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WEST CHINA CEMENT LIMITED
中國西部水泥有限公司

(Incorporated in Jersey with limited liability, with registered number 94796)

(Stock Code: 2233)

DISCLOSEABLE TRANSACTION
ACQUISITION OF 55% INTEREST IN SHIFENG CEMENT

The Board wishes to announce that on 15 March 2012, Yaobai, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendors, pursuant to which (i) the Vendors have conditionally agreed to transfer and Yaobai has conditionally agreed to acquire the Sale Interest, representing a 55% interest in Shifeng Cement and for a total consideration of RMB401,500,000 (equivalent to approximately HK\$489,634,000); and (ii) the Second Vendor has conditionally agreed to grant an option to Yaobai, at the sole discretion of Yaobai, to acquire the Option Interest, representing 10% interest in Shifeng Cement for a total consideration of RMB73,000,000.

As the applicable percentage ratios under the Listing Rules is more than 5% and less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

Date: 15 March 2012

Parties:

- (a) the Vendors; and
- (b) Yaobai, a wholly-owned subsidiary of the Company.

To the best knowledge, information and belief of the Board and after making all reasonable enquiry, each of the Vendors and their ultimate beneficial owners are third parties independent of the Company and its connected persons within the meaning of the Listing Rules.

Assets to be acquired:

As at the date of this announcement, Shifeng Cement is held as to 36% by the First Vendor, 28% by the Second Vendor and 1% by the Third Vendor, representing in total 65% interest in Shifeng Cement. The remaining 35% interest in Shifeng Cement is currently held by Fuping Cement.

Pursuant to the Equity Transfer Agreement, the Vendors have conditionally agreed to transfer and Yaobai has conditionally agreed to acquire the Sale Interest, representing a 55% interest in Shifeng Cement, which shall be transferred to Yaobai on or before 31 March 2012.

Consideration:

The total consideration for the Acquisition shall be RMB401,500,000 (equivalent to approximately HK\$489,634,000), which shall be payable to the Vendors in the following manner:

- (a) the deposit payment of RMB150,000,000 shall be payable by Yaobai to the Vendors on or before 16 March 2012; and
- (b) the second payment of RMB251,500,000, being the remaining balance of the consideration for the Acquisition, shall be payable by Yaobai to the Vendors within five business days after the completion of the filing and registration of the transfers of Sale Interest with the relevant PRC governmental authority, together with the issuance of the new business registration license of Shifeng Cement evidencing Yaobai being the 55% equity owner of Shifeng Cement, which shall occur no later than 31 March 2012.

The consideration for the Acquisition was determined after arm's length negotiations among the Vendors and Yaobai on normal commercial terms with reference to recent acquisition and replacement cost industry valuations. The valuation of RMB474,500,000 (being the aggregate consideration for the Acquisition and the Option Acquisition) as the total acquisition costs, on a pro rata basis to the equity interests of Shifeng Cement to be transferred under the Equity Transfer Agreement, for cement production capacity of 2,000,000 tons of the cement production plant of Shifeng Cement, including a clinker production line, land use rights, mining rights and assets, conveyor belt and 9MW residual heat recycling system, which translates to a cost of approximately RMB365 per ton. This valuation method is in line with acquisition valuations commonly used within the industry. The Directors are of the view that the consideration for the Acquisition is fair and reasonable.

The consideration for the Acquisition will be partly financed by internal resources of the Group and partly financed by bank borrowings.

Condition precedent

Completion of the Acquisition is conditional upon (i) the Vendors having obtained a confirmation from Fuping Cement confirming that it will not exercise the right of first refusal to acquire the Sale Interest from the Vendors; or (ii) no confirmation indicating its intention to acquire the Sale Interest having been received from Fuping Cement by the Vendors, on or before 24 March 2012. In the event that Fuping Cement exercises its right of first refusal to acquire the Sale Interest from the Vendors, the parties to the Equity Transfer Agreement will not proceed to complete the Acquisition, and in such event, the Vendors shall return the deposit payment and any other payment already made by Yaobai to the Vendors, together with an interest at a rate equal to the then prevailing market interests rate published by The People's Bank of China, to Yaobai before 31 March 2012 or within 5 business days after a notice is served by Yaobai on the Vendors requesting for the return such payments.

Completion:

Completion of the Acquisition shall take place on the date on which all relevant filing and registration procedures with the local state Administration for Industry and Commerce of the PRC in respect of the Acquisition are completed, which shall occur no later than 31 March 2012.

Upon completion of the Acquisition, Shifeng Cement will be held as to 55% by Yaobai, 10% by the Second Vendor and 35% by Fuping Cement, and Shifeng Cement will become an indirect non-wholly owned subsidiary of the Company. Each of Yaobai, the Second Vendor and Fuping Cement, being the shareholders of Shifeng Cement upon completion of the Acquisition, shall enjoy their respective shareholders' rights, including but not limited to proposal rights, voting rights, dividend rights and rights of first refusal in accordance with the relevant PRC Companies Law.

Option to acquire the Option Interest

Pursuant to the Equity Transfer Agreement, the Second Vendor has conditionally agreed to grant an option to Yaobai, at the sole discretion of Yaobai, to acquire the Option Interest, representing 10% interest in Shifeng Cement, for a total consideration of RMB73,000,000 (equivalent to approximately HK\$89,024,000), and such option shall lapse on 15 April 2012 or such later date as agreed by Yaobai and the Second Vendor. The consideration for the Option Acquisition was determined after arm's length negotiations among the Second Vendor and Yaobai on normal commercial terms with reference to recent acquisition and replacement cost industry valuations. It is expected that the consideration for the Option Acquisition will be partly financed by internal resources of the Group and partly financed by bank borrowings. Further, the First Vendor and the Third Vendor have unconditionally and irrevocably agreed to guarantee the due performance of the Second Vendor's obligations in respect of the Option Acquisition under the Equity Transfer Agreement.

Completion of the Option Acquisition is conditional upon (i) the Second Vendor having obtained a confirmation from Fuping Cement confirming that it will not exercise the right of first refusal to acquire the Option Interest from the Second Vendor; or (ii) no confirmation indicating its intention to acquire the Option Interest having been received from Fuping Cement by the Second Vendor, within 30 days after a notice to sell the Option Interest is

served on Fuping Cement by the Second Vendor on or before 20 April 2012. In the event that Fuping Cement exercises its right of first refusal to acquire the Option Interest from the Second Vendor, the parties to the Equity Transfer Agreement will not proceed to complete the Option Acquisition.

If the condition precedent to the Option Acquisition is fulfilled and such option is exercised by Yaobai, the consideration of RMB73,000,000 (equivalent to approximately HK\$89,024,000) shall be payable by Yaobai to the Second Vendor within five business days after the completion of the filing and registration of the transfer of the Option Interest with the relevant PRC governmental authority, together with the issuance of the new business registration license of Shifeng Cement evidencing Yaobai being the 65% equity owner of Shifeng Cement, which shall occur no later than 31 May 2012.

Upon completion of the Option Acquisition, assuming that the completion of the Acquisition has taken place, Shifeng Cement will be held as to 65% by Yaobai and 35% by Fuping Cement, and Shifeng Cement will continue to be an indirect non-wholly owned subsidiary of the Company. Each of Yaobai and Fuping Cement, being the shareholders of Shifeng Cement upon completion of the Acquisition and the Option Acquisition, shall enjoy their respective shareholders' rights, including but not limited to proposal rights, voting rights, dividend rights and rights of first refusal in accordance with the relevant PRC Companies Law.

Other financial obligations of Yaobai under the Equity Transfer Agreement

Pursuant to the Equity Transfer Agreement, Yaobai shall be responsible:

- (i) to pay a sum of RMB2,000,000 to the Vendors before 16 March 2012 as part of the compensation paid by the Vendors to a contractor, which is an independent third party, for early termination of a production contractual cooperation agreement dated 17 July 2009 entered into between Shifeng Cement and such contractor; and
- (ii) to pay a sum of up to RMB10,000,000 not later than six months after 15 March 2012 as part of the payment for the incurred relocation compensation payable by Shifeng Cement to the original occupants of the mining area of Shifeng Cement. In the event that the actual relocation compensation payable by Shifeng Cement to the original occupants exceeds the sum of RMB10,000,000, the Vendors shall be responsible for such extra costs incurred and reimburse Shifeng Cement with the extra amount paid by Shifeng Cement accordingly.

INFORMATION ON SHIFENG CEMENT

Shifeng Cement is a company established in the PRC on 30 October 2007, and its principal business is production and sales of cement. It operates a 4,500 tons per day of clinker NSP production line, equivalent to an annual cement production capacity of 2,000,000 tons. A 1.7-kilometer conveyor belt links the cement plant to its limestone quarry and a 9MW residual heat recycling system is currently being installed. The cement production plant, which commenced operations in October 2010, is located in Caocun Town, Fuping County, approximately 50 kilometers from our existing production facilities in Pucheng, Weinan. The cement manufactured at the plant mainly serves the Fuping area market as well as ready mix stations in the Xi'an metropolitan area.

Set out below are certain financial information of Shifeng Cement for the two financial years ended 31 December 2011:

| | Year ended 31 December 2010 (audited) <i>RMB'000</i> | Year ended 31 December 2011 (unaudited) <i>RMB'000</i> |
|---|---|---|
| Turnover | 34,694 | 303,269 |
| Profit/(loss) before and after taxation | (594) | (36,292) |
| Net Assets/(liabilities) | 99,406 | 63,156 |
| Total Assets | <u>636,335</u> | <u>658,274</u> |

Upon completion of the Acquisition, Shifeng Cement will be indirectly non-wholly owned by Yaobai and the financial results of Shifeng Cement will be consolidated into the consolidated financial statements of the Group and Shifeng Cement will be accounted for as an indirect non-wholly owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Shaanxi cement market has evolved rapidly due to the high growth in cement demand driven by infrastructure and rural development under the PRC Government's Western Development Policy. The growth in cement capacity, especially in central Shaanxi, is now leading to a consolidation process amongst producers. Industry consolidation remains one of the key objectives of PRC Central Government Policy in the cement industry.

The cement production plant of Shifeng Cement is located in the west of the Weinan region of Shaanxi Province, serving the cement needs of Weinan and the Xi'an metropolitan area. The Acquisition and the Option Acquisition contemplated under the Equity Transfer Agreement represent further steps in the supply consolidation process in central Shaanxi, significantly strengthening the Company's positioning in Weinan and Xi'an and adding to its leading market position in eastern and southern Shaanxi.

The Directors believe that the Acquisition and the Option Acquisition will not only enhance the Company's leadership position in eastern Shaanxi Province, but also help to restore market equilibrium in central Shaanxi and accelerate the continuing industry consolidation process in Shaanxi Province. Further, the Acquisition and the Option Acquisition are expected to enhance the overall revenue and profitability of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are entered into on normal commercial terms and after arm's length negotiations among the parties and are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

The Group is principally engaged in the production and sale of cement in the PRC. Yaobai is a limited liability company established in the PRC, principally engaged in the production of cement in the PRC.

As the applicable percentage ratios under the Listing Rules is more than 5% and less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless otherwise requires:

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| “Acquisition” | the acquisition of the Sale Interest as contemplated under the Equity Transfer Agreement; |
| “Board” | the board of directors of the Company; |
| “Company” | West China Cement Limited, a company incorporated in Jersey with limited liability, the shares of which are listed on the main board of the Stock Exchange; |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules; |
| “Director(s)” | the director(s) of the Company; |
| “Equity Transfer Agreement” | the equity transfer agreement dated 15 March 2012 entered into between Yaobai and the Vendors in relation to the Acquisition; |
| “First Vendor” | 陝西新意達投資有限公司 (Shaanxi Xin Yi Da Investment Company Limited*), a limited liability company established in the PRC; |
| “Fuping Cement” | 陝西富平水泥有限公司 (Shaanxi Fu Ping Cement Company Limited*), a limited liability company established in the PRC; |
| “Group” | the Company and its subsidiaries; |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; |
| “Option Acquisition” | the acquisition of the Option Interest as contemplated under the Equity Transfer Agreement; |

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|-------------------|--|
| “Option Interest” | the 10% interest held by the Second Vendor in Shifeng Cement at the date of this announcement; |
| “PRC” | the People’s Republic of China; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Sale Interest” | the 55% interest in Shifeng Cement which is held as to 36% by the First Vendor, 18% by the Second Vendor and 1% by the Third Vendor as at the date of this announcement; |
| “Second Vendor” | 陝西實豐混凝土有限公司 (Shaanxi Shifeng Concrete Company Limited*), a limited liability company established in the PRC; |
| “Shareholder(s)” | the shareholder(s) of the Company; |
| “Shifeng Cement” | 陝西實豐水泥股份有限公司 (Shaanxi Shifeng Cement Company Limited*), a limited liability company established in the PRC; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Third Vendor” | 陝西長油化工有限公司 (Shaanxi Chang You Hua Gong Company Limited*), a limited liability company established in the PRC; |
| “Yaobai” | 堯柏特種水泥集團有限公司 (Yaobai Special Cement Group Co, Ltd.*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company; |
| “Vendors” | the First Vendor, the Second Vendor and the Third Vendor; and |
| “%” | per cent. |

* For identification purpose only

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at HK\$1.00 = RMB0.82.

By Order of the Board
West China Cement Limited
Zhang Jimin
Chairman

Hong Kong, 15 March 2012

As at the date of this announcement, the executive Directors are Mr. Zhang Jimin, Mr. Wang Jianli, Ms. Low Po Ling and Mr. Tian Zhenjun, the non-executive Director is Mr. Ma Zhaoyang, and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Wong Kun Kau and Mr. Tam King Ching, Kenny.