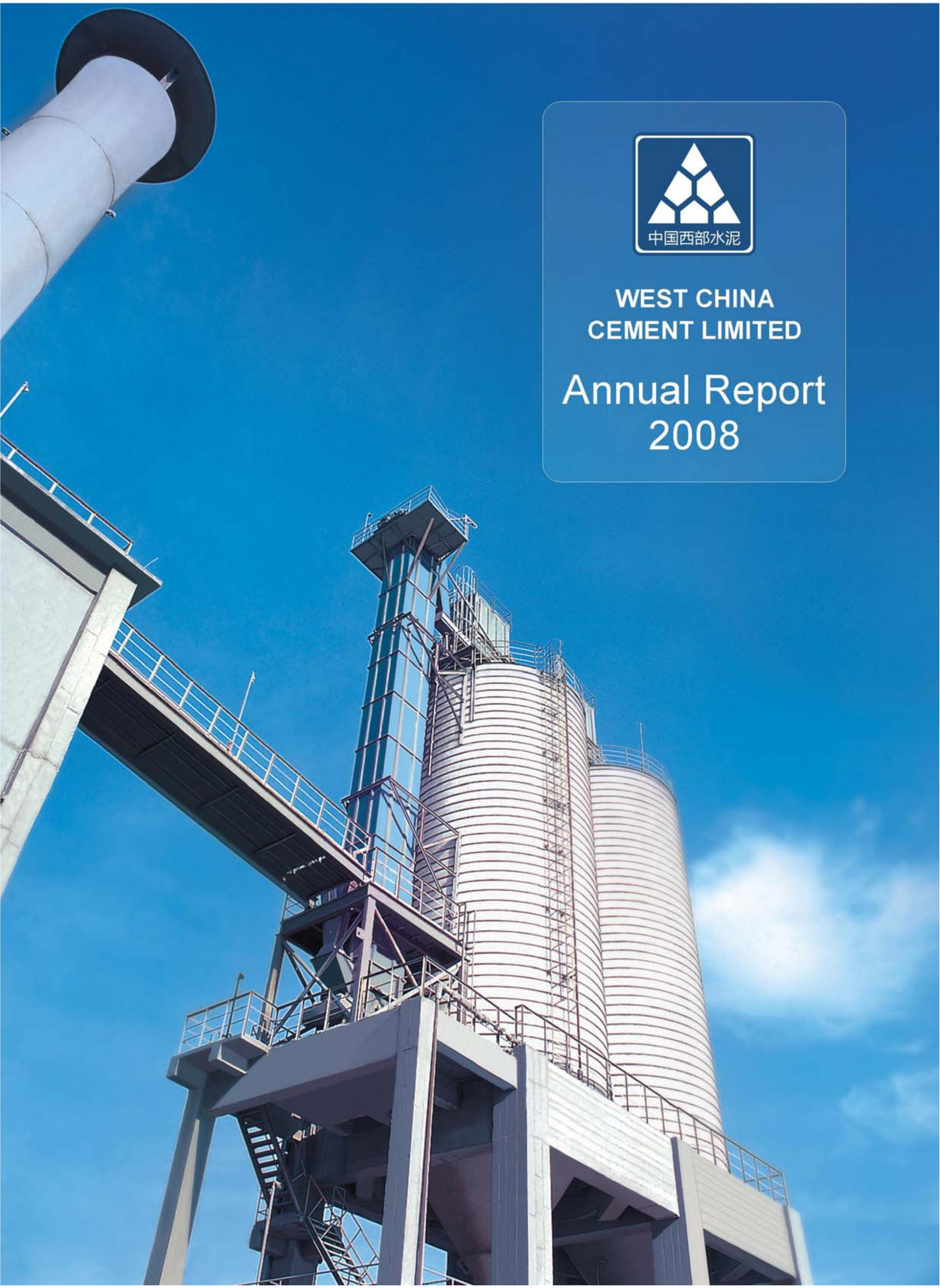


中国西部水泥

WEST CHINA CEMENT LIMITED

Annual Report 2008

Contents

Directors, Secretary and Advisers

Directors	Robert Robertson (Non-Executive Chairman) Jimin Zhang (Chief Executive Officer) Jianli Wang (Technical Director) Po Ling Low (Financial Director) Brett Miller (Non-Executive Director)
Registered Office	All of : 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 Joint Broker	NCB Stockbrokers Ltd 51 Moorgate London EC2R 6BH UK
Joint Broker	Evolution Securities China Ltd 29-30 Cornhill London EC3V 3NF UK
Legal Advisers to the Company (UK)	Halliwells LLP 3 Hardman Square Spinningfields Manchester M3 3EB UK
Legal Advisers to the Company (PRC)	Zong Heng Room 339 Number 12 East Chang An Avenue Beijing P.R.C. 100742
Auditors (UK)	PKF (UK) LLP Pannell House 6 Queen Street 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

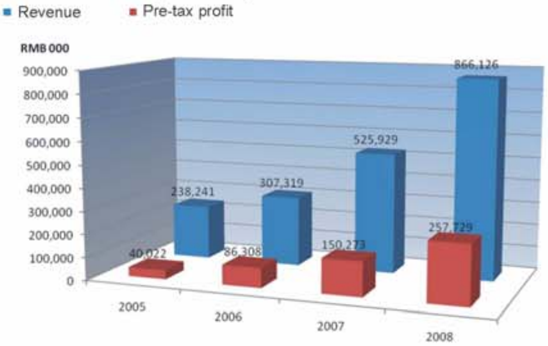
It's all about delivery and growth...

Key Financial Highlights

Financial summary	2008 (RMB million)	2007 (RMB million)	Growth rate
Revenue	866	526	65%
Profit before tax	258	150	72%
Profit after tax	246	150	64%
Total assets	1,892	1,226	54%
Total equity	930	682	36%
Earnings per share (RMB)	3.84	2.35	63%

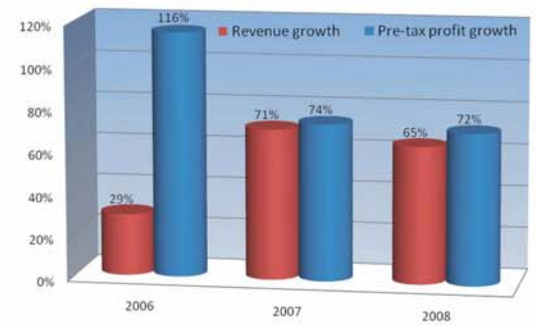
Excellent performance and strong growth

Revenue and pre-tax profit



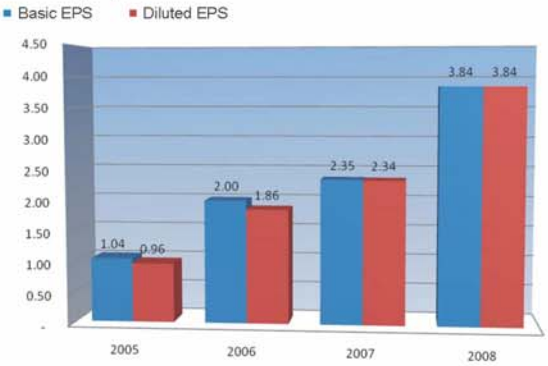
- Revenue increased by 65% from RMB526 million in 2007 to RMB866 million in 2008 and by 264% over the three years from 31 December 2005 to 31 December 2008.
- Pre-tax profit increased by 72% from RMB150 million in 2007 to RMB258 million in 2008 and by 544% over the three years from 31 December 2005 to 31 December 2008.
- Margin improvement and growth, leveraging on Group size and structure.

Revenue and profit growth



- High organic growth delivered over three years.
- Growth in pre-tax profit has exceeded the growth in revenue, indicating efficiency improvement and economies of scale.

Earnings per Share



- WCC exceeded its targets.
- EPS has increased 3.7 times since 2005.

Highlights

Key Operational Highlights

Operational summary	2008 (million tonnes)	2007 (million tonnes)	Change
Cement production	3.47	2.42	43%
Cement sold	3.44	2.39	44%
Capacity at end of year	5.30	3.50	51%

- Both existing production facilities, Pucheng and Lantian, were producing at capacity level during 2008, with Pucheng producing 1.44 million tonnes (2007: 1.44 million tonnes) and Lantian producing 2.03 million tonnes (2007: 0.98 million tonnes).
- At the third production facility, Ankang, located in southern Shaanxi, the firing up of the kiln occurred in December 2008. This will add another 1.8 million tonnes to the total existing production capacity.
- WCC's fourth production facility, Hanzhong, has been given Board approval. The Hanzhong project comprises two one-million-tonne plants, to be located in southwest Shaanxi. The construction has commenced with completion in 2010.
- The Hanzhong project will strengthen WCC's position in southern Shaanxi.
- The Chinese Government has announced that RMB1.5 trillion and RMB1.0 trillion of the RMB4 trillion fiscal stimulus package will be spent on basic infrastructure and post-earthquake reconstruction, respectively. The package clearly underscores the government's priority to develop the infrastructure and rebuild affected areas in the western provinces of China. WCC is well-positioned to benefit from these government initiatives.

WCC aims to become the leading cement producer in Shaanxi Province

Milestones

2004, 1.5m tonnes

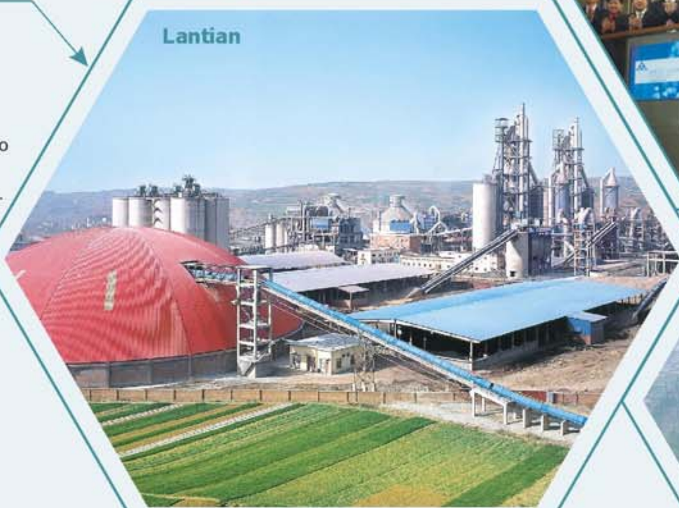
This is where WCC begins... expanded in 2004, then one of the largest precalcinated production lines in Weinan region.

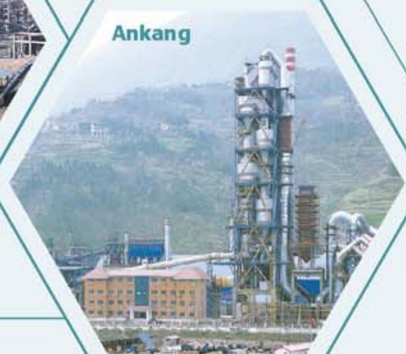
2006, London AIM listing

...listed on 4 December, 2006, raising GBP22 million, WCC net profit has since grown from RMB44 millionin 2005 to RMB246 million in 2008.

2007, Another 2.0m tonnes

The closest production plant to the provincial capital, Xi'an... strong competitive advantage.



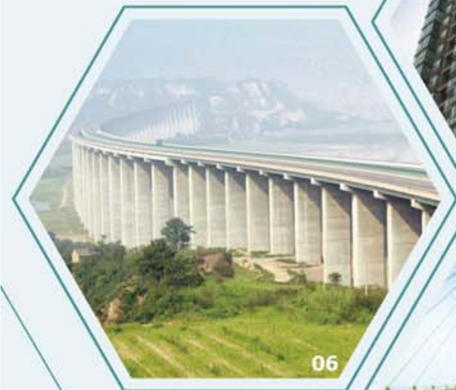


2009, Total 5.3m tonnes capacity

...kiln was fired up in December 2008... another milestone in WCC's growth story... presence and new market in southern Shaanxi.

We are on our way to become the market leader in Shaanxi Province

Some of Our Customers' Projects



01 Yangyang International 阳阳国际

02 Chang'an District Government 长安区政府

03 Zhengzhou (Henan) - Xi'an Railway 郑西铁路

04 The Third East Ringway 东三环

05 Longmen Yellow River Bridge 龙门黄河大桥

06 Zhichuan Bridge 芝川大桥

07 Hancheng Power Station 韩城二电双塔

08 Super Major Bridge of Yaoluo Village 姚罗村特大桥

09 Qinling Zhongnan Mountain Highway Tunnel 秦岭终南山公路隧道

All above projects are in Shaanxi Province.

Chairman's Review

Another record year...

Against the background of world recession, it is exciting to be able to report on results for 2008 which demonstrate that the market for cement in West China's territories has continued to offer a most unusual investment opportunity. The Company reported profit before tax of RMB258 million (GBP26.09 million), representing an increase of 72% over 2007 and three times the pre-tax profit of RMB86 million (GBP5.64 million) achieved in 2006, the year in which the Company was floated on AIM. In terms of profit after tax, the position is very similar, while in sterling the increase has been much more pronounced following the Renminbi's strengthening against Sterling.

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

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

Since the year end, production and sales of cement have begun at the new 1.8 million tonnes capacity Ankang plant in the South East of Shaanxi Province and we intend to achieve full capacity in the second half of this year. The project was not entirely immune to the escalation of raw materials costs last year and the final cost will be RMB770 million, compared with the RMB725 million, I referred to at the half year. At the time of the results for the year ended 31 December 2007, I also mentioned that this project might have to be slowed down, in view of the unexpected virtual closure of Chinese debt markets and the unattractive state of international debt and equity markets. However, we were able to secure a debt package of $60 million, as announced last May. At the time we felt that the package was expensive, with a basic interest cost of 13.5%, and warrants which the lender could exercise by subscription for shares or which it could put to the Company for cash settlement. But we believed that, given the very attractive characteristics of the project, it was correct to proceed and we feel that the deepening credit crunch has also vindicated the financing terms.

West China Cement has the declared intention of becoming a regional champion, the market leader in Shaanxi Province, with capacity of 8-10 million tonnes. Clearly the Board examines ambitions like these in the context of changing market circumstances. Having done so, and having regard to the implications of the PRC's RMB4 trillion economic stimulus package, I am delighted to advise that we are embarking on further expansion. This package calls for investment in infrastructure in the centre of China and to rebuild in the wake of the earthquake in Sichuan Province to the South West of Shaanxi. The PRC Government's package therefore substantially underpins the strategy which WCC has been carrying out. We are now embarking on the Hanzhong project, which consists of two one-million-tonne plants on either side of the city of Hanzhong in the South West of Shaanxi Province. These will serve the market in that part of our home province, and also the neighbouring provinces of Sichuan and Gansu, where earthquake reconstruction is paramount. The projects are expected to have a capital cost of RMB763 million and are scheduled for completion in Q2 and Q3 of 2010. It will be financed from a combination of the Company's own cash flow and attractive local debt.

The early part of 2009 has been relatively quiet as is normally the case at this time of year, influenced by winter weather and the Chinese New Year celebrations. However, we expect demand to be robust in 2009 and we look forward to another year of opportunities.

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

Robert Robertson
Non-Executive Chairman

Chief Executive Officer's Review

A challenging, yet remarkable year with an outstanding performance and robust growth

Overview

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

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

WCC was able to make up the adverse weather conditions related shortfall in sales in January and February and sold a total of 3.44 million tonnes of cement in 2008 (2007: 2.39 million tonnes). WCC also managed to pass on the effects of cost increases to its customers. Although facing a tight credit environment, WCC completed a US$60 million debt financing deal in May 2008. This enabled the Company to complete the Ankang project on schedule, delivering on our promises to shareholders.

Financial results

I am pleased to report a record financial performance by WCC in 2008. We achieved our highest ever sales revenue of RMB866 million (2007: RMB526 million) and profit after tax of RMB246 million (2007: RMB 150 million). The revenue and profit growth were 65% and 64% respectively. The corresponding revenue and profit expressed in sterling pounds were GBP87.7 million (2007: GBP36.0 million) and GBP24.9 million (2007: GBP10.3 million), respectively. To our UK based shareholders, the growth in revenue and profit are more pronounced as the Renminbi has strengthened from RMB14.58 to the pound at the end of 2007 to RMB9.88 at the end of 2008. The sterling pounds equivalent revenue growth was 143% and that of profit growth was 142%.

Some of the year's significant highlights include:

- Earnings per share up 63% to RMB3.84 (2007: RMB2.35).
- Gross margin improved from 33.4% to 35.8% and pre-tax margin from 28.6% to 29.8% despite cost inflation; this was a result of a combination of sound cost control and improved selling prices.

- Return on capital employed (EBIT/Net Assets) of 30.6% (2007: 25.6%). WCC has, as at 31 December 2008, invested RMB646 million in its third production base, Ankang. This plant is expected to commence normal production in the second half of 2009.

Business review

A difficult start

2008 was another notable year with robust delivery despite many challenges. In the first half of 2008, the Chinese economy continued its vigorous growth and when faced with evidence of "overheating", the Chinese Government introduced a series of fiscal and monetary measures such as raising the reserve requirement ratio and the bank interest rates. These steps were aimed at curbing inflation and cooling down the overheated economy. WCC was facing difficulties in raising local debt financing for its expansion plans. Due to the tough capital market conditions as a result of the world economy having entered into a recession the availability of equity was restricted, which in turn threatened to affect the progress of our Ankang project.

Successful fund raising

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

Overcoming difficulties

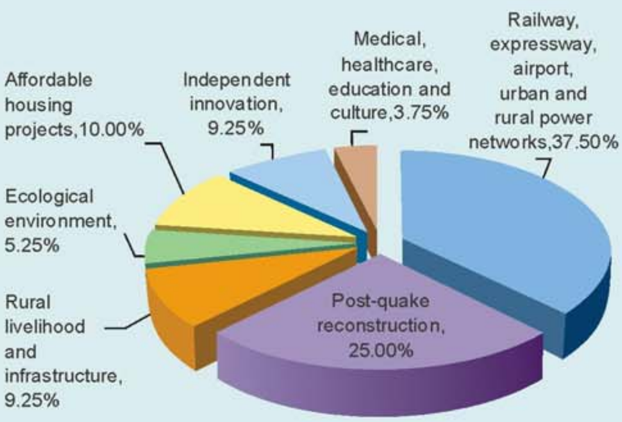
In January and February 2008, many places in China, including Shaanxi, were hit by extreme weather conditions and terrible snowfalls. The heavy snowfall halted WCC's cement production and sales. Although WCC carried out its annual maintenance shut-down during the period of extreme weather, our profitability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

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

A robust second half

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

The world economy has been hit by the "financial tsunami" caused by the global credit crisis. China's economy is not immune to the global recession. Its growth rate has slowed down in the second half of the year in contrast to the inflationary growth in the first half. The number of new residential construction projects has been in decline. In November 2008, the Chinese Government implemented a RMB4 trillion stimulus package to battle the economic slowdown. The two key messages which were delivered by the Chinese Government were: 1. China will ensure a minimum of 8% GDP growth in 2009; and 2. the Government, with support from Chinese banks, will create job opportunities to tackle unemployment. The spending of the RMB4 trillion will be spread across two years (2009 - 2010) in the following sectors:



Apportionment of the RMB4 trillion stimulus package *(Source: National Development and Reform Commission)*

Chief Executive Officer's Review (continued)

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

Research and development

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

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

WCC is spending RMB17.5 million to modify Pucheng's cement milling system in order to improve its cement grinding capacity. This project is scheduled to complete in April 2009. The incremental benefit from this project is estimated to be around RMB10 million per annum.

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

Safety and environment

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

WCC is committed to ongoing efforts to reduce emissions and energy consumption. The Lantian waste heat recycling plant started normal operations in early November 2008 and was producing electricity at 85% of its designed capacity by end of the month. During 2008, 9,200 kilowatts of electricity was produced and RMB2.9 million worth of electricity costs were saved.

People

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

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

Treasury risk management

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

The Group is exposed to foreign exchange risk and share price risk arising from its US$60 million offshore loan and the associated warrants and derivative, as explained in note 16 and note 24 of the consolidated financial statements. The liquidity risk is modest, Ankang will soon contribute, and further strengthen our operational cash flow. WCC's continued growth strategy is financed partly by internally generated cash flow and partly by local bank borrowings. As part of the economic stimulus package, the Chinese Government has, in addition to granting subsidies to development projects, reduced the reserve requirement ratio and bank interest rates. WCC should be able to raise capital expenditure loans at attractive rates locally if the need arises

The Group is exposed to interest rates and other market risks in the ordinary course of business. WCC's approach to risk management is set out in Note 24 of the financial statements.

Political, legal and regulatory

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

WCC is well positioned to benefit from the massive government spend on infrastructure in western China

2009 outlook

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

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

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

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

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

Jimin Zhang
Chief Executive Officer

Projects	Estimated consumption (million tonnes)	Planned construction period
Expressways		
Ankang (Shaanxi) to Shaanxi-Sichuan Border	1,500,000	2006-2010
Ankang (Shaanxi) to Maoba (Shaanxi)	200,000	2007-2012
Shiyan (Hubei) to Tianshui (Gansu) Ankang(Shaanxi) West Section	1,000,000	2008-2011
Shiyan (Hubei) to Tianshui (Gansu) Ankang (Shaanxi) East Section	1,000,000	2009-2011
Shiyan (Hubei) to Tianshui (Gansu) Hanzhong (Shaanxi) Section	1,000,000	2009-2010
Weinan (Shaanxi) to Pucheng (Shaanxi)	100,000	2009-2010
Xi'an (Shaanxi) to Shangzhou (Shaanxi)	1,500,000	2009-2010
Xi'an (Shaanxi) to Hanzhong (Shaanxi) to Chengdu (Sichuan)	2,000,000	2009-2011
Xi'an (Shaanxi) to Lintong (Shaanxi)	200,000	2009-2011
Yulin (Shaanxi) to Shangzhou (Shaanxi)	1,000,000	2009-2012
Railways		
Baotou (Inner-Mongolia) to Xi'an (Shaanxi)	380,000	2007-2011
Xi'an (Shaanxi) to Ankang (Shaanxi)	1,200,000	2009-2011
Other Roads & Projects		
Shaanxi Province All Rural Roads Construction	10,000	2006-2010
Xi'an (Shaanxi) Metro Line 2	800,000	2007-2010
Xi'an (Shaanxi) Metro Line 1	1,000,000	2009-2011
Hanjiang Xunyang Hydroelectric Station	200,000	2008-2012
Baoji (Shaanxi) to Hanzhong (Shaanxi) Highway	800,000	2009-2010
Xi'an (Shaanxi) North Coach Station	500,000	2008-2010
Xi'an (Shaanxi) East Coach Station	300,000	2009-2011

Directors' Biographies

Robert Robertson
(Non-Executive Chairman,aged 57)

Mr. Robertson has over 30 years' global experience in the extractive industry. He headed Anglo American's Industrial Minerals division for nine years, during a period of major growth. He was Chief Executive of Tarmac, its building materials subsidiary and major aggregates, concrete, asphalt, cement and lime producer with operations in the EU, Eastern Europe, the Middle East and Asia. Robert is a director of a number of other companies.

Jimin Zhang
(Chief Executive Officer,aged 54)

Mr. Zhang is a founder of the Group. He began his career in the cement industry in Hanjing Cement and has more than 30 years of industry experience. From 1992-1994, 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.

Po Ling Low
(Financial Director, aged 34)

Ms Low, a Malaysian national, is an ACCA qualified accountant with over ten years experience in audit practice and corporate finance. She has worked in Malaysia, Singapore and the UK with PricewaterhouseCooper, BDO, Deloitte and Touche and PKF. She was associate director of an investment company in Beijing before joining West China Cement. She is fluent in Mandarin and English. Ms Low has worked for WCC in various consulting capacities since the IPO in 2006.

Jianli Wang

(Executive Director, Vice General Manager and Chief Engineer,aged 45)

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.

Brett Miller

(Non-Executive Director,aged 41)

Mr. Miller graduated from University of Witwatersrand, South Africa, with a Bachelor degree majoring in Law and Economics and he also has a degree in Law from the London School of Economics. He joined Nabarro Nathanson, a London-based law firm, in 1993 where he specialised in M&A and corporate finance in the energy, natural resource and smaller companies sector until 1997. In 1999, he joined Ruegg & Co Limited, a corporate finance boutique also in London where he is managing director and a key shareholder. Brett is also a director of Pactolus Hungarian Property plc, Globo plc and China Growth Opportunities Limited, all AIM listed companies.

CEMENT
WEST CHINA
中国西部水泥
2008

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their annual report and the audited financial statements for the Group and the Company for the year ended 31 December 2008.

Principal Activities

West China Cement Limited 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 performance in 2008 has exceeded the directors' expectations during the year. The Group overcame financing challenges in respect of construction of its third cement production centre, the Ankang plant, where the kiln was fired in December 2008. Ankang has begun production and sales of cement and is expected to achieve full capacity in the second half of 2009. At full capacity, Ankang will bring the Group's total annual cement production capacity up from the current 3.5 million tonnes to 5.3 million tonnes.

The directors expect the Group's activities to be sustained through the foreseeable future.

A detailed review of the Group's business during 2008, 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 7 and page 9. The reviews include 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 18 of this Annual Report. The Group achieved annual sales of 3.44 million tonnes (2007: 2.39 million tonnes) of cement with revenue of RMB866 million (2007: RMB526 million). The Group made a profit after tax of RMB246 million (2007: RMB150 million).

The directors do not recommend the payment of a 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 (resigned 21 October 2008)	Chief Finance Officer
Po Ling Low (appointed 21 October 2008)	Chief Finance Officer
Jianli Wang	Chief Engineer
Brett Miller	Non-executive director, chairman of audit committee

Directors and Directors' Interests

The directors who held office at 31 December 2008 had the following interests in the shares of the company:

	Number of Ordinary Shares as at 31 December	
	2008	2007
Robert Robertson	100,000	50,000
Jimin Zhang	34,777,478	37,607,667
Po Ling Low	Nil	Nil
Jianli Wang	Nil	Nil
Brett Miller	Nil	Nil

Pursuant to the Share Option Scheme, Robert Robertson and Brett Miller were granted options of 636,883 and 159,221 Ordinary Shares respectively at the time of IPO. These options are exercisable at the IPO placing price of GBP1.05 between the 4 December 2008 and 4 December 2011.

Practice on Payment of Creditors

The Company is a non-trading investment holding company. There are no trade creditors. 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 2008 were equivalent to 53 days' (2007: 63 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 brokers, 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 0BD on 5 May 2009 at 11a.m. Full details of the resolutions to be put to the meeting are given in the notice of AGM attached to 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 consolidated and parent company 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 and the United Kingdom 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
30 March 2009

Independent Auditors' Report

TO THE SHAREHOLDERS OF WEST CHINA CEMENT LIMITED

We have audited the group and parent company financial statements ("the financial statements") of West China Cement Limited for the year ended 31 December 2008. 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, and 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, or 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 consolidated financial statements. The other information comprises only the Directors' Report, Chief Executive Officer'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 and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 parent company's affairs as at 31 December 2008 and of the group's profit for the year then ended and the parent company's profit 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
30 March 2009

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	*2008* *RMB000*	*2007* *RMB000*
Continuing Operations			
Revenue	3	866,126	525,929
Cost of sales		(556,073)	(350,165)
Gross profit		310,053	175,764
Other operating income	3	44,075	38,803
Selling and distribution costs		(12,018)	(9,796)
Administrative expenses		(57,289)	(30,151)
Operating profit	4	284,821	174,620
Investment income	3, 6	1,023	1,826
Finance costs	7	(28,115)	(26,173)
Profit before income tax		257,729	150,273
Income tax charge	8	(11,566)	-
Profit for the year		246,163	150,273
Attributable to:			
Equity holders of the Company		246,163	150,273
Earnings per share	9		
Basic (RMB per share)		3.84	2.35
Diluted (RMB per share)		3.84	2.34

Consolidated Balance Sheet

AT 31 DECEMBER 2008

	Note	**2008** **RMB000**	*2007* *RMB000*
Non-current assets			
Intangible assets	10	57,274	57,236
Property, plant and equipment	11	1,528,846	944,927
Deferred tax asset	12	798	12,364
		1,586,918	1,014,527
Current assets			
Inventories	13	81,507	45,653
Trade and other receivables	14	147,319	111,062
Income tax recoverable		2,859	-
Pledged deposits		21,340	24,336
Cash and cash equivalents		51,698	29,997
		304,723	211,048
Total assets		1,891,641	1,225,575
Current liabilities			
Trade and other payables	15	234,459	187,019
Income tax liabilities		-	-
Bank borrowings	16	23,000	23,000
Other liabilities	17	7,400	3,700
		264,859	213,719
Net current assets / (liabilities)		39,864	(2,671)
Non-current liabilities			
Bank borrowings	16	637,469	296,200
Other borrowings	16	15,221	18,415
Warrants classified as liabilities	16	32,908	-
Other liabilities	17	11,100	14,800
		696,698	329,415
Net assets		930,084	682,441
Equity			
Share capital	18	93,482	93,482
Share premium	20	638,070	638,070
Reverse acquisition reserve	20	(354,452)	(354,452)
Share options reserve	19, 20	6,708	5,228
Foreign currency translation reserve	20	37,158	37,471
Statutory reserve	20	61,996	36,420
Retained earnings		447,122	226,222
Equity attributable to equity holders of the Company		930,084	682,441

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

Jimin Zhang, Chief Executive Officer

Consolidated Statement Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2008

	Attributable to equity holders of the Company							
	Share capital RMB000	*Share premium RMB000*	*Reverse acquisition reserve RMB000*	*Share options reserve RMB000*	*Foreign currency translation reserve RMB000*	*Statutory reserve RMB000*	*Retained earnings RMB000*	*Total RMB000*
At 1 January 2008	93,482	638,070	(354,452)	5,228	37,471	36,420	226,222	682,441
Total recognised income and expense								
Profit for the year	-	-	-	-	-	-	246,163	246,163
Transfer to statutory reserve	-	-	-	-	-	25,576	(25,576)	-
Share based payment	-	-	-	1,480	-	-	-	1,480
Exchange differences	-	-	-	-	(313)	-	313	-
At 31 December 2008	93,482	638,070	(354,452)	6,708	37,158	61,996	447,122	930,084

At 1 January 2007	97,542	662,593	(354,452)	4,646	550	20,463	91,906	523,248
Net income recognised directly in equity								
Exchange difference arising on translation of foreign operation	-	-	-	-	5,720	-	-	5,720
Add: Profit for the year	-	-	-	-	-	-	150,273	150,273
Total recognised income and expense	-	-	-	-	5,720	-	150,273	155,993
Transfer to statutory reserve	-	-	-	-	-	15,957	(15,957)	-
Share based payment	-	-	-	2,184	-	-	-	2,184
Issue of ordinary share pertaining to warrant exercise	620	7,267	-	(1,379)	-	-	-	6,508
Exchange differences	(4,680)	(31,790)	-	(223)	31,201	-	-	(5,492)
At 31 December 2007	93,482	638,070	(354,452)	5,228	37,471	36,420	226,222	682,441

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 RMB000	2007 RMB000
OPERATING ACTIVITIES		
Operating profit	284,821	174,620
Adjustments for:		
Depreciation of property, plant and equipment	61,366	44,829
Amortisation of land use rights	3,212	203
Allowances for doubtful debts	664	(1,207)
(Loss)/ gain on disposal of property, plant and equipment	(308)	1,971
Share based payment	1,480	2,184
Operating cash flow before movements in working capital	351,235	222,600
Increase in inventories	(35,854)	(21,462)
Increase in receivables	(36,921)	(64,090)
Increase in payables	45,508	96,533
Cash generated by operations	323,968	233,581
Other taxes paid	(2,859)	-
Interest paid	(54,786)	(26,173)
NET CASH GENERATED FROM OPERATING ACTIVITIES	266,323	207,408
INVESTING ACTIVITIES		
Interest received	1,023	1,826
Purchase of property, plant and equipment	(610,454)	(364,351)
Acquisition of land use rights	-	(31,180)
Proceeds on disposal of property, plant and equipment	1,834	-
Decrease/ (increase) in cash pledged	2,996	(21,768)
NET CASH USED IN INVESTING ACTIVITIES	(604,601)	(415,473)
FINANCING ACTIVITIES		
Net proceeds from bank borrowings	393,173	69,496
Repayment of bank borrowings	(30,000)	-
Proceeds from other borrowings	(3,194)	(30,558)
Proceeds on issue of new shares (net)	-	6,508
NET CASH GENERATED FROM FINANCING ACTIVITIES	359,979	45,446
NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENTS	21,701	(162,619)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,997	192,388
Foreign exchange difference	-	228
CASH AND CASH EQUIVALENTS AT END OF YEAR	51,698	29,997

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 Plaza, 4th Gaoxin 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 cement.

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

(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 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 the balance sheet are those of the subsidiary undertakings plus those of the Company from the date of acquisition.

(c) Foreign currencies

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

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

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2008

2. Principal accounting policies (continued)

(c) Foreign currencies (continued)

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

The following exchange rates have been used:

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

(d) 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 apportioned basis.

For the year ended 31 December 2007 and 2008, the Group comprised only one business and geographical segment.

(e) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and that all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the year necessary to match it 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 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.

2. Principal accounting policies (continued)

(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. Movements are recognised in the income statement except when they relate 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 follows:

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.

(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.

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2008

2. Principal accounting policies (continued)

(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 are designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss recognised in the 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

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) "loans 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.

Pledged deposits

Pledged deposits are short-term cash deposits held with the bank. These monies are pledged to the bank for issuance of trade facilities such as bills payable. Pledged deposits cannot be withdrawn until the relevant trade facilities are repaid.

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

Debt 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.

2. Principal accounting policies (continued)

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

(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.

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.

Details of policies adopted regarding warrants classified as liabilities, and regarding the financial derivative related to borrowings are given in note 16 and note 24 respectively.

(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.

Valuation of financial derivatives

The value of the Cash Settlement Option (as described in note 16) is derived from the strike price, the share performance and the cash flow relating to the Put Option. The Cash Settlement Option is therefore a financial derivative, which is classified as a financial liability at FVTPL. See note 2(o)(ii).

The directors have used estimation regarding the valuation of this financial derivative, and are of the opinion that the value of the Cash Settlement Option at 31 December 2008 is approximately nil given the considerable fall in the share price in the second half of 2008, as explained in note 24.2.

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2008

3. Revenue

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

	2008 RMB000	2007 RMB000
Revenue: Continuing operations		
Sales of cement	866,126	525,929
Other operating income		
VAT rebates	39,167	30,528
Rental income	129	91
Government incentives	1,454	5,180
Sundry income	650	-
Exchange gain	1,577	23
Creditors written back	1,098	2,981
	44,075	38,803
Investment income		
Interest from deposits	1,023	1,534
Income from treasury management	-	292
	1,023	1,826
Total revenue and income	911,224	566,558

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

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

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

Government incentives include recycling incentives of RMB300,000 (2007: RMB150,000), bulk cement sale incentive of RMB450,000 (2007: RMB230,000), industrial development subsidy RMB700,000 (2007: RMB nil) and "clean" project investment incentive of RMB nil (2007: RMB4,800,000).

4. Operating profit

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

	2008 RMB000	2007 RMB000
Amortisation of intangible assets	3,212	203
Depreciation of property, plant and machinery	61,366	44,829
Staff costs (Note 5)	31,244	27,979
Changes in inventories	(35,854)	(21,462)
Raw materials and consumables used	329,992	199,120
Auditors' remuneration - statutory audit		
Group auditor	1,189	1,005
Allowance for doubtful debts	(664)	(1,602)
Net foreign exchange gains	(1,577)	(23)

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:

	2008 Number	2007 Number
Management and administration	265	243
Sales	131	65
Production	957	1,196
	1,353	1,504

Their aggregate remuneration was as follows:

	RMB000	RMB000
Wages and salaries	30,221	25,983
Other welfare expenses	1,023	1,996
	31,244	27,979

6. Investment income

	2008 RMB000	2007 RMB000
Interest on deposits	1,023	1,534
Income from short term treasury management	-	292
	1,023	1,826

7. Finance costs

	2008 RMB000	2007 RMB000
Interest on bank borrowings	65,273	23,823
Interest on other borrowings	1,907	5,860
Bank charges and facilities fees	542	578
	67,722	30,261
Less: Amount capitalised as construction in progress	(39,607)	(4,088)
	28,115	26,173

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.

	2008 RMB000	2007 RMB000
PRC corporation tax		
Current tax	-	-
Deferred tax (note 12)	11,566	-
	11,566	-

Notes To The Consolidated Financial Statements (continued)

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8. Income tax expense (continued)

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

	2008 RMB000	2007 RMB000
Profit before income tax	257,729	150,273
Tax calculated on the above profit, at applicable PRC corporation tax rate of 15% (2007: 0%)	38,659	-
Effect of non taxable income	(28,611)	-
Effect of non deductible expenses	454	-
Foreign enterprises tax allowance	(5,251)	
Deferred tax temporary differences	224	-
Reversal of deferred tax assets expired	6,091	-
Tax charge for the year	11,566	-

As foreign invested enterprises, Shaanxi Yaobai Special Cement Ltd ("SYSC") and Xi'an Lantian Yaobai Cement Co. Ltd ("XLYC"), the two income generating subsidiary undertakings, were entitled to preferential tax treatment whereby they are allowed a two-year tax holiday followed by a three-year period in which they are taxed at 50% of the normal PRC corporate income tax ("CIT") rate. SYSC is exempted from CIT in year 2006 and 2007; XLYC is exempted from CIT in year 2007 and 2008. The tax which would be payable at 7.5% by SYSC for 2008 has been eliminated by other tax allowances.

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.

	2008	2007
Profit attributable to equity holders of the Company (RMB000)	246,163	150,273
Weighted average number of ordinary shares in issue (thousands)	64,113	63,979
Earnings per share (RMB per share)	3.84	2.35

Diluted earnings per share

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

	2008	2007
Profit attributable to equity holders of the Company (RMB000)	246,163	150,273
Weighted average number of ordinary shares in issue (thousands)	64,113	63,979
Adjustment for share options (thousands)	-	365
Weighted average number of ordinary shares for diluted earnings (thousands)	64,113	64,344
Diluted Earnings per share (RMB per share)	3.84	2.34

10. Intangible assets

	Land use rights RMB000	*Mining rights RMB000*	*Others RMB000*	*Total RMB000*
At cost				
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
Additions	3,250	-	-	3,250
At 31 December 2008	18,771	25,500	17,180	61,451
Amortisation				
1 January 2007	762	-	116	878
Charge for the year	203	-	-	203
Written off	-	-	(116)	(116)
At 31 December 2007	965	-	-	965
Charge for the year	367	1,700	1,145	3,212
At 31 December 2008	1,332	1,700	1,145	4,177
Net book value				
At 31 December 2007	14,556	25,500	17,180	57,236
At 31 December 2008	17,439	23,800	16,035	57,274

The land use rights represent amounts prepaid for operating land situated in the PRC and held by the company under a medium term lease.

The mining rights represent the total payable for rights for 15 years.

Other intangible assets relate to other expenditure incurred in bringing the land into current useable condition. This cost is capitalised and amortised over the term of the land use rights.

Notes To The Consolidated Financial Statements (continued)

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11. Property, plant and equipment

	Property and plant RMB000	*Motor vehicles RMB000*	*Electrical equipment RMB000*	*Machinery RMB000*	*Construction in progress RMB000*	*Total RMB000*
At cost						
At 1 January 2008	394,807	11,350	48,217	456,733	176,104	1,087,211
Additions	22,156	3,539	234	1,029	625,505	652,463
Transfers	8,914	(92)	(5,910)	65,760	(74,324)	(5,652)
Disposal	-	(1,713)	-	(37)	-	(1,750)
At 31 December 2008	425,877	13,084	42,541	523,485	727,285	1,732,272
Accumulated depreciation						
At 1 January 2008	56,796	1,694	11,420	72,374	-	142,284
Charge for the year	19,801	1,532	3,531	36,502	-	61,366
Disposal	-	(212)	-	(12)	-	(224)
At 31 December 2008	76,597	3,014	14,951	108,864	-	203,426
Net book value						
At 31 December 2008	349,280	10,070	27,590	414,621	727,285	1,528,846
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

11. Property, plant and equipment (continued)

Depreciation expenses have been charged in income statements as follows:

	2008 *RMB000*	2007 RMB000
Charged in cost of sales	57,693	42,283
Charged in general and administrative expenses	3,673	2,546
	61,366	44,829

The carrying amounts of the Group's construction in progress included in property, plant and equipment included capitalised interest of RMB39,607,000 as at 31 December 2008 (2007: RMB4,088,000). Interest was capitalised at an effective interest of 21% and 12% for the years ended 31 December 2008 and 31 December 2007 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. A negative pledge was in place for most of the remaining assets.

	2008 *RMB000*	2007 RMB000
Net book value	281,322	230,400

12. Deferred tax assets

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

	Tax allowances on capital expenditure RMB000	*Other temporary differences RMB000*	*Total RMB000*
At 1 January 2007 and 1 January 2008	11,342	1,022	12,364
Charged to income statement	(11,342)	(224)	(11,566)
At 31 December 2008	-	798	798

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

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

13. Inventories

	2008 *RMB000*	2007 RMB000
Raw materials	49,591	26,727
Work in progress	31,542	18,746
Finished goods	374	180
	81,507	45,653

The cost of inventories recognised in income statement as raw materials and consumables amounted to RMB329,992,000 (2007: RMB199,120,000).

Notes To The Consolidated Financial Statements (continued)

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14. Trade and other receivables

	2008 RMB000	2007 RMB000
Trade receivables	69,291	56,006
Less: Allowances for doubtful debts	(3,464)	(2,800)
	65,827	53,206
Bills receivable	5,719	4,350
Deposits and prepayments	23,047	28,577
Other receivables	53,140	25,074
Less: Allowances for doubtful debts	(414)	(145)
	52,726	24,929
	147,319	111,062

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. 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:

	2008 RMB000	2007 RMB000
Balance at beginning of the year	2,800	3,098
Additions during the year	691	-
Over - provision written back	-	(298)
Amount written off as uncollectible	(27)	-
Balance at end of the year	3,464	2,800

Ageing impaired trade receivables

	2008 RMB000	2007 RMB000
60 - 90 days	2,267	390
90 - 120 days	632	623
Over 120 days	565	1,787
	3,464	2,800

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 considers the use of external debt collection agents or taking legal action. Included in the above trade receivables balance are debtors with a carrying amount of RMB37,349,000 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.

14. Trade and other receivables (continued)

Trade receivables (continued)

Ageing of past due but not impaired:

	2008 RMB000	2007 RMB000
60 - 90 days	13,397	7,426
90 - 120 days	12,651	3,530
Over 120 days	11,301	7,820
	37,349	18,776

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 advances to suppliers of RMB22,784,000 (2007: RMB28,171,000) and prepaid expenses of RMB263,000 (2007: RMB406,000).

Included in other receivables are subsidies receivable of RMB13,378,000 (2007: RMB8,703,000).

15. Trade and other payables

	2008 RMB000	2007 RMB000
Trade payables	81,175	61,640
Bills payable	15,000	15,000
Advances from customers	22,960	20,056
Amounts due to key management personnel (note 23)	1,192	25
Accruals		
- Operating expenses	14,219	7,702
- Salary, welfare and taxes	9,219	4,894
- Accrued construction expenses	42,825	44,235
	66,263	56,831
Other payables	47,869	33,467
	234,459	187,019

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 key management personnel represent advances from them and are interest-free, unsecured and repayable on demand.

Notes To The Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2008

16. Bank borrowings, other borrowings and warrants classified as liabilities

	2008 RMB000	2007 RMB000
Current:		
Bank borrowings - secured	23,000	23,000
Non current:		
Bank borrowings - secured	578,669	207,400
Bank borrowings - unsecured	58,800	88,800
	637,469	296,200
Warrants classified as liabilities	32,908	-
Other borrowings	15,221	18,415
	685,598	314,615
Total	708,598	337,615
Bank borrowings and warrants classified as liabilities are repayable as follows:		
Within one year	23,000	23,000
In the second year	670,377	260,400
In the third to fifth years inclusive	-	35,800
	693,377	319,200
Other borrowings are repayable as follows:		
Within one year	-	-
In the second year	15,221	18,415
	15,221	18,415

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

The weighted average interest rates paid were as follows:

	2008	2007
RMB Bank borrowings	9.32%	8.28%
USD Bank borrowings	19.00%	-
Other borrowings	12.00%	12.00%

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

The warrant holders received warrants to subscribe for 7,802,142 ordinary shares in the Company at a strike price representing a 15% premium to the average equivalent closing price per share over the 20 trading days immediately preceding the date of the facility agreement, subject to anti-dilution adjustments and strike price resets under certain circumstances. The warrants may be exercised at any time up to 36 months after the issuance. The warrant holders are given the option to put the outstanding warrants ("Put Option") for an amount that would provide an internal rate of return of 19% on the whole loan and therefore the warrants have been classified as liabilities. The Put Option can be exercised after 30 months in certain circumstances or earlier in the event of default. Should the warrant holders choose to exercise their warrants in the normal course, they can opt for either share or cash settlement on exercise of the warrants, and the cash settlement option gives rise to a financial derivative (see note 24).

16. Bank borrowings, other borrowings and warrants classified as liabilities (continued)

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

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

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

	Bank borrowing RMB000	*Warrants classified as liabilities RMB000*	*Total RMB000*
Initial recognition	364,937	30,235	395,172
Financial charge for the period	36,869	2,738	39,607
Interest paid and foreign exchange movements	(30,538)	(65)	(30,603)
Balance at end of year, at amortised cost	371,268	32,908	404,176
Effective interest rate	20.2%	17.8%	

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

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

17. Other liabilities

	2008 RMB000	*2007 RMB000*
At beginning of year	18,500	-
Amount payable for mining rights	-	18,500
At 31 December 2007 and 31 December 2008	18,500	18,500
Included in current liabilities	7,400	3,700
Included in non-current liabilities	11,100	14,800
	18,500	18,500

The liabilities relate to amounts payable for a 15-year mining right.

18. Share capital

	2008		2007	
	RMB000	GBP000	RMB000	GBP000
Authorised:				
200,000,000 ordinary shares of 10p each	291,614	20,000	291,614	20,000
Issued and fully paid:				
64,113,366 ordinary shares of 10p each	93,482	6,411	93,482	6,411

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

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

Share options / Warrants

The Company has the following options / warrants in issue:

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

[1] On 29 November 2006 the Company executed a warrant instrument in favour of Insinger de Beaufort which gives Insinger de Beaufort the right to subscribe for 1,273,767 ordinary shares at GBP1.05 for a period of three years from 4 December 2006. On 26 April 2007, 425,000 warrants were exercised.

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

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

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

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

19. Share-based payments

On December 4, 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.

On 14 April 2008, 320,000 shares options were granted to Anthony Schindler (Note 18).

19. Share-based payments (continued)

These options have been valued using the Black-Scholes model with the following details and main assumptions:

Grant date	4 December 2006	14 April 2008
Exercise price	GBP1.05	GBP1.557
Expected life	5 years	5 years
Expected volatility	40%	50%
Expected dividend yield p.a.	0%	0%
Risk-free rate	5.50%	5.50%
Expected forfeiture p.a.	0%	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous year. The total charged to the income statement during the year was RMB1,480,000 (2007: RMB2,280,000).

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/ Warrants reserve

The 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.

Statutory reserve

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

Foreign currency translation reserve

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

21. Contingent liabilities

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

22. Capital commitment

	2008 RMB000	*2007 RMB000*
Capital commitments in respect of the acquisition of property, plant and equipment	280,401	511,334
Expected payment profile:		
- Within 1 year	276,934	441,834
- 2 - 5 years	3,467	69,500
	280,401	511,334

These commitments relate to the remainder of the Ankang project, plus two new projects at Hanzhong.

Notes To The Consolidated Financial Statements (continued)

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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.

	2008 **RMB000**	2007 RMB000
Salaries and bonuses	4,124	3,101
Other welfare	-	4
Share based payment	1,480	2,280
	5,604	5,385

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

Salary, bonus and welfare	**2008** **RMB000**	2007 RMB000
Robert Robertson*	960	761
Brett Miller*	673	532
Jimin Zhang *	1,066	602
Jianli Wang *	341	300
Po Ling Low *	153	-
Zhenjun Tian *	287	300
Zhixin Chen	306	388
Wenyu Li	338	222
	4,124	3,105

* 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:

	2008 **RMB000**	2007 RMB000
Zhixin Chen	900	-
Wenyu Li	292	25
	1,192	25

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 2008 and 31 December 2007, as "loan and receivables" and its financial liabilities as "other financial liabilities".

24. Financial instruments and risk factors (continued)

24.2 Categories of financial instruments (continued)

Financial assets *2008*	*Trade and other receivables RMB000*	*Pledged deposits RMB000*	*Cash and cash equivalent RMB000*	*Total RMB000*
Loans and receivables	147,319	21,340	51,698	220,357
2007				
Loans and receivables	111,062	24,336	29,997	165,395

Financial liabilities *2008*	*Trade and other payables RMB000*	*Bank borrowings and warrants classified as liabilities RMB000*	*Other borrowings RMB000*	*Other liabilities RMB000*	*Total RMB000*
Fair value through profit and loss (FVTPL)	-	-	-	-	-
Other financial liabilities at amortised cost	234,459	693,377	15,221	18,500	961,557
2007					
Fair value through profit and loss (FVTPL)	-	-	-	-	-
Other financial liabilities at amortised cost	187,019	319,200	18,415	18,500	543,134

The Directors have identified that the cash settlement option of the warrants attached to the US$60 million loan facility was an embedded derivative. The value of the cash settlement option is derived from the strike price, the Company's share performance and the cash flow relating to the Put Option. The cash settlement option is therefore a financial derivative, which is classified as a financial liability at FVTPL. This derivative therefore has the potential to bring volatility in the future periods as there could be significant movements in the fair value of the financial liability.

The initial value of the derivative is not permitted by IAS39 to be recognised as a loss at initiation. The Group's accounting policy in respect of this initial loss is to recognise it through the income statement on a straight line basis except to the extent of any subsequent reversal (if higher). Given the considerably lower share price at the year end, the directors are of the opinion that the value of the derivative at the year end is approximately nil, and consequently no net gain or loss has been recognised in this respect in the year and an insignificant amount is deferred as loss to future periods.

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 to 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 borrowings, other borrowings and warrants classified as liabilities approximate to their fair values based on discounted cash flow analysis.

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 minimising 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.

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.

Notes To The Consolidated Financial Statements (continued)

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24. Financial instruments and risk factors (continued)

24.4 Financial risk management objectives (continued)

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 2008 would decrease/ increase by RMB3,044,000 (2007: RMB2,834,000).
- Equity at 31 December 2008 (and 2007) would decrease / increase by the same amounts.

Foreign currency risk

The Group's financial assets are denominated in the following currencies:

Financial assets *2008*	*Trade and other receivables* *RMB000*	*Pledged deposits* *RMB000*	*Cash and cash equivalents* *RMB000*	*Total* *RMB000*
Denominated in RMB	147,293	21,340	32,840	201,473
Denominated in USD	26	-	15,104	15,130
Denominated in GBP	-	-	3,754	3,754
	147,319	21,340	51,698	220,357
Denominated in RMB	111,062	24,336	24,606	160,004
Denominated in GBP	-	-	5,391	5,391
	111,062	24,336	29,997	165,395

The Group's financial liabilities are denominated in the following currencies:

Financial liabilities *2008*	*Trade and other payables* *RMB000*	*Bank borrowings and warrants classified as liabilities* *RMB000*	*Other borrowings* *RMB000*	*Other liabilities* *RMB000*	*Total* *RMB000*
Denominated in RMB	226,244	289,201	15,221	18,500	549,166
Denominated in USD	-	404,176	-	-	404,176
Denominated in GBP	8,215	-	-	-	8,215
	234,459	693,377	15,221	18,500	961,557
2007					
Denominated in RMB	185,512	319,200	18,415	18,500	541,627
Denominated in GBP	1,507	-	-	-	1,507
	187,019	319,200	18,415	18,500	543,134

The revenue and expenses of the Group's main operations are denominated in RMB. The Group does not hedge against any fluctuation in foreign currency. The Group's main exposure to foreign currency risk is movement in USD against RMB. If RMB:USD increased/ decreased by 1 basis point and all other variables were held constant, the Group's:

- Profit for the year ended 31 December 2008 would decrease/ increase by RMB3,890,000 (2007: not applicable).
- Equity at 31 December 2008 (and 2007) would decrease / increase by the same amounts.

24. Financial instruments and risk factors (continued)

24.4 Financial risk management objectives (continued)

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:

2008	*Trade and other payables RMB000*	*Bank borrowings and warrants classified as liabilities RMB000*	*Other borrowings RMB000*	*Other liabilities RMB000*	*Total RMB000*
0 - 1 month	168,297	-	-	-	168,297
1 - 3 months	37,805	-	-	-	37,805
3 - 12 months	17,652	23,000	-	7,400	48,052
1 - 5 years	10,705	670,377	15,221	11,100	707,403
After 5 years	-	-	-	-	-
	234,459	693,377	15,221	18,500	961,557
Weighted average effective interest rate	-	13.30%	12.00%	-	
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%	-	

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 2008

24. Financial instruments and risk factors (continued)

24.4 Financial risk management objectives (continued)

Liquidity risk (continued)

Maturity and interest rate profile of financial assets:

2008	Trade and other receivables RMB000	Pledged deposits RMB000	Cash and cash equivalents RMB000	Total RMB000
0 - 1 month	73,986	-	51,698	125,684
1 - 3 months	16,992	21,340	-	38,332
3 - 12 months	40,845	-	-	40,845
1 - 5 years	15,496	-	-	15,496
After 5 years	-	-	-	-
	147,319	21,340	51,698	220,357
2007				
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

The above carrying values approximate to their present value due to their short term maturity.

Share price risk

As explained in 24.2 there is a financial derivative, classified as a financial liability valued at FVTPL, the value of which is derived from a number of factors including the Company's share performance, and which has the potential to bring volatility in future periods. Due to the interaction of these factors, it is not possible to isolate the sensitivity to share price risk.

The warrant instrument issued has a fixed entitlement value. The exercise price of the warrants is subject to annual price resets under certain circumstances. If the share price decreases, the warrants holders will receive more ordinary shares so that the value of warrant entitlement remains unchanged. The warrant holders are entitled to 10.85% - 16.66% of the enlarged capital depending on the share price.

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 manages 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 less expensive 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 personnel also affects the performance of the Group.

24. Financial instruments and risk factors (continued)

24.4 Financial risk management objectives (continued)

Other non-financial risks (continued)

(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.

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

	2008 ***RMB000***	*2007* *RMB000*
Debt [1]	668,139	337,615
Cash and cash equivalents and pledged deposits	(73,037)	(54,333)
Net debts	595,102	283,282
Equity [2]	976,443	682,441

(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.

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.

26. Post balance sheet events

In January 2009, the Group obtained a RMB50 million revolving loan from a local financial institution. The loan is for Ankang working capital purposes. The interest rate of this loan is 4.6%.

On 30 March 2009, the Board has approved the building of two new cement plants, each with a capacity of 1 million tonnes per annum in the South West of Shaanxi Province.

Company Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	***Year ended 31 Dec 2008 RMB000***	*Year ended 31 Dec 2007 RMB000*
Revenue		-	-
General and administrative expenses			
- Share based payment		1,480	2,280
- Auditors' remuneration - statutory audit		1,189	1,005
- Directors' remuneration		2,226	1,509
- Foreign exchange gain		(1,578)	-
- Other expenses		8,819	2,608
		(12,136)	(7,402)
Investment income	2	26,995	798
Profit/ (loss) before taxation		14,859	(6,604)
Income tax expense	3	-	-
Profit/ (loss) for the year		14,859	(6,604)

Company Balance Sheet

At 31 DECEMBER 2008

	Note	*2008* *RMB000*	*2007* *RMB000*
Non current assets			
Investment in subsidiaries	4	437,421	437,421
Current assets			
Amount due from subsidiary undertakings	5	702,558	288,640
Other receivables		26	-
Cash and bank balances		18,858	5,391
		721,442	294,031
Total assets		1,158,863	731,452
Current liabilities			
Other payables and accruals		8,215	1,507
Net current assets		713,227	292,524
Non-current liabilities			
Bank borrowing	6	371,268	-
Warrants classified as liabilities	6	32,908	-
		404,176	-
Net assets		746,472	729,945
Equity			
Share capital	7	93,482	93,482
Share premium		638,070	638,070
Share options reserve		6,708	5,228
Retained earnings		8,227	(7,137)
Foreign currency translation reserve		(15)	302
Equity attributable to equity holders of the Company		746,472	729,945

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

Jimin Zhang
Chief Executive Officer

Company Statement of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital RMB000	*Share premium RMB000*	*Share options reserve RMB000*	*Foreign currency translation reserve RMB000*	*Retained earnings RMB000*	*Total RMB000*
At 1 January 2008	93,482	638,070	5,228	302	(7,137)	729,945
Change of functional currency	-	-	-	(505)	505	-
Share options	-	-	1,480	-	-	1,480
Profit for the year	-	-	-	-	14,859	14,859
Foreign exchange loss on translation of inter-company balances	-	-	-	188	-	188
At 31 December 2008	93,482	638,070	6,708	(15)	8,227	746,472
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

Company Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2008

	Year ended 31 Dec 2008 RMB000	*Year ended 31 Dec 2007 RMB000*
OPERATING ACTIVITIES		
Operating loss	(12,136)	(7,402)
Adjustments for:		
Share based payment	1,480	2,184
Increase in receivables	(26)	-
Increase in payables	6,708	748
Interest paid	(28,603)	-
NET CASH FROM OPERATING ACTIVITIES	(32,577)	(4,470)
INVESTING ACTIVITIES		
Dividends received	23,500	-
Interest received	469	798
Advances to subsidiary undertakings	(371,286)	(9,715)
NET CASH USED IN INVESTING ACTIVITIES	(347,317)	(8,917)
FINANCING ACTIVITIES		
Proceeds from bank borrowing (net)	393,173	-
Proceeds on issue of new shares (net)	-	6,508
NET CASH FROM FINANCING ACTIVITES	393,173	6,508
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,279	(6,879)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,391	12,888
Foreign currency translation difference	188	(618)
CASH AND CASH EQUIVALENTS AT END OF YEAR	18,858	5,391

Notes To The Company Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

1. Principal accounting policies

The separate financial statements have been prepared in accordance with International Financial Reporting Standards.

The principal accounting policies adopted are the same as those set out in the Note 2 to the consolidated financial statements except as noted below.

(a) Foreign currency

As at 1 January 2008, the functional currency of the Company has been changed from British Pound (GBP) to RMB. The functional currency was changed because there is a change in the entity's underlying events and conditions. The Company is now primarily funded by operations in the People's Republic of China. RMB is the currency that most faithfully reports the economic effect of the underlying operations. The translation procedures were applied prospectively from date of change, 1 January 2008. All items were translated into RMB at RMB/GBP: 14.5807. The translated amounts for non-monetary items are treated as their historical cost.

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

The following exchange rates were used:

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

2. Investment income

	2008 RMB000	2007 RMB000
Dividends from subsidiary undertaking	26,526	-
Bank interest income	469	798
	26,995	798

3. Income tax expense

The Company had no taxable income in either year.

4. Investment in subsidiaries

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

	2008 RMB000	2007 RMB000
Investment at cost	437,421	437,421

4. Investment in subsidiaries (continued)

Details of the subsidiaries at 31 December 2008 and 31 December 2007 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%
Hanzhong Yaobai Cement Co. Ltd	The People's Republic of China; 10 July 2008	Production and sales of cement	-	100%
Hanzhong Mianxian Yaobai Cement Co. Ltd	The People's Republic of China; 22 December 2008	Production and sales of cement	-	100%

5. Amounts due from subsidiary undertakings

	2008 **RMB000**	2007 RMB000
West China Cement Co. Ltd	410,063	189,142
Shaanxi Yaobai Special Cement Co. Ltd	252,888	99,498
Ankang Yaobai Cement Co. Ltd	39,607	-
	702,558	288,640

These balances are interest free and repayable on demand.

6. Bank borrowing and warrants classified as liabilities

The bank borrowing and warrants classified as liabilities relate to the US$60 million loan facility entered into on 29 May 2008. Further details are set out in note 16 and note 24.2 to the consolidated financial statements.

7. Share capital

Details of share capital are given in note 18 to the consolidated financial statements.

8. Financial instruments and risk factors

The Company's risk factors and risk management are outlined in note 24 to the consolidated financial statements except as noted below:

8.1 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 to the consolidated financial statements.

Notes To The Company Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

8. Financial instruments and risk factors (continued)

8.2 Categories of financial instruments

The Company does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations. The Company classifies its financial assets as follows:

Financial assets	*Amounts due from subsidiary undertakings*	*Other receivables*	*Cash and bank balances*	*Total*
2008	*RMB000*	*RMB000*	*RMB000*	*RMB000*
Loans and receivables	702,558	26	18,858	721,442
2007				
Loans and receivables	288,640	-	5,391	294,031

The Company classifies its financial liabilities as follows:

Financial liabilities	*Other payables and accruals*	*Bank borrowings*	*Warrants classified as liabilities*	*Total*
2008	*RMB000*	*RMB000*	*RMB000*	*RMB000*
Other financial liabilities at amortised cost	8,215	371,268	32,908	412,391
2007				
Other financial liabilities at amortised cost	1,507	-	-	1,507

The Directors have identified that the cash settlement option of the Warrants attached to the US$60 million loan facility was an embedded derivative. The value of the cash settlement option is derived from the strike price, the Company's share performance and the cash flow relating to the Put Option. The cash settlement option is therefore a financial derivative, which is classified as a financial liability at FVTPL. This derivative therefore has the potential to bring volatility in future periods as there could be significant movements in the fair value of the financial liability.

The initial value of the derivative is not permitted by IAS39 to be recognised as a loss at initiation. The Group's accounting policy in respect of this initial loss is to recognise it through the income statement on a straight line basis except to the extent of any subsequent reversal (if higher). Given the considerably lower share price at the year end, the directors are of the opinion that the value of the derivative at the year end is approximately nil, and consequently no net gain or loss has been recognised in this respect in the year and an insignificant amount is deferred as loss to future periods.

8.3 Fair value of financial instruments

It is the directors' opinion that the carrying value of amounts due from subsidiary undertakings, other receivables, and other payables and accrual approximates to 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 borrowings and warrants classified as liabilities approximate to their fair values based on discounted cash flow analysis.

8.4 Financial risk management objectives

The Company's activities expose it to a variety of financial risks: interest rate risk, foreign currency risk, liquidity risk and capital risk. The Company is also exposed to non-financial risks, such as economy risk, regulatory and legislative risk in the ordinary course of business. The Board, on a regular basis, reviews key risks and, where appropriate, actions are taken to mitigate the key risks identified.

Interest rate risk

The Company's interest rate risk is primarily attributable to bank borrowings. The bank borrowings are at fixed interest rates. The movements in market interest rates do not affect the Company's profit and equity.

8. Financial instruments and risk factors (continued)

8.4 Financial risk management objectives (continued)

Foreign currency risk

The denominations of Company's financial assets are as follows:

Financial assets *2008*	*Amounts due from subsidiary undertakings* *RMB000*	*Other receivables* *RMB000*	*Cash and bank balances* *RMB000*	*Total* *RMB000*
Denominated in RMB	333,757	-	-	333,757
Denominated in USD	368,801	26	15,104	383,931
Denominated in GBP	-	-	3,754	3,754
	702,558	26	18,858	721,442
2007				
Denominated in RMB	(3,393)	-	-	(3,393)
Denominated in GBP	292,033	-	5,391	297,424
	288,640	-	5,391	294,031

The Company's financial liabilities are denominated in USD and GBP as follows:

Financial liabilities *2008*	*Other payables and accruals* *RMB000*	*Bank borrowings* *RMB000*	*Warrants classified as liabilities* *RMB000*	*Total* *RMB000*
Denominated in USD	-	371,268	32,908	404,176
Denominated in GBP	8,215	-	-	8,215
	8,215	371,268	32,908	412,391
2007				
Denominated in GBP	1,507	-	-	1,507

The Company's sensitivity to USD currency risk is set out in note 24 to the consolidated financial statements.

Notes To The Company Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

8. Financial instruments and risk factors (continued)

8.4 Financial risk management objectives (continued)

Liquidity risk

Maturity and interest rate profile of financial liabilities:

Financial assets *2008*	*Amounts due from subsidiary undertakings RMB000*	*Other receivables RMB000*	*Cash and bank balances RMB000*	*Total RMB000*
0 - 3 month	-	-	18,858	18,858
3 - 12 months	702,558	-	-	702,558
After 1 year	-	26	-	26
	702,558	26	18,858	721,442
2007				
0 - 3 month	-	-	5,391	5,391
3 - 12 months	288,640	-	-	288,640
	288,640	-	5,391	294,031

Financial liabilities *2008*	*Other payables and accruals RMB000*	*Bank borrowings RMB000*	*Warrants classified as liabilities RMB000*	*Total RMB000*
Within 1 year	8,215	-	-	8,215
1 - 5 years	-	371,268	32,908	404,176
	8,215	371,268	32,908	412,391
Weighted average effective interest rate	-	19%	19%	-
2007				
Within 1 year	1,507	-	-	1,507
Weighted average effective interest rate	-	-	-	-

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

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

Share price risk

Share price risk is disclosed in note 24.4 of the consolidated financial statements.

Credit risk

The Company has no significant credit risk.

Capital risk

The Company manages its capital to ensure that entities in the Company 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.

8. Financial instruments and risk factors (continued)

8.4 Financial risk management objectives (continued)

Capital Management

The Company'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.

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

	2008 RMB000	2007 RMB000
Debt [1]	404,176	-
Cash and bank balances	(18,858)	(5,391)
Net debts	385,318	(5,391)
Equity [2]	746,472	729,945

(1) *Debt is defined as long and short-term borrowings as detailed in note 6.*

(2) *Equity includes all capital and reserves of the Group.*

There have been no changes in capital management objectives or the capital structure of the business from the previous period.

9. Other notes

Details of remuneration of directors and key management personnel, and share-based payments are shown in note 19 and note 23 of the consolidated financial statements. Post balance sheet events are disclosed in note 26 of the consolidated financial statements.

WEST CHINA
CEMENT LIMITED

Room 1903
Tower A, Gaoke Plaza
4th Gaoxin Goad
Xi'an Hi-tech Industrial Development Zone
Xian, Shaanxi, P.R.C. 710075

Tel / +86-29-8836 1679
Fax / +86-29-8836 1687

www.westchinacement.com

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, solicitor, accountant, bank manager or other financial advisor authorised under the Financial Services and Markets Act 2000 if you are a resident in the United Kingdom, or from another appropriate independent adviser if you are resident in any territory outside the United Kingdom.

If you have sold or transferred, or sell or transfer prior to 11 am on 3 May 2009 your ordinary shares in West China Cement Limited, please send this document, together with the related form of proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale was effected, for onward transmission to the purchaser or transferee. If you have sold or transferred, or sell or transfer as above, part only of your holding of shares in West China Cement Limited, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

WEST CHINA CEMENT LIMITED

(incorporated and registered in Jersey under number 94796)

NOTICE OF ANNUAL GENERAL MEETING

WEST CHINA CEMENT LIMITED

(the “**Company**”)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "**AGM**") of the Company will be held in accordance with the Companies (Jersey) Law 1991, as amended (the “**Jersey Law**”) and the Company’s articles of association (the “**Articles**”) at 47 Esplande, St Helier, Jersey, JE1 0BD on 5 May 2009 at 11 am for the following purposes:

ORDINARY BUSINESS

1 **Annual report and financial statements**

To receive and approve the accounts for the year ended 31 December 2008 together with the reports of the directors and auditors thereon.

2 **Rotation and retirement of directors**

To re-elect Jianli Wang, who is retiring in accordance with article 116 of the Articles, as a director of the Company.

3 **Appointment of auditors**

To reappoint PKF (UK) LLP as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the Directors of the Company to determine their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, of which resolution numbered 4 will be proposed as an ordinary resolution and resolutions numbered 5 to 7 will be proposed as special resolutions.

4 **Treasury Shares**

THAT subject to resolution 6 set out in the notice of AGM of the Company convened for 5 May 2009 (“**Resolution 6**”) being passed, the Company be and is hereby generally and unconditionally authorised pursuant to Article 58A(1)(b) of the Jersey Law to hold shares it repurchases pursuant to Resolution 6 as treasury shares.

5 **Disapplication of pre-emption rights**

THAT, the directors be and are hereby generally empowered to allot ordinary shares of 10 pence each in the share capital of the Company (the "**Shares**") for cash provided that this power shall be limited to:

(a) allotments made in accordance with Article 4.8 of the Articles (which shall not be subject to the aggregate nominal value restrictions in sub-paragraph (b) below) but subject to the directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient:

(i) to deal with Shares representing fractional entitlements; and

(ii) to deal with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange, in any territory; and

(b) pursuant to Article 4.16 of the Articles, the allotment, otherwise than pursuant to sub-paragraph (a) above, of Shares for cash up to an aggregate nominal value of £2,500,000

and this power, unless renewed, shall expire on the earlier of the conclusion of the next following annual general meeting of the Company and 15 months from the passing of this resolution provided that the Company may before such expiry make any offer or agreement which would or might require Shares to be allotted after such expiry and the directors of the Company may allot Shares in pursuance of any such an offer or agreement as if the authority conferred hereby had not expired.

6 **Share Buy Back Authority**

THAT the Company be and is hereby generally and unconditionally authorised for the purpose of Article 57 of the Jersey Law to make one or more market purchases of Shares provided that:

6.1 the maximum aggregate number of Shares hereby authorised to be purchased is 6,411,336 Shares representing approximately 10 per cent of the Company's issued share capital;

6.2 the minimum price (exclusive of expenses) which may be paid for a Share is 10 pence per Share;

6.3 the maximum price (exclusive of expenses) which may be paid for a Share shall be an amount equal to 10 per cent. above the average of the closing middle market quotations for the Shares for the five dealing days immediately preceding the day on which the Company makes the market purchase;

6.4 unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the earlier of the conclusion of the next annual general meeting or 15 months from the date of the passing of this resolution;

6.5 the Company may make a contract or contracts to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Shares in pursuance of any such contract or contracts.

7 **Change to Articles and adoption of consolidated form as New Articles**

THAT:

I. the Articles be amended in the following way:

a. Article 2.2.1 be deleted and replaced with the following:

""dividend" has the meaning ascribed to the word "distribution" in Article 114 of the Law;"

b. the first sentence of Article 54 be deleted and replaced with the words:

"At least fourteen days' notice shall be given of every annual general meeting and of every extraordinary general meeting including without limitation, every general meeting called for the passing of a special resolution."

c. the deletion from the third line of Article 137 of the words "in the profits" and the insertion in their place of the words "in respect of their shares"

d. the deletion from the first sentence of Article 141 of the words "appear to the Directors to be justified by the profits of the Company available for distribution" and the insertion in their place of the words "as they may determine"

e. the addition to the end of Article 158 of the words:

"Subject to Article 164A below, the Board may from time to time issue, endorse or adopt terms and conditions relating to the use of electronic means for the sending of notices, other documents and proxy appointments by the Company to members or persons entitled by transmission and by members or persons entitled by transmission to the Company."

f. the addition to the end of Article 160 of the words:

"A document or information sent or supplied by the Company to a member by means of a website shall be deemed to have been served by the member:

160.1. when the document or information was first made available on the website; or

160.2 if later, when the member is deemed to have received notice of the fact that the document or information was available on the website in accordance with Article 164F. Such a document or information shall be deemed received by the member on that day notwithstanding that the Company becomes aware that the member has failed to receive the relevant document or information for any reason and notwithstanding that the Company subsequently sends a hard copy of such document or information by post to the member."

g. the addition of new articles 164A to 164K as follows:

"164A **Electronic Communications**

A notice, document or other information may be served, sent or supplied by the Company in electronic form to a member who has agreed that notices, documents or information can be sent or supplied to them in that form and has not revoked such agreement.

164B **Specified Address**

Where the notice, document or other information is served, sent or supplied by electronic means, it may only be served, sent or supplied to an address specified for that purpose by the intended recipient (generally or specifically). Where the notice, document or other information is sent or supplied in electronic form, by hand or by post, it must be handed to the recipient or sent or supplied to an address to which it could be validly sent if it were in hard copy form.

164C **Notice given by website**
A notice, document or other information may be served, sent or supplied by the Company to a member by being made available on a website if the member has agreed (generally or specifically), or pursuant to Article 164D below is deemed to have agreed, that notices, document or information can be sent or supplied to the member in that form and has not revoked such agreement.

164D **Deemed agreement to receive information by website**
If a member has been asked individually by the Company to agree that the Company may serve, send or supply notices, documents or other information generally, or specific notices, documents or other information to them by means of a website and the Company does not receive a response within a period of 28 days beginning with the date on which the Company's request was sent (or such longer period as the directors may specify), such member will be deemed to have agreed to receive such notices, documents or other information by means of a website in accordance with Article 164C above (save in respect of any notices, documents or information that are required to be sent in hard copy form pursuant to the Law). A member can revoke any such deemed election in accordance with Article 164H below.

164E **Form of website communication**
A notice, document or other information served, sent or supplied by means of a website must be made available in a form, and by a means, that the Company reasonably considers will enable the recipient: (i) to read it, and (ii) to retain a copy of it. For this purpose, a notice, document or other information can be read only if: (i) it can be read with the naked eye; or (ii) to the extent that it consists of images (for example photographs, pictures, maps, plans or drawings), it can be seen with the naked eye.

164F **Notification of website presence**
If a notice, document or other information is served, sent or supplied by means of a website, the Company must notify the intended recipient of: (i) the presence of the notice, document or other information on the website; (ii) the address of the website; (iii) place on the website where it may be accessed, and (iv) how to access the notice, document or information.

164G **Length of time website information to be available**
Any notice, document or other information made available on a website will be maintained on the website for the period of 28 days beginning with the date on which notification is served under Article 160 above, or such shorter period as may be required by law or any regulation or rule to which the Company is subject. A failure to make a notice, document or other information available on a website throughout the period mentioned in this Article shall be disregarded if: (i) it is made available on the website for part of that period; and (ii) the failure to make it available throughout that period is wholly attributable to circumstances that it would not be reasonable for the Company to prevent or avoid.

164H **Revocation of consent**
Any amendment or revocation of a notification given to the Company or agreement (or deemed agreement) under this Article shall only take effect

if in writing, signed (or authenticated by electronic means) by the member and on actual receipt by the Company thereof.

164I **Computer Virus**
Communications sent to the Company by electronic means shall not be treated as received by the Company if it is rejected by computer virus protection arrangements.

164J **Electronic Signature**
Where these Articles require or permit a notice or other document to be authenticated by a person by electronic means, to be valid it must incorporate the electronic signature or personal identification details of that person, in such form as the directors may approve, or be accompanied by such other evidence as the directors may require to satisfy themselves that the document is genuine.

164K **Request for hard copy**
For the avoidance of doubt, where a member of the Company has received a document or information from the Company otherwise than in hard copy form, he is entitled to require the Company to send to him a version of the document or information in hard copy form within 21 days of the Company receiving the request."

II. a consolidated version of the articles of association of the Company only including the amendments detailed in sub-paragraph I of this Resolution 7 above be and are hereby adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company and such consolidated new articles of association be filed with the Registrar of Companies in Jersey.

BY ORDER OF THE BOARD

…………………………………
The Company Secretary

Dated: 2009

Registered office:

47 Esplanade, St Helier, Jersey, JE1 0BD

Notes:

(a) In accordance with Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999 the time by which a person must be entered on the register of members of the Company in order to have the right to attend or vote at the AGM is at 11 am on 3 May 2009. If the AGM is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 48 hours before the date fixed for the adjourned meeting. Changes to entries on the register after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.

(b) A member of the Company entitled to attend and vote at the AGM convened by this notice is entitled to appoint one or more proxies to exercise any of his rights to attend, speak and vote at that meeting on his behalf. A proxy need not be a member of the Company. Appointment of proxies does not preclude shareholders from attending and voting at the AGM should they wish to do so.

(c) A proxy may only be appointed using the procedures set out in these notes and the enclosed proxy form. To appoint a proxy, a member must complete, sign and date the enclosed proxy form and deposit it at the registered office of the Company not less than 48 hours before the time fixed for the AGM or any adjourned meeting at which the proxy is to vote. The form of proxy must be completed under the hand of the appointor or his duly authorized attorney. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a noterially certified copy of such power of attorney or authority) must be enclosed with the proxy form.

(d) CREST members who wish to appoint a proxy or proxies or to give an instruction to a proxy (whether previously appointed or otherwise) by utilising the CREST electronic proxy appointment service may do so in relation to the meeting, and any adjournment(s) thereof, by utilising the procedures described in the CREST Manual. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted via the CREST system so as to be received by the Company's registrars, Computershare Investor Services (Channel Islands) Limited (whose CREST ID is R002) by the latest time for receipt of proxy appointments specified in note (c) above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Article 34 of the Companies (Uncertificated Securities) (Jersey) Order 1999.

(e) A proxy does not need to be a member of the Company but must attend the AGM to represent you. Details of how to appoint the Chairman of the AGM or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

(f) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. Failure to specify the number of shares each proxy appointment relates to or specifying a number of shares in excess of those held by you on the record date will result in the proxy appointment being invalid. To appoint more than one proxy, please contact the Company's registrars, Capita Registrars.

(g) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given in the proxy form, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

(h) In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

(i) To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Any amended proxy appointment received after the time for holding the AGM or any adjourned meeting will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars.
If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

(j) In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to 47 Esplanade, St Helier, Jersey, JE1 0BD. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a noterially certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Capita Registrars no later than the commencement of the AGM or adjourned meeting at which the vote is given or, in the case of a poll taken more than 48 hours after it is demanded, before the time appointed for taking the poll.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.

(k) Copies of the service contracts and letters of appointment of the Directors of the Company will be available together with a copy of the proposed new articles of association of the Company and a copy of the proposed amendments to be made to the new articles of association in resolution 9:

a) for at least 15 minutes prior to the AGM; and

b) during the AGM.

EXPLANATORY NOTES

Resolution 1

The directors will present their report and the audited accounts for the year ended 31 December 2008 together with the auditors' report thereon.

Resolution 2

The Articles require one third of the directors to retire at each annual general meeting of the Company. The longest serving director retiring and, should they so wish, offering themselves for re-elction. In addition, the Combined Code on Corporate Governance recommends that directors should submit themselves for re-election at least once every three years. This year one of the current directors, Jianli Wang, will retire and offer himself for re-election, being one of the longest serving directors.

Resolution 3

The Company is required to appoint auditors at each general meeting at which accounts are laid before shareholders, to hold office until the next such meeting. The resolution proposes that PKF (UK) LLP be re-appointed as auditors for the current year and that the directors be authorised to set their fees.

Resolution 4

A Jersey company no longer has to cancel shares it acquires and can hold shares it has repurchased or redeemed as treasury shares subject to certain restrictions. A company has the choice of either cancelling or retaining for later use any shares purchased. Shares held by a company in this way are known as "treasury shares". The Company would consider holding any of its own shares that it purchases pursuant to the authority conferred by this resolution as treasury shares. This would give the Company the ability to re-issue treasury shares quickly and cost-effectively and would provide the Company with additional flexibility in the management of its capital base. No dividends would be paid on shares whilst held in treasury and no voting rights would attach to any such treasury shares. Prior to any repurchase the Company will advise shareholders through a Regulatory Information Service if any shares repurchased are to be cancelled.

Resolution 5

If the directors wish to allot any of the unissued shares of the company for cash, the Articles of Association of the Company requires that the new shares must generally be offered first to shareholders in proportion to their existing shareholdings.

In certain circumstances, it may be in the interests of the Company for the directors to be able to allot some shares for cash without having to offer them first to existing shareholders. In line with normal practice, this resolution, which will be proposed as a special resolution, seeks approval to renew the current authority to exclude the statutory pre-emption rights for issues of shares having a maximum aggregate nominal value of up to £2,500,000, representing approximately 39% of the Company's issued share capital as at the date of this notice.

In addition, there are legal, regulatory and practical reasons why it may not always be possible to issue new shares under a rights issue to some shareholders, particularly those resident overseas. To cater for this, the resolution also permits the directors to make appropriate exclusions or arrangements to deal with such difficulties.

This authority would be effective for a period of 15 months or, if earlier, until the next annual general meeting. The directors believe that obtaining this authority is in the best interests of shareholders as a whole and recommend that shareholders vote in favour of this resolution.

Resolution 6

With the authority of the shareholders of the Company in general meeting, the Company is empowered by its Articles to purchase its own shares subject to the provisions of the Jersey Law. The Directors believe that, in common with any other listed companies, it is prudent to seek general authority from the shareholders now in order that they may act if circumstances arise in which they consider such purchases to be desirable. Resolution 6, which will be proposed as a special resolution, authorises the purchase by the Company of up to 6,411,336 ordinary shares (representing approximately 10% of the issued share capital as at the date of this document) and sets the minimum and maximum prices at which they my be bought.

The directors will use this authority only after careful consideration, taking into account market conditions prevailing at the time, other investment opportunities, appropriate gearing levels and the overall financial position of the Company. The directors will only purchase and cancel such shares after taking into account the effect on earnings per share and in the best interests of shareholders generally. The directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review. Any purchases pursuant to this authority would only be made on the AIM market of the London Stock Exchange. The authority will be valid until the conclusion of the next annual general meeting or 15 months from the date of the passing of this resolution, whichever is the earlier. The directors intend to seek the renewal of these powers at subsequent annual general meetings.

Resolution 7

The Company is seeking its shareholders approval to the adoption of new articles of association of the Company which new articles reflect changes to English company law brought into force by the Companies Law 2006 and other regulations enacted which are not part of Jersey law and changes made to corporate governance and best practice since the date on which the exiting articles of association of the Company were adopted. The principal changes include provisions to effect the following:

(i) Change of notice for general meeting to 14 days for all general meetings including annual general meetings (as opposed to the previous position where only an extraordinary general meeting at which an ordinary resolution was proposed was allowed to be held on 14 clear days' notice);

(ii) Change to dividends/distributions sections to reflect Jersey law. Previously all distributions had to be made out of distributable reserves. Recently Jersey Law has been changed to provide greater flexibility in respect of the making of distributions and now allows for distributions/dividends to be made from other sources including capital (but excluding share capital) as well as retained profits; and

(iii) Ability to communicate with shareholders electronically.

<u>West China Cement Limited</u>
<u>(the "**Company**")</u>
Annual General Meeting
FORM OF PROXY

I/We ....

of ....

being a member/members of the Company hereby appoint the Chairman of the annual general meeting or (see note 1)

NAME OF PROXY	NUMBER OF SHARES OVER WHICH PROXY IS APPOINTED

as my/our proxy to attend, speak and vote in my/our name(s) and on my/our behalf at the annual general meeting of the Company to be held at 47 Esplanade, St Helier, Jersey, JE1 0BD on 5 May 2009 at 11 am and at any adjournment thereof.

☐Please tick here if this proxy appointment is one of multiple appointments being made. For the appointment of more than one proxy, refer to note (3) below.

Please indicate by marking an 'X' in the appropriate box (if any) how you wish your votes to be cast. In the absence of instructions the proxy will abstain from voting or vote as he or she thinks fit on each resolution. In these circumstances I/we authorise my/our proxy to vote (or abstain from voting) as he or she things fit in relation to each resolution any other matter which is properly put before the meeting. *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' and 'against' a resolution.*

Resolutions	**For**	**Against**	**Vote Withheld**
ORDINARY BUSINESS			
1. To receive and approve the Company's Financial Statements together with the Directors' and auditors' report thereon.			
2. To re-appoint Jianli Wang as a director of the Company.			
3. To re-appoint PKF (UK) LLP as auditors and authorise the Directors to fix their remuneration.			
SPECIAL BUSINESS			
4. To authorise the Company to hold the shares repurchased as treasury shares.			
5. To authorise the Directors to allot shares on a non pre-emptive basis.			
6. To authorise the Company to make share buybacks.			
7. To approve changes to the articles of association and to adopt a consolidated form of the articles of association as the new articles of association of the Company.			

Signature .... (see note 4) Dated 2009

Joint holders (if any) *(see note 6)*

Name .... Name ....

Notes:

1. A member of the Company entitled to attend and vote at the annual general meeting convened by this notice is entitled to appoint one or more proxies to exercise any of his rights to attend, speak and vote at that meeting on his behalf. If you wish to appoint someone other than the Chairman as your proxy, you should delete the words "the Chairman of the annual general meeting" and insert the name of the proxy of your choice and the number of shares they are being appointed over in the spaces provided. If this space is left blank you will be deemed to have authorised your proxy in respect of your full voting entitlement. A proxy need not be a member of the company but must attend the meeting to represent you. Any alterations should be initialled. If no name is entered on this form, the return of this form, duly signed, will authorise the chairman of the meeting to act as your proxy. You can only appoint a proxy using the procedures set out in these notes.

2. Completion and return of the Form of Proxy will not preclude a member from attending and voting at the annual general meeting in person, should they so wish. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. Failure to specify the number of shares each proxy appointment (where there is more than one) relates to or specifying a number of shares in excess of those held by you on the record date will result in the proxy appointment being invalid. To appoint more than one proxy, you may photocopy this Form of Proxy or request an additional form in writing from the Company secretary. Please indicate in the box next to the proxy holder's name the number of shares in relation to which you authorise them to act as your proxy and complete any voting instructions. Please also indicate by ticking the box provided on the Form of Proxy if the proxy instruction is one of multiple instructions being given. All such Forms of Proxy should be returned together in one envelope.

4. To be valid, a member must complete, sign and date this form of proxy and deposit it at the registered office of the Company, 47 Esplanade, St Helier, Jersey, JE1 0BD, not less than 48 hours before the time fixed for the annual general meeting or any adjourned meeting at which the proxy is to vote. The form of proxy must be completed under the hand of the appointor or by his duly authorized attorney. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a noterially certified copy of such power of attorney or authority) must be enclosed with the proxy form. (There is no need for a member being a corporation to appoint a proxy where the corporation is to be present by its duly authorised representative).

5. CREST members who wish to appoint a proxy or proxies or to give an instruction to a proxy (whether previously appointed or otherwise) by utilising the CREST electronic proxy appointment service may do so in relation to the meeting, and any adjournment(s) thereof, by utilising the procedures described in the CREST Manual. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted via the CREST system so as to be received by the Company's registrars, Computershare Investor Services (Channel Islands) Limited (whose CREST ID is R002) by the latest time for receipt of proxy appointments specified in note 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Article 34 of the Companies (Uncertificated Securities) (Jersey) Order 1999.

6. In the case of joint holders, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders. Seniority shall be determined by the order in which the names of the joint holders stand in the register of members.

7. To have the right to attend and vote a person must have his/her name entered on the registered of members of the Company by no later than 11 am on 3 May 2009. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

8. In the absence of instructions, the proxy will vote or abstain from voting as he or she thinks fit on each resolution and any other business, which may properly come before the meeting.

9. If you submit more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

10. For details of how to change your proxy instructions or revoke your proxy appointment see the notes to the notice of the annual general meeting.

11. You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly set out.

12. Pursuant to Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, the time by which a person must be entered on the register of members of the Company in order to have the right to attend or vote at the AGM is at 11 am on 3 May 2009. If the AGM is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 48 hours before the date fixed for the adjourned meeting. Changes to entries on the register after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.