

During the period under review for the six months ended 30 June 2004, Chia Hsin Cement Greater China Holding Corporation (referred to as "CHC Greater China" or the "Company") achieved strong results. Unaudited consolidated turnover and profit attributable to shareholders was US\$44,092,000 and US\$12,295,000, respectively, which has increased by 25.3% and 80.7% compared with that for the corresponding period in the previous year. The Board of Directors did not recommend the payment of interim dividend for the six months ended 30 June 2004 (interim dividend for the six months ended 30 June 2003: Nil).

During the period under review, the People's Republic of China (the "PRC") experienced rapid economic growth. Growth in GDP was 9.7% compared with that for the corresponding period in the previous year. Investment in fixed assets also increased by 28.6%. These factors served to create a sound business environment for the cement industry. At the same time, the austerity control measures being implemented by the PRC government also brought ongoing development opportunities for the cement industry in the PRC, in particular for major cement manufacturers.

The austerity control measures recently being implemented by the PRC government were aimed at fostering sustainable and healthy development of the national economy and to discourage excessive and redundant investments. As such, a number of policies are being introduced by the PRC government, including control of bank loans, clearing and rationalization of non-compliance projects, strict control over land for construction purposes, strengthening resource management over iron, aluminium and limestone for cement, strengthening environmental protection requirements, and the policy of "differential electricity pricing" being implemented on inefficient enterprises. The implementation of such policies did not have any adverse effects on CHC Greater China. However, the non-standardized and small cement manufacturers are expected to suffer seriously. Not only would the redundant new projects be curbed, these measures would also facilitate the restructuring, sustainable and healthy development of the cement industry. The Directors expect that major cement manufacturers will have enormous opportunities in rapid expansion and development in future. At the same time, the short-term impact brought by the adjustment in the cement market is also unavoidable. However, the Directors believe that this is expected to be the course designated for the cement industry to enter into a new phase of development.

截至二零零四年六月三十日止六個月之回顧期內，嘉新水泥（中國）控股股份有限公司（簡稱「嘉泥中國」或「本公司」）取得良好業績，未經審核合併營業額及股東應佔溢利分別為44,092,000美元及12,295,000美元，分別較去年同期增長25.3%及80.7%。董事會建議不派發截至二零零四年六月三十日止六個月之中期股息（截至二零零三年六月三十日止六個月中期股息：零）。

於回顧期內，中華人民共和國（「中國」）經濟快速增長，國內生產總值較去年同期增長9.7%，固定資產投資亦增長28.6%，為水泥行業提供了良好的營商環境。與此同時，中國政府推行的宏觀調控政策更為中國水泥行業帶來持續發展，為大型水泥廠商的發展帶來機遇。

中國政府是次推行的宏觀調控，目的在於促進國民經濟能夠持續健康發展，以避免盲目投資和低水平重複建設的出現。為此，中國政府相繼推出不同政策，包括：控制銀行貸款、清理整頓違規項目、嚴格控制建設用地、加強鐵、鋁土、水泥用石灰石的資源管理、加強環保要求、針對落後企業實施「差別電價」等政策。這些政策的實施，並未對嘉泥中國造成不良影響，然而，對眾多不規範及落後的小型水泥廠商則預料會形成嚴重的打擊；措施不但制止了大量新增重複產能的建設，亦促進了水泥產業的結構性調整和可持續健康發展。董事預期，大型水泥廠商將可在未來取得快速擴展和發展龐大的機遇。與此同時，調整水泥市場所帶來的短期影響也是在所難免，但董事相信，這亦是水泥產業邁向新紀元的必經之路。

## CHAIRMAN'S STATEMENT

## 主席報告書

In order to be well-prepared for future development, CHC Greater China will continue to implement its business expansion plan. During the period under review, 80% of the investment in the expansion of its cement grinding mill was completed. Trial production commenced on 1 August 2004. After the commencement of formal production, the cement production capacity of the Group are expected to increase to 3,700,000 tonnes per annum. The planning and design of a second production line for Chia Hsin Jingyang Cement Co., Ltd. ("Jingyang Cement") is still underway. The current construction cost of the plants is lower when compared with the previous period. In order to capture the optimal construction opportunity, the management is of the view that a more comprehensive evaluation is necessary. Meanwhile, austerity control measures have facilitated structural adjustments to the cement industry which has brought about numerous opportunities for mergers and acquisitions. The Group actively captures external opportunities in order to enhance its capacity through acquisition. In terms of sales, the Group established five new offices in Taicang, Nantong, Changshou, Zhenjiang and Liuhe in the first half year, which served to further enhance the sales capabilities of the Group, and laid a solid market foundation for the expansion of production capability. At the same time, faced with the short-term impact brought by the austerity control measures to the cement market in the PRC, the Group plans to utilise its international network to actively develop the overseas market, which will in turn generate better returns for its shareholders. In addition, the Group will continue to focus on its "behavioral differentiation" philosophy in its sales services and become an expert on "customer care", enhancing the Group's competitive edge.

Looking forward in 2004, the Group will face more opportunities and challenges. CHC Greater China will endeavour to generate better returns for its shareholders. Lastly, on behalf of the Board of Directors, I would like to thank all shareholders, staff, customers and suppliers for their constant support and trust to the Group, and wish that such support will continue in the future.

By Order of the Board  
**Wang Chien Kuo, Robert**  
*Chairman*

19 August 2004

為迎接未來的巨大發展，嘉泥中國的業務依然會持續其擴張計劃。於回顧期內，水泥研磨擴建項目已經完成投資總額的80%，於二零零四年八月一日開始試產，正式投產後，集團的水泥產能將提升至每年370萬噸；嘉新京陽水泥有限公司（「京陽水泥」）二線的規劃及設計仍在進行中，目前廠房建造成本較前期下降，為把握最佳建造時機，管理層認為需要更加深入評估，同時，宏觀調控促進水泥產業的結構性調整，將帶來眾多併購機遇，集團正積極規劃，以期抓住潛在外部機會，通過兼併收購以擴大產能。在銷售方面，集團上半年分別於太倉市、南通市、常熟市、鎮江市及六合區增設五個辦事處，以進一步加強集團的銷售能力，為產能擴展打下穩固的市場基礎；同時，面臨中國大陸水泥市場受宏觀調控政策之短暫影響，集團計劃利用自身的國際網絡，積極拓展海外銷售市場，為股東謀取更佳利益；另外，集團亦將繼續深入貫徹銷售服務系統的「行為區別」理念，成為「顧客關懷專家」，藉此加強集團的優勢。

展望二零零四年，集團將面臨眾多機遇和挑戰，嘉泥中國將銳意進取，為股東謀取更佳回報。最後，本人謹代表董事會感謝全體股東、僱員、客戶及供應商等對集團的一貫支持和信任，希望今後可繼續得到你們的支持。

承董事會命  
主席  
王建國

二零零四年八月十九日