

The introduction of a new national standard in the Chinese cement industry, Common Portland Cement (GB175-2007), became effective on June 1, 2008. The implementation of this new standard is of particular significance not only to the Company but to the Chinese cement industry as a whole, as it will give a comprehensive overhaul of the current cement manufacturing processes in place. This will be done primarily through phasing out less advanced methods such as the use of the mechanical shaft kiln and the introduction of new processes and regulations.

Most significantly, the implementation of this standard has laid new foundations for the technological processes involved in the manufacturing of Portland cement. New specifications have also been set with regards to delivery and acceptance checking, therefore ensuring a higher quality of service management within the cement industry.

The revised standard is more comprehensive as it absorbs the scientific and operational parts from the advanced national standards both at home and abroad. The new standard has had a significant impact on adjusting the industrial structure within the cement industry, improving the quality of cement production, and phasing out low-end cement manufactures. This will benefit the Chinese cement industry overall, as together with the policies carried out by the State Development and Reform Commission, this new standard will accelerate the phasing out of the mechanical shaft kiln and promote the continued development in regulating cement manufacture and its application.

This new standard will have a significant influence in the manufacturing processes, inspection standards and sales within the cement industry in China and West China Cement Limited (“WCC”) will endeavour to incorporate this new standard into their operations.

To this end we have undertaken a detailed study of the revised standard and a one month tailored training programme has been provided to the relevant members of staff.

Alongside this, new quality standards for internal control have been established within the WCC subsidiaries. To follow the new chlorine ion chemical analysis measurements (which is also a part of the revised standard), members of WCC laboratory have undertaken thorough training to become skilled to the highest standards of analysis and inspection.

The quality control system has also been further improved. WCC has strengthened the techniques and quality management systems currently in place with the implementation of a controlling raw material, to effectively avoid quality fluctuation.

Finally, WCC are meticulous in their coordination among plants and sections, and are committed to providing a better environment for the operation of this revised system.

After execution of the revised standard, the competitiveness of the WCC cement product together with the Company’s advanced technology will be further enhanced and demonstrates WCC’s prominent position as a leader within the Chinese cement. In the face of this new standard, WCC will turn challenges into opportunities, improving business management and increasing economic opportunities