



嘉新水泥（中國）控股股份有限公司\*

Chia Hsin Cement Greater China Holding Corporation

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 699)

## Summary Report on First Quarter of 2005 (January to March)

In order to increase shareholders' understanding of the Company's operations, the directors of Chia Hsin Cement Greater China Holding Corporation (the "Company") disclose the operations of the Company and its subsidiaries (the "Group") for the first quarter ended 31 March 2005 pursuant to Rule 13.09 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited as follows:

### 1. Summary of the quarterly financial data

	For the three months ended 31 March 2005 (Unaudited) US\$'000	For the three months ended 31 March 2004 (Unaudited) US\$'000
Turnover	17,676	21,685
Cost of sales	14,650	12,664
Profit/(loss) for the period	(610)	5,910
Inclusive of : Chia Hsin Jingyang Cement Co., Ltd. ("Jingyang Cement")	(379)	6,163
Earnings/(loss) per share (US cents)	(0.05)	0.52

*Note:* Jingyang Cement, incorporated in Zhenjiang, Jiangsu Province, the PRC is a subsidiary wholly-owned by the Company.

### 2. Business Review

#### 2.1 Operating Environment Analysis

During the first quarter of 2005, GDP growth in mainland China was 9.5%, a slight decrease of 0.3 percentage points compared to the same period in the previous year. Growth in fixed asset investment was 22.8%, a significant decrease of 20.2 percentage points from the previous year. The rate of growth in demand for cement also fell accordingly. The first quarter is traditionally a low season for the cement industry. Due to the Lunar New Year holidays and an exceptionally harsh winter, construction activities were sluggish and demand growth for cement was adversely affected. On the supply side, the second half of 2004 was characterized by a large number of cement plants coming into operation and a rapid growth of supply in the market. Competition intensified, leading to a decrease in cement selling prices. Several manufacturers faced low utilization rates.

Under these challenging conditions, the central government successively launched environmental protection and market entry restriction policies, parallel with the continuous implementation of austerity control policies to restrict inefficient, high polluting cement plants. For example, the local governments in Zhejiang Province and Hangzhou city had formulated definitive timetables for the withdrawal for vertical kiln plants. Smaller, technologically less advanced plants have already begun to succumb to the operating pressures and exited the market. As demand begins to increase in the second quarter, we expect to see a gradual market improvement.

## 2.2 Operation Analysis

Breakdown of turnover by products:

Types of cement	For the three months ended 31 March 2005		For the three months ended 31 March 2004	
	Turnover (US\$'000)	Percentage %	Turnover (US\$'000)	Percentage %
52.5 cement	<b>5,074</b>	<b>28.7</b>	4,609	21.3
42.5 cement	<b>10,460</b>	<b>59.2</b>	11,872	54.7
32.5 cement	<b>2,142</b>	<b>12.1</b>	5,204	24.0
Total	<b>17,676</b>	<b>100.0</b>	21,685	100.0

During the first quarter in 2005, the Group continued to dedicate its sales strategy to high grade cement. High grade cement accounted for approximately 87.9% of the turnover. With the increase in proportion shared by high grade cement, total sales of cement reached 748,188 tonnes, representing an increase of 13.1% from the same period in the previous year, which was attributable to the extensive sales network of the Group and the good reputation established by the excellent quality of products and services in the market. Due to the competition in the market becoming more intense and the continuous fall of price in cement, the Group's turnover decreased by 18.5% as compared with the same period in the previous year. As to the costs of sales, the surge in raw coal price was stabilized after its rapid increase in 2004, but still remains high. Thus, the costs of sales increased substantially compared with the same period in the previous year. In addition, by leveraging on the low season of the cement market in the first quarter, the Group conducted its regular equipment inspection and repair, which increased the repair and maintenance expenses for the period. Together with the fall in the price of cement, loss was resulted for the period presented.

In face with such difficult market environment, the Group insists in enhancing risk management, strengthening its sales network, and consolidating its market resources. Further sales opportunities are created from exploring the overseas market. At the same time, the Group plans on constructing a new cement mill, expected to be completed in the second half of 2005, to increase cement production capacity to approximately 4,000,000 tonnes per annum.

As the date of this announcement, Mr WANG Chien Kuo, Robert, Mr LAN Jen Kuei, Konrad, Mr CHANG Kang Lung, Jason and Ms WANG Li Shin, Elizabeth are the Executive Directors, Mr CHANG Yung Ping, Johnny and Mr CHANG An Ping, Nelson are the Non-executive Directors and Mr MACKENZIE Davin A., Mr ZHUGE Pei Zhi and Mr WU Chun Ming are the Independent Non-executive Directors.

By order of the Board  
**WANG Chien Kuo, Robert**  
*Chairman*

28 April 2005

*\* for identification purposes only*

Please also refer to the published version of this announcement in The Standard.