong year for the Group and laying the foundation for significant future growth.

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

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

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

I mentioned at the half year ended 30 June 2007 that we intended to finance Ankang from a combination of internally generated funds and bank debt, and that we were looking at financing options to expand the company's cement capacity further towards our medium term target of 8 to 10 million tonnes. The credit squeeze which began in the second half of 2007 and which in China took the form of a cessation of bank lending, together with the nervousness of financial markets generally, render some of these financing options less favourable. Our Ankang project remains nevertheless very attractive and the Board is actively pursuing financing options so that it can be completed on schedule. If financing is not available on acceptable terms, we will consider slowing the project down, for completion at the end rather than start of 2009.

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

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

tonnes of backward capacity was closed down in the PRC in 2007; our estimates point to over 2.6 million tonnes of old capacity being closed in Shaanxi Province in 2007 and over 3.5 million slated for closure in 2008. These factors all point to continued growth and favourable pricing in the Shaanxi cement market through 2008 and beyond.

2008 promises to be another important year for WCC, with existing plants forecast to operate close to capacity, and the continued construction of the Ankang plant. As was well publicised in the West, there was a recurrence of freak weather conditions in the early part of 2008, with heavy snow disrupting the country and the construction industry in particular. We used this period to carry out as much maintenance as possible and it is our ambition to make up any production backlog over the year, provided weather conditions are more or less normal. Underlying cement demand remains robust.

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



Robert Robertson
Non-Executive Chairman



Chief Executive Officer's Review

We achieved a post-tax profit of RMB 150 million, the highest ever recorded for the Group, on the back of increased production and an improved cement price.



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

Financial results

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

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

Business review

Production

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

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

Overcoming difficulties - Adverse weather

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

Overcoming difficulties - Increased costs

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

Research and development

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

Project pipeline

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

Ankang project

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

Key challenges

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

Cost escalation

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

Energy

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

Safety

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

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

Environment

Pollution is a key concern in the cement industry. The Chinese Government places major emphasis on environmental issues and has closed down many cement plants which do not meet the national environmental protection standards. All of WCC's plants meet current national standards. In 2007 our Pucheng plant was named as an "Advanced Enterprise in Environmental Protection" by the local government. WCC is committed to ongoing efforts to reduce its impact on the environment.

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

People

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

Treasury risk management

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

The Group is exposed to liquidity risk arising from the need to finance its growth strategy. The Group is exposed to interest rate, foreign exchange and other market risks in the ordinary course of business. WCC's approach to risk management is set out in Note 24 to the financial statements.

Political, legal and regulatory

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

2008 prospects

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

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

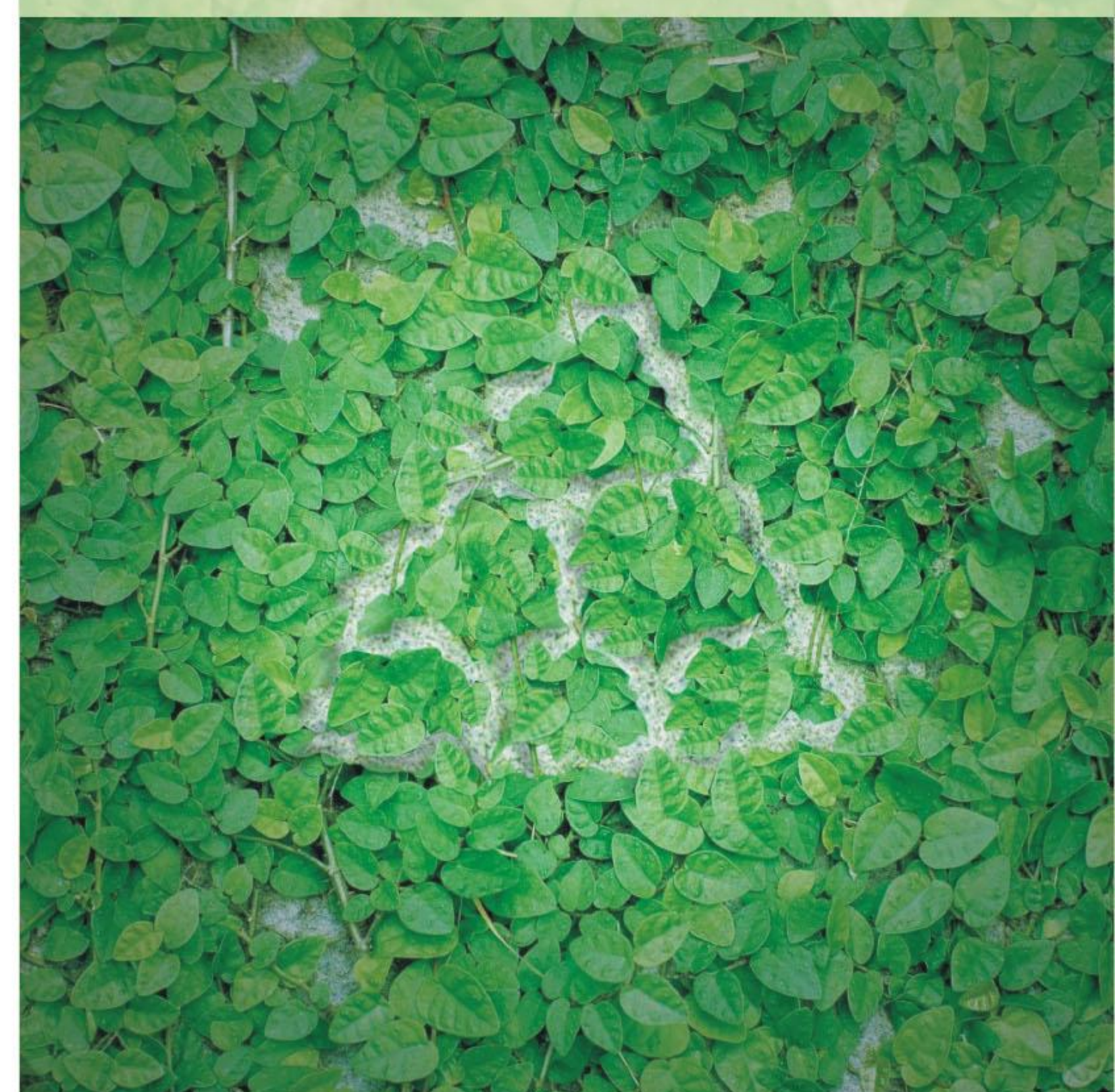
We are committed to providing high returns to our stakeholders by: (1) strengthening our production and safety management; (2) improving our cost-saving management; (3) optimising our labour utilisation; (4) enhancing our technology transformation; (5) adjusting our marketing strategies to respond to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

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



Jimin Zhang
Chief Executive Officer

2007
**WEST CHINA
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中国西部水泥



Directors' Biographies



Brett Lance Miller

Jimin Zhang

Robert Sinclair Robertson

Brett Lance Miller
(aged 40, 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.

Jimin Zhang
(aged 53, Chief Executive Officer)

Mr. Zhang is the founder of the Group. He began his cement industry career at 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.

Robert Sinclair Robertson
(aged 56, 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, Anglo's 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.



Jianli Wang

Jianli Wang

(aged 44, 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

Zhenjun Tian

(aged 48, 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.

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their annual report and the audited financial statements for the Group and the Company for the year ended 31 December 2007.

Principal Activities

West China Cement and its subsidiary undertakings ("the Group") are producers and distributors of cement, based in Shaanxi Province in the People's Republic of China and headquartered in Xi'an, the provincial capital of Shaanxi Province.

There were no significant changes in the Group's principal activities during the year.

Business Review

The Group has performed in line with the directors' expectations during the year. The directors expect the Group's activities to be sustained through the foreseeable future.

A detailed review of the Group's business during 2007, including the principal risks and uncertainties facing the Group, is set out in the Chairman's review and the Chief Executive Officer's review on page 8 and page 10. The review includes details of expected future developments in the Group's business and an indication of its activities in the field of research and development.

Results and Dividends

The Consolidated Income Statement for the year is set out on page 19 of this Annual Report. The Group made a profit after tax of RMB 150 million. The directors do not recommend the payment of the dividend for the year.

Directors

The directors who held office throughout the year are:

Robert Robertson	Non-Executive Chairman, member of audit committee
Jimin Zhang	Chief Executive Officer
Zhenjun Tian	Chief Finance Officer
Jianli Wang	Chief Engineer
Brett Miller	Non-Executive Director, chairman of audit committee

Directors and Directors' Interests

The directors and their families who held office at 31 December 2007 had the following interests in the shares of the company:

	As at 31 Dec 2007 and 31 December 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 per cent 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. During the year, the share price of the Company has increased by more than 50 per cent. From £ 1.05 and all the 254,753 share options are exercisable.

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.

Practice on payment of Creditors

The Company is a non-trading entity investment holding company. There is no trade creditor. In practice, the Company makes payment to its other creditors within 30 days after receiving a tax invoice.

It is the policy of the Group to settle terms of payment with suppliers when agreeing the terms of each transaction and abide by the terms of payment. Trade creditors of the Group at 31 December 2007 were equivalent to 63 days' (2006: 100 days') cost of sales.

Communication with Shareholders and the Market

The annual report and interim financial statements at each half year are the primary vehicles for communication with shareholders. Meetings with significant shareholders are arranged through our corporate broker, and will take place after the final 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 OBD on 12 May at 11am . Full details of the resolutions to be put to the meeting are given in the notice of AGM to be found at pages 48 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.

Jersey 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;
- 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.

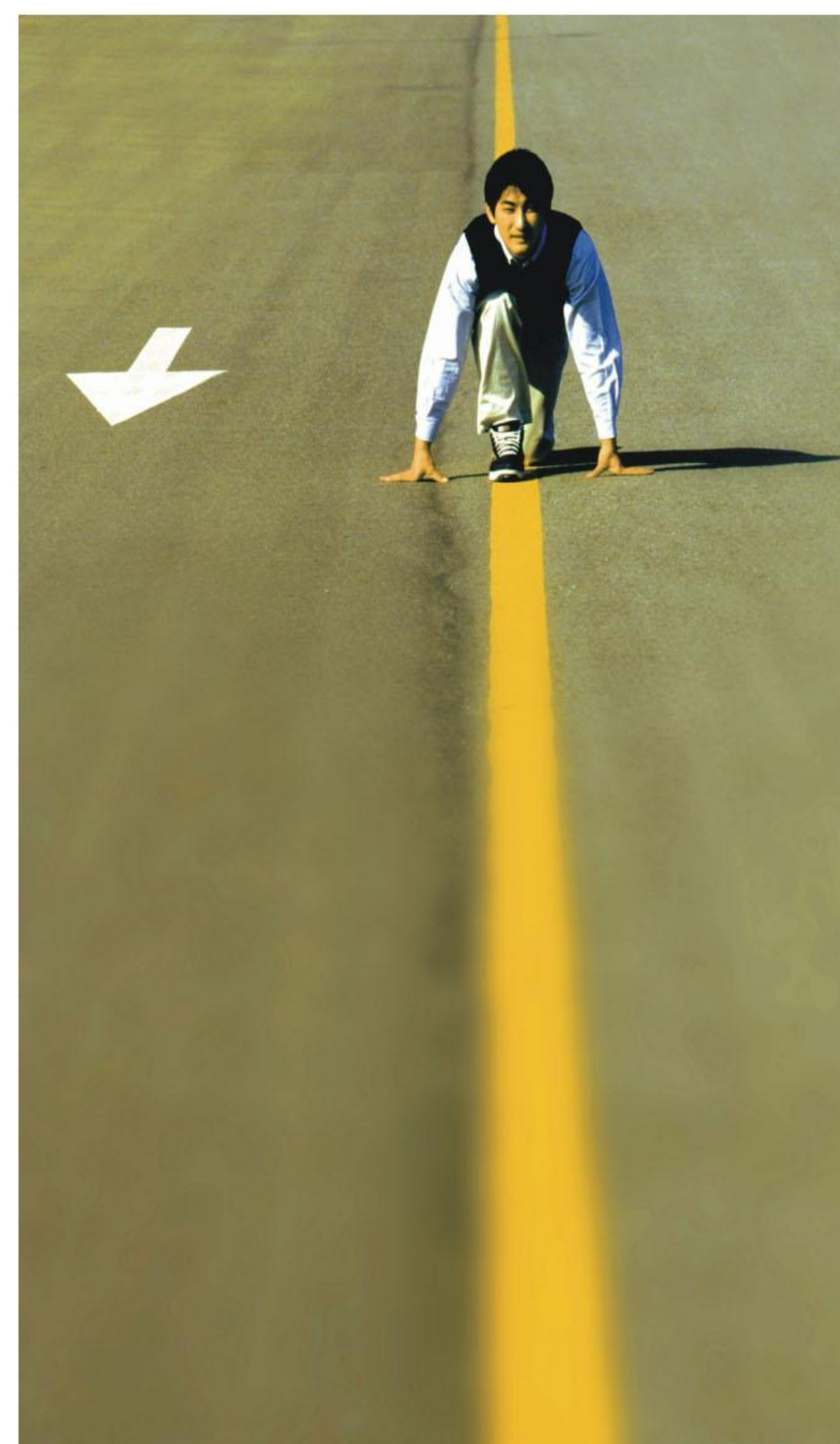
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Jersey governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Auditors

PKF (UK) LLP have expressed their willingness to continue in office as auditors. 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
28 March 2008



2007
**WEST CHINA
CEMENT**
中国西部水泥

Independent Auditors' Report

TO THE SHAREHOLDERS

We have audited the group and parent company financial statements (□"the financial statements"□) of West China Cement Limited for the year ended 31 December 2007. For the group, the financial statements comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the related Notes to the Consolidated financial statements. For the parent company, the financial statements comprise the Company Income Statement, the Company Balance Sheet, the Company Statement of Changes in Equity, 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 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.

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.

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 misstatements 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 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 group financial statements are free from material misstatement, 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 group 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 company's affairs as at 31 December 2007 and of the group's profit for the year then ended and the company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

PKF (UK) LLP

Leeds, UK
Registered Auditors

31 March 2008

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 RMB 000	2006 RMB 000
Continuing Operations			
Revenue	3	525,929	307,319
Cost of sales		(350,165)	(200,372)
Gross profit		175,764	106,947
Other operating income	3	38,803	20,265
Selling and distribution costs		(9,796)	(8,147)
Administrative expenses		(30,151)	(13,754)
Operating profit	4	174,620	105,311
Investment income	3,6	1,826	402
Finance costs	7	(26,173)	(19,405)
Profit before income tax		150,273	86,308
Income tax credit	8	-	2,331
Profit for the year		150,273	88,639
Attributable to:			
Equity holders of the Company		150,273	88,639
Earnings per share	9		
Basic (RMB per share)		2.35	2.00
Diluted (RMB per share)		2.34	2.00

Consolidated Balance Sheet

AT 31 DECEMBER 2007

	Note	2007 RMB 000	2006 RMB 000
Non-current assets			
Intangible assets	10	57,236	7,759
Property, plant and equipment	11	944,927	627,376
Deferred tax asset	12	12,364	12,364
		1,014,527	647,499
Current assets			
Inventories	13	45,653	24,191
Trade and other receivables	14	111,062	45,765
Pledged deposits		24,336	2,568
Cash and cash equivalents		29,997	192,388
		211,048	264,912
Total assets		1,225,575	912,411
Current liabilities			
Trade and other payables	15	187,019	85,339
Tax liabilities		-	5,147
Bank borrowings	16	23,000	150,404
Other borrowings	16	-	22,127
Other liabilities	17	3,700	-
		213,719	263,017
Net current (liabilities) / assets		(2,671)	1,895
Non-current liabilities			
Bank borrowings	16	296,200	99,300
Other borrowings	16	18,415	26,846
Other liabilities	17	14,800	
		329,415	126,146
Net assets		682,441	523,248
Equity			
Share capital	18	93,482	97,542
Share premium	20	638,070	662,593
Reverse acquisition reserve	20	(354,452)	(354,452)
Share options reserve	20	5,228	4,646
Foreign currency translation reserve	20	37,471	550
Statutory reserve	20	36,420	20,463
Retained earnings		226,222	91,906
Equity attributable to equity holders of the Company		682,441	523,248

The financial statements were approved and authorised for issue by the board of directors on 28 March 2008.

Jimin Zhang

Chief Executive Officer

Consolidated Statement Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2007

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	Foreign Currency Translation reserve RMB 000	Statutory reserve RMB 000	Retained earnings RMB 000	Total RMB 000	Minority Interest RMB 000	Total RMB 000
At 1 January 2007	97,542	662,593	(354,452)	4,646	550	20,463	91,906	523,248	-	523,248
Net income recognised directly in equity										
Exchange difference arising on translation of foreign operation	-	-	-	-	5,720	-	-	5,720	-	5,720
Add: Profit for the year	-	-	-	-	-	-	150,273	150,273	-	150,273
Total recognised income and expense	-	-	-	-	5,720	-	150,273	155,993	-	155,993
Transfer to reserve	-	-	-	-	-	15,957	(15,957)	-	-	-
Recognition of share based payment	-	-	-	2,184	-	-	-	2,184	-	2,184
Issue of ordinary share pertaining to warrant exercise	620	7,267	-	(1,379)	-	-	-	6,508	-	6,508
Exchange difference arising on translation from functional currency to presentation currency	(4,680)	(31,790)	-	(223)	31,201	-	-	(5,492)	-	(5,492)
At 31 December 2007	93,482	638,070	(354,452)	5,228	37,471	36,420	226,222	682,441	-	682,441
At 1 January 2006	105,000	-	-	-	-	12,756	10,974	128,730	1,000	129,730
Total recognised income and expense										
Profit for the year	-	-	-	-	-	-	88,639	88,639	-	88,639
Transfer to reserve	-	-	-	-	-	7,707	(7,707)	-	-	-
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)
Recognition of share based payment	-	-	-	303	-	-	-	303	-	303
Exchange difference arising on translation from functional currency to presentation currency	-	-	-	-	67	-	-	67	-	67
At 31 December 2006	97,542	662,593	(354,452)	4,646	550	20,463	91,906	523,248	-	523,248

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 RMB 000	2006 RMB 000
OPERATING ACTIVITIES		
Operating profit	174,620	105,311
Adjustments for:		
Depreciation of property, plant and equipment	44,829	28,813
Amortisation of land use rights	203	203
Allowances for doubtful debts	(1,207)	3,055
Gain on disposal of property, plant and equipment	1,971	-
Share based payment	2,184	303
Operating cash flow before movements in working capital	222,600	137,685
Increase in inventories	(21,462)	(2,109)
(Increase)/ decrease in receivables	(64,090)	21,650
Increase/ (decrease) in payables	96,533	5,074
Cash generated by operations	233,581	162,300
Other taxes refund/ (paid)	-	1,000
Interest paid	(26,173)	(19,405)
NET CASH GENERATED FROM OPERATING ACTIVITIES	207,408	143,895
INVESTING ACTIVITIES		
Interest received	1,826	402
Purchase of property, plant and equipment	(364,351)	(311,814)
Acquisition of land use rights	(31,180)	-
Proceeds on disposal of property, plant and equipment	-	4,406
Decrease/ (increase) in cash pledged	(21,768)	2,075
NET CASH USED IN INVESTING ACTIVITIES	(415,473)	(304,931)
FINANCING ACTIVITIES		
Dividends paid	-	(512)
Net proceeds from/ (repayment of) bank borrowings	69,496	(8,125)
Proceeds from other borrowings	(30,558)	37,915
Proceeds on issue of new shares (net)	6,508	305,013
Repayments to minority shareholders for capital contribution	-	(1,000)
NET CASH GENERATED FROM FINANCING ACTIVITIES	45,446	333,291
NET INCREASE IN CASH AND CASH EQUIVALENTS	(162,619)	172,255
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	192,388	19,583
Foreign exchange difference	228	550
CASH AND CASH EQUIVALENTS AT END OF YEAR	29,997	192,388

Notes To The Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

1. General information

West China Cement Limited was incorporated on 16 October 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 People's Republic of China.

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

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

(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 27 October 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, year of acquisition, 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 31 December 2006. The retained earnings in balance sheet are those of the subsidiary undertakings plus those of the Company from the date of acquisition.

(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. Exchange differences arising on a monetary item that forms part of the Company's net investment in foreign subsidiary undertakings are recognised in a separate component of equity in foreign currency translation reserve. These differences are recognised in income statement on disposal of the net investment.

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

	2007 Year end rates	2007 Average rates	2006 Year end rates	2006 Average rates
RMB: GBP	14.5807	15.2213	15.3155	14.7060
RMB: HKD	0.9364	0.9746	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 years ended 31 December 2007 and 2006 the Group comprised only one business and geographical segment.

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

2. Principal accounting policies (continued)

(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 as an expense in the period in which they are incurred.

(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 income statement 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) Intangible assets

Intangible assets comprise operating lease payments paid to the PRC government authorities to acquire the land use rights and mining rights. Intangible assets also include costs incurred in bringing the land into current useable condition. This cost is capitalised and amortised over the terms of the land use rights.

The intangible assets are amortised on the straight-line basis over the terms of the leases as follow:

Land use rights	36 50 years
Mining rights	15 years
Others	36 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 :

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.

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

2. Principal accounting policies (continued)

(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 assets

Financial assets are classified into the following four specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) financial assets at "fair value through profit or loss" (FVTPL);

Financial assets are classified as at FVTPL where the financial assets are either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in income statement. The net gain or loss recognised in income statement incorporates any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 24.

(ii) "held-to-maturity" investments;

Investments such as fixed deposits and bonds with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold-to-maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

(iii) "available-for-sale" (AFS) financial assets; and

Investments such as unlisted shares are classified as stated at fair value. Fair value is determined in the manner described in note 24. Gains and losses arising from changes in fair value are recognised directly in equity in the investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is included in the income statement for the period.

Dividends on AFS financial assets are recognised in the income statement when the Group's right to receive the dividends is established.

(iv) "loan and receivables".

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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.

(o) Financial liabilities and equity instruments issued by the Group

Debts and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(i) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(ii) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in income statement. The net gain or loss recognised in income statement incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 24.

(iii) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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.

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

2. Principal accounting policies (continued)

(o) Financial liabilities and equity instruments issued by the Group(Continued)

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.

(p) 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 accounting of 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 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 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:

	2007 RMB 000	2006 RMB 000
Revenue: Continuing operations		
Sales of cement	525,929	307,319
Other operating income		
VAT rebates	30,528	18,791
Rental income	91	93
Government incentives	5,180	720
Sundry income	-	278
Exchange gain	23	383
Creditors written back	2,981	-
	38,803	20,265
Investment income		
Interest from deposits	1,534	402
Income from treasury management	292	-
	1,826	402
Total revenue	566,558	327,986

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.

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

3. Revenue (continued)

Government incentives include recycling incentives of RMB150,000 (2006: RMB500,000), bulk cement sale incentive of RMB 230,000 (2006: RMB 220,000) and "clean" project investment incentive of RMB 4,800,000 (2006: Nil).

4. Operating profit

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

	2007 RMB 000	2006 RMB 000
Amortisation of land use rights	203	204
Depreciation of property, plant and machinery	44,829	28,813
Staff costs (Note 5)	27,979	18,015
Changes in inventories	(21,462)	4,490
Raw materials and consumables used	199,120	140,269
Auditors' remuneration statutory audit		
Group auditor	1,005	230
Subsidiary undertakings' auditors	-	400
Auditors' remuneration pre-floatation corporate finance work		
Group auditor	-	1,991
Subsidiary undertakings' auditors	-	728
Allowance for doubtful debts	(1,602)	3,055
Net foreign exchange losses/ (gains)	(23)	(383)

There are no impairment gains or losses on financial assets except for the allowance for doubtful debts disclosed above.

5. Staff costs

The average monthly number of employees (including directors) was:

	2007 Number	2006 Number
Management and administration	243	85
Sales	65	52
Production	1,196	848
	1,504	985

Their aggregate remuneration was as follows:

	RMB 000	RMB 000
Wages and salaries	25,983	16,232
Other welfare expenses	1,996	1,783
	27,979	18,015

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

6. Investment income

	2007 RMB 000	2006 RMB 000
Interest on deposits	1,534	402
Income from short term treasury management	292	-
	1,826	402

7. Finance costs

	2007 RMB 000	2006 RMB 000
Interest on bank borrowings	23,823	18,968
Interest on other borrowings	5,860	1,452
Bank charges and facilities fees	578	-
	30,261	20,420
Less: Amount capitalised as construction in progress	(4,088)	(1,015)
	26,173	19,405

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.

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

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

	2007 RMB 000	2006 RMB 000
Profit before income tax	150,273	86,308
Tax calculated on the above profit, at applicable PRC corporation tax rate of 0% (2007: 15%)	-	12,946
Tax refund	-	-
Effect of non deductible expenses	-	317
Deferred tax temporary differences	-	(103)
Effect of tax benefit arising from purchasing the prescribed eligible plant and equipment	-	(15,491)
Tax credit for the year	-	(2,331)

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

8. Income tax expense (continued)

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 allow a two-year tax holiday followed by a three-year tax at 50% of the normal PRC corporate income tax ("CIT") rate. SYSC is exempted from CIT in year 2006 and 2007; XLYC is exempted from CIT in year 2007 and 2008.

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

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.

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

Diluted earnings per share

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

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

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

10. Intangible assets

	Land use rights RMB 000	Mining rights RMB 000	Others RMB 000	Total RMB 000
At cost				
At 1 January 2006 and 1 January 2007	8,521	-	116	8,637
Additions	7,000	25,500	17,180	49,680
Written off	-	-	(116)	(116)
At 31 December 2007	15,521	25,500	17,180	58,201
Amortisation				
At 1 January 2006	558	-	116	674
Charge for the year	204	-	-	204
At 31 December 2006	762	-	116	878
Charge for the year	203	-	-	203
Written off	-	-	(116)	(116)
At 31 December 2007	965	-	-	965
Net book value				
At 31 December 2006	7,759	-	-	7,759
At 31 December 2007	14,556	25,500	17,180	57,236

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.

The mining rights represent total amount payable on a 15-year operating lease as follow:

	RMB 000
Total costs of mining rights under operating lease	25,500
Payment made in 2007	(7,000)
Remaining balance payable in 5 equal annual instalments (note 17)	18,500
Annual instalment	3,700

Other intangible asset at 31 December 2007 represents costs incurred in bring the land into current useable condition. This cost is capitalised and amortised over the terms of the land use rights.

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

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 1 January 2007	197,974	4,442	1,991	215,811	306,937	727,155
Additions	199,082	7,636	8,619	280,091	398,392	893,820
Transfers	(22)	61	37,668	(37,707)	(529,225)	(529,225)
Disposal	(2,227)	(789)	(61)	(1,462)	-	(4,539)
At 31 December 2007	394,807	11,350	48,217	456,733	176,104	1,087,211
Accumulated depreciation						
At 1 January 2007	42,510	1,108	934	55,227	-	99,779
Charge for the year	15,162	885	3,858	24,924	-	44,829
Transfers	(17)	-	6,660	(6,643)	-	-
Disposal	(859)	(299)	(32)	(1,134)	-	(2,324)
At 31 December 2007	56,796	1,694	11,420	72,374	-	142,284
Net book value						
At 31 December 2007	338,011	9,656	36,797	384,359	176,104	944,927
At cost						
At 1 January 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 31 December 2006	197,974	4,442	1,991	215,811	306,937	727,155
Accumulated depreciation						
At 1 January 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 31 December 2006	42,510	1,108	934	55,227	-	99,779
Net book value						
At 31 December 2006	155,464	3,334	1,057	160,584	306,937	627,376

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

11. Property, plant and equipment (continued)

Depreciation expenses have been charged in income statements as follows:

	2007 RMB 000	2006 RMB 000
Charged in cost of sales	42,283	27,496
Charged in general and administrative expenses	2,546	1,317
	44,829	28,813

The carrying amounts of the Group's construction in progress included in property, plant and equipment included capitalised interest of RMB4,088,000 as at 31 December 2007 (2006: RMB1,015,000). Interest was capitalised at an average annual rate of 12% and 11% for the year ended 31 December 2007 and 31 December 2006 respectively.

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.

	2007 RMB 000	2006 RMB 000
Net book value	230,400	114,226

12. Deferred tax assets

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

	Tax allowances on capital expenditure RMB 000	Other temporary differences RMB 000	Total RMB 000
At 1 January 2006	9,114	919	10,033
Credit to income statement	2,228	103	2,331
At 31 December 2007 and 31 December 2006	11,342	1,022	12,364

Other 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

	2007 RMB 000	2006 RMB 000
Raw materials	26,727	18,629
Work in progress	18,746	5,314
Finished goods	180	248
	45,653	24,191

The cost of inventories recognised in income statement as raw materials and consumables amounted to RMB 199,120,000 (2006: RMB 140,269,000).

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

14. Trade and other receivables

	2007 RMB 000	2006 RMB 000
Trade receivables	56,006	30,982
Less: Allowances for doubtful debts	(2,800)	(3,098)
	53,206	27,884
Bills receivable	4,350	140
Deposits and prepayments	28,577	9,192
Other receivables	25,074	9,458
Less: Allowances for doubtful debts	(145)	(909)
	24,929	8,549
	111,062	45,765

The carrying amounts of trade and other receivables are denominated in Renminbi.

Trade receivables

The average credit period taken on sales of goods is between 60 - 90 days. No interest is charged on the trade receivables. The Group does not hold any collateral over the trade receivables. Allowances have been made for estimated irrecoverable amounts from the sale of goods. This allowance has been determined by reference to past default experience.

Movement in the allowance for doubtful debts:

	2007 RMB 000	2006 RMB 000
Balance at beginning of the year	3,098	6,857
Amount written off as uncollectible	-	315
Amount recovered during the year	(298)	(4,074)
Balance at end of the year	2,800	3,098

Ageing impaired trade receivables

	2007 RMB 000	2006 RMB 000
60 - 90 days	390	217
90 - 120 days	623	75
Over 120 days	1,787	2,806
	2,800	3,098

The sales department is responsible for trade collections. The credit control within the finance department monitors the collections and ageing of trade receivables. Any payment due but not collected is highlighted. In the event of doubtful debts, the Group considered the use of external debts collection agent or taking legal action. Included in the above trade receivables balance are debtors with a carrying amount of RMB 18,776 which are past due at the year end for which the Group has not provided for allowance for doubtful debts. The Group does not hold any collateral over these balances.

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

14. Trade and other receivables (continued)

Trade receivables (continued)

Ageing of past due but not impaired:

	2007 RMB 000	2006 RMB 000
60 - 90 days	7,426	4,119
90 - 120 days	3,530	426
Over 120 days	7,820	10,914
	18,776	15,459

For new customers, the Group checks the incorporation documents and licences, if any. Before allowing a credit limit, a credit check is carried out. Most sales are made with payment received in advance or at the time the goods are handed over, so credit risk is avoided where possible. Credit risk management is discussed further in note 24.

Other receivables

Deposits and prepayments comprise advance to suppliers of RMB 28,171,000 (2006: RMB 9,178,000) and prepaid expenses of RMB 406,000 (2006: RMB 14,000). Included in other receivables are subsidies receivable of RMB 8,703,000 (2006: Nil).

15. Trade and other payables

	2007 RMB 000	2006 RMB 000
Trade payables	61,640	58,620
Bills payable	15,000	900
Advances from customers	20,056	8,001
Amount due to directors	25	248
Accruals		
- Operating expenses	7,702	1,836
- Salary, welfare and taxes	4,894	6,216
- Accrued construction expenses	44,235	-
	56,831	8,052
Other payables	33,467	9,518
	187,019	85,339

The average credit period taken for trade purchases is between 40 - 60 days. No interest is charged on the trade payables.

The amounts due to directors represent advances from directors and are interest-free, unsecured and repayable on demand.

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

16. Bank and other borrowings

	2007	2006
	RMB 000	RMB 000
Current:		
Bank borrowings - secured	23,000	15,000
Current portion of non-current bank borrowings - secured	-	67,900
Current portion of non-current bank borrowings - unsecured	-	67,504
	23,000	150,404
Other borrowings	-	22,127
	23,000	172,531
Non current:		
Bank borrowings - secured	207,400	-
Bank borrowings - unsecured	88,800	99,300
	296,200	99,300
Other borrowings	18,415	26,846
	314,615	126,146
Total borrowings	337,615	298,677
Bank borrowings are repayable as follows:		
Within one year	23,000	150,404
In the second year	260,400	99,300
In the third to fifth years inclusive	35,800	-
	319,200	249,704
Other borrowings are repayable as follows:		
Within one year	-	22,127
In the second year	18,415	-
In the third to fifth years inclusive	-	26,846
	18,415	48,973

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 equipment of the Group. The aggregate net book value is disclosed in Note 11.

The weighted average interest rates paid were as follow:

	2007	2006
Bank borrowings	8.28%	7.56%
Other borrowings	12.00%	12.00%

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

17. Other liabilities

	RMB 000
At 1 January 2007 and 1 January 2006	-
Provision for mining rights lease payment	18,500
At 31 December 2007	18,500
Included in current liabilities	3,700
Included in non-current liabilities	14,800
	18,500

The provision relates to amount payables under a 15-year mining right operating lease (note 10). The annual instalment is RMB 3,700,000.

18. Share capital

	2007		2006	
	RMB000	GBP000	RMB000	GBP 000
Authorised:				
200,000,000 ordinary shares of 10p each	291,614	20,000	306,300	20,000
Issued and fully paid:				
64,113,366 ordinary shares of 10p each	93,482	6,411	97,542	6,369

On 26 April 2007, 425,000 ordinary shares of 10p each were issued pursuant to exercise of warrant shares at GBP1.05 per share. At 31 December 2006 63,688,366 shares were in issue.

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

Share options

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

Date of grant	Exercise price GBP	Exercise period	Issued number, at beginning and end of year
4 December 2006	1.05	4 Dec 2008 4 Dec 2011	796,104

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

During the year, no new options were issued and no options were exercised.

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 29 November 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 4 December 2006.

On 26 April 2007, 425,000 warrant were exercised.

19. Share-based payments

On 4 December 2006, 796,104 share options were granted to directors (Note 18). The exercise price of the options is equal to the market price on the date of the grant. During the year, no new options were issued and no options were exercised. The vesting period of these options is two years. If the option remains unexercised after a period of 5 years from the date of grant, the options expire. The options have been valued using the Black-Scholes model with the following details and main assumptions:

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

19. Share-based payments (continued)

Grant date	4 December 2006
Exercise price	GBP1.05
Expected life	5 years
Expected volatility	40%
Expected dividend yield p.a.	0%
Risk-free rate	5.50%
Expected forfeiture p.a.	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 1 year.

The total charged to the income statement during the year was RMB 2,280,000 (2006: RMB 303,000).

20. 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, less amounts charged to the income statement over the vesting period in accordance with IFRS 2 Share based payments.

Foreign currency translation reserve

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

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.

21. Contingent liabilities

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

22. Capital commitment

	2007 RMB 000	2006 RMB 000
Capital commitments in respect of the acquisition of property, plant and equipment	511,334	65,040
Expected payment profile:		
- Within 1 year	441,834	65,040
- 2 - 5 years	69,500	-
	511,334	65,040

These commitments substantially relate to the Ankang project for which the board is actively pursuing financing options, so that it can be completed on schedule. If financing is not available on acceptable terms, the board will consider slowing the project down, for completion at the end rather than start of 2009.

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

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.

	2007 RMB 000	2006 RMB 000
Salaries and bonuses	3,101	680
Other welfare	4	336
Share based payment	2,280	303
	5,385	1,319

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

	2007			2006
	Salary and bonus	Benefits	Total	Total
	RMB 000	RMB 000	RMB 000	RMB 000
Robert Robertson*	761	-	761	127
Brett Miller*	532	-	532	89
Zhang Jimin*	600	2	602	284
Wang Jianli*	300	-	300	184
Tian Zhenjun*	300	-	300	170
Chen Zhixin	388	-	388	160
Li Wenyu	220	2	222	218
	3,101	4	3,105	1,232
* Directors				

Advances from key management personnel

During the year, certain directors and key management personnel advanced money to the Group. The advances were as follows:

	2007 RMB 000	2006 RMB 000
Tian Zhenjun*	-	20
Li Wenyu	25	162
Wang Jianli*	-	66
	25	248
* Directors		

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

24. Financial instruments and risk factors

24.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial assets, financial liability and equity instrument are disclosed in note 2.

24.2 Categories of financial instruments

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations. The Group classifies its financial assets, at 31 December 2007 and 31 December 2006, as "loan and receivables" and its financial liabilities as "other financial liabilities".

Financial assets	Trade and other receivables	Pledged deposits	Cash and cash equivalent	Total
2007	RMB'000	RMB'000	RMB'000	RMB'000
Fair value through profit and loss (FVTPL)	-	-	-	-
Held to maturity	-	-	-	-
Available for sale	-	-	-	-
Loans and receivables	111,062	24,336	29,997	165,395
2006				
Fair value through profit and loss (FVTPL)	-	-	-	-
Held to maturity	-	-	-	-
Available for sale	-	-	-	-
Loans and receivables	45,765	2,568	192,388	240,721

Financial liabilities	Trade and other payables	Bank borrowings	Other borrowings	Other liabilities	Total
2007	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fair value through profit and loss (FVTPL)	-	-	-	-	-
Other financial liabilities at amortised cost	187,019	319,200	18,415	18,500	543,134
2006					
Fair value through profit and loss (FVTPL)	-	-	-	-	-
Other financial liabilities at amortised cost	85,339	249,704	48,973	-	384,016

The Directors have reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain criteria set out in IAS 39. No embedded derivatives have been identified.

24.3 Fair value of financial instruments

It is the directors' opinion that the carrying value of trade and other receivables, and trade and other payables approximates their fair value due to their short term maturity. Therefore, the directors consider all assets to be carried at a valuation which equates to fair value.

The carrying values of bank and other borrowings are approximate to their fair values based on discounted cash flow analysis using the Group weighted average cost of capital which is about the effective borrowing rates.

24.4 Financial risk management objectives

The Group's activities expose it to a variety of financial risks: interest rate risk, foreign currency risk, liquidity risk and capital risk. The Group is also exposed to non-financial risks, such as economy risk, regulatory and legislative risk in the ordinary course of business. The Group's overall risk management programme focuses on unpredictability and seeks to minimise the potential adverse effects on the Group's financial performance. The Board, on a regular basis, reviews key risks and, where appropriate, actions are taken to mitigate the key risks identified.

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

24. Financial instruments and risk factors (continued)

24.4 Financial risk management objectives (continued)

Interest rate risk

The Group's interest rate risk is primarily attributable to bank borrowings. The bank borrowings are at fixed interest rates but revisable by the bank. The Group does not have formal policies on interest rate risk.

The Group's exposure to interest rates are detailed in liquidity risk management section of this note. If interest rates increased/ decreased by 1% and all other variables were held constant, the Group's:

- Profit for the year ended 31 December 2007 would decrease/ increase by RMB 2,834,000 (2006: RMB 2,384,000).
- Equity at 31 December 2007 (and 2006) would decrease/ increase by the same amounts.

Foreign currency risk

Most of the Group's financial assets and liabilities are denominated in Renminbi. The revenue and expenses of the Group's main operation are denominated in RMB. The Group's exposure in foreign currency risk, as at the balance sheet date, was minimal.

Liquidity risk

The Group prepares periodic working capital forecasts for the foreseeable future, allowing an assessment of the cash requirements of the Group, to manage liquidity risk. The directors have considered the risk posed by liquidity and monitored the balance between cash, liquid assets and financial liabilities. The Group also managed liquidity risk by obtaining funding through committed credit facilities.

In addition to its strong and positive operating cash inflow, the Group is considering additional debt and / or equity funding in order to finance its growth strategy.

Maturity and interest rate profile of financial liabilities:

	Trade and other payables	Bank borrowings	Other borrowings	Other liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2007					
0 - 1 month	70,795	-	-	-	70,795
1 - 3 months	38,522	-	-	-	38,522
3 - 12 months	77,702	23,000	-	3,700	104,402
1 - 5 years	-	296,200	18,415	14,800	329,415
After 5 years	-	-	-	-	-
	187,019	319,200	18,415	18,500	543,134
Weighted average effective interest rate	-	8.3%	12.0%	-	
2006					
0 - 1 month	46,511	-	-	-	46,511
1 - 3 months	29,310	-	-	-	29,310
3 - 12 months	9,518	150,404	22,127	-	182,049
1 - 5 years	-	99,300	26,846	-	126,146
After 5 years	-	-	-	-	-
	85,339	249,704	48,973	-	384,016
Weighted average effective interest rate	-	7.6%	12.0%	-	

The above tables have been drawn up based on the present value of future cash flow, discounted using the applicable interest rates. The trade and other payables are non-interest bearing.

The Group has no unused financing facilities at the balance sheet date. The Group expects to meet its obligations from operating cash flow and proceeds of maturing financial assets.

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

24. Financial instruments and risk factors (continued)

Liquidity risk (continued)

Maturity and interest rate profile of financial assets:

2007	Trade and other receivables RMB'000	Pledged deposits RMB'000	Cash and cash equivalents RMB'000	Total RMB'000
0 - 1 month	70,860	-	29,997	100,857
1 - 3 months	23,652	24,336	-	47,988
3 - 12 months	16,150	-	-	16,150
1 - 5 years	400	-	-	400
After 5 years	-	-	-	-
	111,062	24,336	29,997	165,395
2006				
0 - 1 month	21,757	-	192,388	214,145
1 - 3 months	12,668	2,568	-	15,236
3 - 12 months	11,340	-	-	11,340
1 - 5 years	-	-	-	-
After 5 years	-	-	-	-
	45,765	2,568	192,388	240,721

The above tables have been drawn up based on the present value of future cash flow, discounted using the applicable interest rates.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group has adopted a policy of only dealing with creditworthy counterparties. The credit risk on trade receivables is low. Based on past experience, customers default rate is low. Further details are given in note 14, including the movements in allowances for bad and doubtful debts.

The Group has no significant concentration of credit risk, with exposure over a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not hold any collateral.

Capital risk

The Group managed its capital to ensure that entities in the Group will be able to continue as a going concern while maximising growth and the return to stakeholders through the optimisation of the debt and equity balance.

Other non-financial risks

A number of macro-level risks exist which could have a significant impact on the group financial position and operations. These include:

- (i) Liquidity in the global economy - This could affect the ability of the Group to obtain cheaper funding for its expansion plan.
- (ii) China economy - China's fast growing economy resulted in inflationary costs. The ability of the Group to control its costs efficiently had a significant impact on the results. The Group implemented tight cost control policies and invested in continuing technology advancement in order to maintain its leading position. The ability to recruit and retain key personal also affects the performance of the Group.
- (iii) Government spending - This could have a significant impact on cement demand and supply, selling price and costs, hence impact on the results.
- (iv) Regulatory and legislative risk - Regulatory, legislative and fiscal regimes in China are subject to change, sometimes at short notice. Such changes could have an adverse effect on results and additional costs might be incurred in order to comply with any new laws and regulations. The Group monitors legislative and regulatory developments closely, which allows quick assessment and adoption of changes in the environment and subsequently minimises risk to the business.

Capital management

The Group's objectives when managing capital are:

- (i) to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders
- (ii) to ensure sufficient liquid resources are available to meet the funding requirements of its operations and to fund new investments where identified.

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

24. Financial instruments and risk factors (continued)

Capital management (continued)

The capital and debt structure of the Group at the year end was as follows:

	2007 RMB 000	2006 RMB 000
Debt ⁽¹⁾	337,615	276,550
Cash and cash equivalents	(29,997)	(192,388)
Net debts	307,618	84,162
Equity ⁽²⁾	682,441	523,248
<p>(1) Debt is defined as long and short-term borrowings as detailed in note 16. (2) Equity includes all capital and reserves of the Group.</p>		

There have been no changes in capital management objectives or the capital structure of the business from the previous period. The Group is not subject to any externally imposed capital requirements.

25. Controlling Party

The controlling party is Zhang Jimin. 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 YEAR ENDED 31 DECEMBER 2007

	Year ended 31 Dec 2007 RMB'000	From 16 Oct 2006 to 31 Dec 2006 RMB'000
Revenue	-	-
General and administrative expenses		
- Share based payment	2,280	303
- Auditors' remuneration statutory audit	1,005	230
- Directors' remuneration	1,509	-
- Other expenses	2,608	-
	(7,402)	(533)
Investment income	798	-
Loss before taxation	(6,604)	(533)
Income tax expense	-	-
Loss for the year	(6,604)	(533)

Company Balance Sheet

AT 31 DECEMBER 2007

	Note	2007 RMB 000	2006 RMB 000
Non current assets			
Investment in subsidiaries	2	437,421	459,465
Current assets			
Amount due from subsidiary undertakings	3	288,640	292,629
Cash and bank balances		5,391	12,888
		294,031	305,517
Total assets		731,452	764,982
Current liabilities			
Other payables and accruals		1,507	797
Net current assets		292,524	304,720
Net assets		729,945	764,185
Equity			
Share capital	4	93,482	97,542
Share premium		638,070	662,593
Share options reserve		5,228	4,646
Retained earnings		(7,137)	(533)
Foreign currency translation reserve		302	(63)
Equity attributable to equity holders of the Company		729,945	764,185

The financial statements were approved and authorised for issue by the board of directors on 28 March 2008.

Jimin Zhang
Chief Executive Officer

Company Statement Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share capital	Share premium	Share options reserve	Foreign currency translation reserve	Retained earnings	Total
2007	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	97,542	662,593	4,646	(63)	(533)	764,185
Exercise of warrant	620	7,267	(1,379)	-	-	6,508
Share options	-	-	2,184	-	-	2,184
Loss for the year	-	-	-	-	(6,604)	(6,604)
Foreign currency translation	(4,680)	(31,790)	(223)	365	-	(36,328)
At 31 December 2007	93,482	638,070	5,228	302	(7,137)	729,945
2006						
Issue of shares to acquire subsidiary	65,452	394,013	-	-	-	459,465
Issue of shares by way of placement	32,090	304,851	-	-	-	336,941
Issue costs	-	(36,271)	4,343	-	-	(31,928)
Share options	-	-	303	-	-	303
Loss for the period	-	-	-	-	(533)	(533)
Foreign currency translation	-	-	-	(63)	-	(63)
At 31 December 2006	97,542	662,593	4,646	(63)	(533)	764,185

Company Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2007

	Year ended 31 Dec 2007 RMB'000	From 16 Oct 2006 to 31 Dec 2006 RMB'000
OPERATING ACTIVITIES		
Operating loss	(6,604)	(533)
Adjustments for:		
Share based payment	2,184	303
Increase in payables	748	230
NET CASH FROM OPERATING ACTIVITIES	(3,672)	-
INVESTING ACTIVITIES		
Advances to subsidiary undertakings	(9,715)	(292,062)
NET CASH USED IN INVESTING ACTIVITIES	(9,715)	(292,062)
FINANCING ACTIVITIES		
Proceeds on issue of new shares (net)	6,508	305,013
NET CASH FROM FINANCING ACTIVITIES	6,508	305,013
NET INCREASE IN CASH AND CASH EQUIVALENTS	(6,879)	12,951
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,888	-
Foreign currency translation difference	(618)	(63)
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,391	12,888

Notes To The Company Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

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 functional currency of the company is sterling. The financial statements of the Company are presented 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.

2. Investment in subsidiaries

	2007 GBP'000	2007 RMB'000	2006 GBP'000	2006 RMB'000
Investment at cost	30,000	437,421	30,000	459,465

The principal accounting policies adopted are the same as those set out in the Note 2 to the consolidated financial statements unless stated otherwise. On 27 October 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 RMB459,465,000, equivalent of GBP30,000,000.

Details of the subsidiaries at 31 December 2007 and 31 December 2006 are as follows:

Name of subsidiary	Place and date of incorporation	Principal activities	Proportion of ownership and voting rights	
			Direct	Indirect
West China Cement Co. Ltd	British Virgin Islands; 14 July 2006	Investment holding	100%	-
Shaanxi Yaobai Special Cement Co. Ltd	The People's Republic of China; 21 December 2000	Production and sales of cement	-	100%
Xi'an Lantian Yaobai Cement Co. Ltd	The People's Republic of China; 16 December 2005	Production and sales of cement	-	100%
Ankang Yaobai Cement Co. Ltd	The People's Republic of China; 12 April 2007	Production and sales of cement	-	100%

3. Amount due from subsidiary undertakings

	2007 GBP'000	2007 RMB'000	2006 GBP'000	2006 RMB'000
West China Cement Co. Ltd	12,972	189,142	7,036	107,751
Shaanxi Yaobai Special Cement Co. Ltd	6,824	99,498	12,075	184,878
	19,796	288,640	19,111	292,629

4. Share capital

Details of share capital are given in note 18 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 (the "Articles") at 47 Esplanade, St Helier, Jersey JE1 0BD on 12 May 2008 at 11 am to consider and, if thought fit, to pass the following resolutions as ordinary or special resolutions of the Company (as the case may be, as indicated below).

ORDINARY BUSINESS

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. THAT the Company's annual accounts for the financial year ended 31 December 2007 together with the directors' report and auditors' report on those accounts be received and adopted;
2. THAT PKF (UK) LLP be and are re-appointed as the Company's auditors and the directors of the Company be authorised to determine the remuneration of the Company's auditors; and
3. THAT in accordance with Article 116 of the Articles, Mr Zhenjun Tian, who retires by rotation as a director, be re-elected as a director of the Company.

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution which will be proposed as a special resolution:

4. THAT the directors of the Company be authorised generally pursuant to Article 4.16 of the Articles to allot or make offers or agreements to allot up to 25,000,000 ordinary 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 AGM 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 of the Company 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 of the Company to the extent not utilised.

BY ORDER OF THE BOARD

Zhenjun Tian
The Company Secretary

Dated: 28 March 2008

Registered Office:
47 Esplanade
St Helier
Jersey
JE1 0BD

Notes:

1. To be passed, an Ordinary Resolution requires a majority in favour of the votes cast and a Special Resolution requires a majority of at least two-thirds in favour of the votes cast.
2. In accordance with Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, only those members entered on the Company's register of member not later than on 12 May 2008 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and vote at the meeting.
3. 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, in accordance with Article 79 of the Company's Articles of Association, any Corporation which is a member of the Company may, by resolution of its directors or governing body, authorise any person to act as its representative. Appointment of a proxy will not preclude a member from attending and/or voting in person at the Meeting.
4. 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.
5. 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.

WEST CHINA CEMENT LIMITED
(the "Company")

FORM OF PROXY

For

ANNUAL GENERAL MEETING

I/We.....
(please insert full name(s))

Of.....
(please insert address)

being a member/members of the Company, hereby appoint as my/our proxy, to vote for me/us on my/our behalf at the annual general meeting of the Company to be held on 12 May 2008 at 47 Esplanade, St Helier, Jersey JE1 0BD at 11 am and at any adjournment thereof (the "AGM") the duly appointed Chairman of the relevant meeting or:

.....
(if you want someone other than the duly appointed Chairman of the relevant meeting to act as your proxy, please insert their name above, otherwise you will be deemed to have appointed the Chairman of the relevant meeting as your proxy)

My/our proxy is to vote as indicated by an 'X' below in respect of the resolutions set out in the notice of the relevant meetings.

Ordinary Resolutions	For	Against	Vote Withheld
To receive and approve the Directors' Report and Accounts for the year ended 31 December 2007			
To re-appoint PKF (UK) LLP as Auditors and authorise the directors of the Company to determine the remuneration of the Auditors			
To re-elect Mr Zhenjun Tian, who retires by rotation as a director, as a director of the Company			
Special Resolution			
To generally authorise the directors of the Company pursuant to Article 4.16 of the Articles of Association of the Company to allot or make offers or agreements to allot up to 25,000,000 ordinary 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 of Association of the Company did not apply.			

(Please place a cross in the appropriate box above alongside the resolutions to indicate whether you wish your votes to be cast for or against these resolutions, or if you wish your vote to be withheld. Unless you give specific instructions on how to vote on the resolutions above by selecting the appropriate boxes above, the proxy may vote as he/she thinks fit, or withhold your votes, on the above resolutions or on other business conducted at the relevant meeting. The "Vote Withheld" option is provided to enable you to abstain on the resolution. However, it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of votes "For" or "Against" the resolution.)

Signature(s).....

Full Name (Block Capitals).....

Date.....2008

Notes:

1. A member who is entitled to attend and vote at the AGM 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 (in accordance with Article 79 of the Company's Articles of Association, any Corporation which is a member of the Company may, by resolution of its directors or governing body, authorise any person to act as its representative). Appointment of a proxy will not preclude a member from attending and/or voting in person at the AGM.
2. Only members or their proxies may attend the meeting. Only members personally present may vote on a show of hands. A proxy may not vote on a show of hands.
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 AGM or (where relevant) any adjournment thereof.
4. In the case of a corporation, the form of proxy must be either given under its common seal or signed by a duly authorised officer or attorney.
5. In the case of joint holders, the form of proxy must be signed by the first-named holder of the shares.

**WEST CHINA
CEMENT LIMITED**

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