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)

2005 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of Chia Hsin Cement Greater China Holding Corporation (the "Company") hereby announce the interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2005, together with the comparative figures for the six months ended 30 June 2004. This interim results were unaudited, but have been reviewed by Deloitte Touche Tohmatsu, the Company's auditors.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
	NOTES	**30.6.2005**	30.6.2004
		(unaudited)	*(unaudited)*
		US$'000	*US$'000*
Turnover	3	**38,226**	44,092
Cost of sales		**(31,807)**	(25,027)
Gross profit		**6,419**	19,065
Other operating income		**324**	260
Distribution costs		**(4,297)**	(3,283)
Administrative expenses		**(1,788)**	(2,093)
Other operating expenses		**(95)**	(505)
Profit from operations	4	**563**	13,444
Interest income		**498**	223
Finance costs	5	**(2,218)**	(1,372)
(Loss) profit for the period		**(1,157)**	12,295
Dividend	7	**—**	—
(Loss) earnings per share - basic (US cents)	8	**(0.10)**	1.08

CONDENSED CONSOLIDATED BALANCE SHEET

	NOTES	**30.6.2005**	31.12.2004
		(unaudited)	*(audited)*
		US$'000	*US$'000*
ASSETS			
Current assets			
Inventories		**15,324**	13,338
Trade receivables	9	**17,886**	15,947
Other receivables	10	**6,996**	2,747
Income tax recoverable		**1,467**	260
Pledged deposits		**1,933**	242
Bank balances and cash		**45,131**	59,378
		88,737	91,912
Non-current assets			
Property, plant and equipment		**207,134**	209,493
Land use rights		**17,385**	17,614
		224,519	227,107
Total assets		**313,256**	319,019
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	**11,429**	11,429
Share premium and reserves		**186,826**	187,983
		198,255	199,412
Current liabilities			
Trade payables	12	**4,563**	4,178
Other payables		**2,837**	3,673
Bank borrowings - due within one year	13	**23,171**	16,806
		30,571	24,657
Non-current liability			
Bank borrowings - due after one year	13	**84,430**	94,950
Total liabilities		**115,001**	119,607
Total equity and liabilities		**313,256**	319,019

NOTES

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard 34 "Interim Financial Reporting".

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards.

The principal accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004.

In the current period, the Group has applied, for the first time, a number of new or revised International Accounting Standards and International Financial Reporting Standards (herein collectively referred to as "new IFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new IFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

3. TURNOVER AND SEGMENT INFORMATION

	Six months ended	
	30.6.2005	30.6.2004
	(unaudited)	*(unaudited)*
	US$'000	*US$'000*
Turnover comprises the followings:		
Sales of cement	**36,137**	44,062
Sales of clinker	**2,089**	30
	38,226	44,092

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, net of value added tax.

The Group is engaged in the production and sales of cement and other cement products. More than 90% of its products were sold in China during the six months ended 30 June 2005 and 30 June 2004 and more than 90% of the Group's total assets are located in China at the balance sheet dates.

4. PROFIT FROM OPERATIONS

	Six months ended	
	30.6.2005	30.6.2004
	(unaudited)	*(unaudited)*
	US$'000	*US$'000*
Profit from operations has been arrived at after charging:		
Cost of inventories expensed	**31,807**	25,027
Depreciation and amortisation:		
Property, plant and equipment	**3,993**	3,832
Land use rights	**235**	438
Net foreign exchange loss	**4**	293
Operating lease rentals in respect of rented premises	**85**	51
Repair and maintenance	**969**	2,100

5. FINANCE COSTS

	Six months ended	
	30.6.2005	30.6.2004
	(unaudited)	*(unaudited)*
	US$'000	*US$'000*
Interest on bank borrowings:		
Wholly repayable within five years	**89**	55
Not wholly repayable within five years	**2,129**	1,317
	2,218	1,372

6. TAXATION

No provision for Hong Kong Profits Tax has been made as the Company's subsidiary in Hong Kong has no assessable income for both periods presented.

Pursuant to relevant laws and regulations in the PRC, Chia Hsin Jingyang Cement Co., Ltd. ("Jingyang Cement"), as a wholly foreign owned enterprise of the Company, is exempted from PRC enterprise income tax for two years starting from its first profit-making year after offsetting the accumulated losses brought forward from prior years, followed by a 50% reduction for the next three years. In addition, Jingyang Cement is recognised by Administration of Foreign Trade and Economic Co-operation of Jiangsu Province (江蘇省對外經濟貿易合作廳) as "Foreign Invested Advanced Technology Enterprise" (《外商投資先進技術企業》) on 13 October 2003 and is therefore entitled to a 50% reduction in PRC income tax for an additional three-year term. The first year for which Jingyang Cement recorded profit for PRC enterprise income tax purposes was year 2003. No provision for PRC enterprise income tax has been made in the financial statements of Jingyang Cement for the six months ended 30 June 2005 as it has no assessable profits for the period. No provision for PRC enterprise income tax was made in the financial statements of Jingyang Cement for the six months ended 30 June 2004 as Jingyang Cement remained in the tax exemption period for that period. For the other two subsidiaries of the Company established in the PRC, no provision for PRC enterprise income tax has been made in the financial statements for both periods presented as they have no assessable profits.

No provision for deferred taxation has been recognised in the financial statements as there are no significant temporary differences.

7. DIVIDEND

No dividends were paid during the period. The Directors do not recommend the payment of an interim dividend (for the six months ended 30 June 2004: nil).

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the six months ended 30 June 2005 is based on the loss for the period of approximately US$1,157,000 (for the six months ended 30 June 2004: profit of US$12,295,000) and on 1,142,900,000 ordinary shares in issue throughout the six months ended 30 June 2005 and 2004.

9. TRADE RECEIVABLES

The aged analysis of trade receivables is as follows:

	30.6.2005	31.12.2004
	(unaudited)	*(audited)*
	US$'000	*US$'000*
Within 90 days	**14,161**	11,749
91 - 180 days	**3,725**	4,188
181 - 365 days	**—**	10
	17,886	15,947

The Group allows credit period of 0 - 180 days to its trade customers.

Included in trade receivables are amounts due from fellow subsidiaries as follows:

	30.6.2005	31.12.2004
	(unaudited)	*(audited)*
	US$'000	*US$'000*
Shanghai Chia Hsin Ganghui Company Limited	**3,328**	1,524
Jiangsu Union Cement Company Limited	**—**	1,049
	3,328	2,573

The amounts due from fellow subsidiaries are unsecured, interest free and repayable in accordance with relevant trading terms.

10. OTHER RECEIVABLES

Included in other receivables at 30 June 2005 are purchase deposits paid to a fellow subsidiary, Jiangsu Union Cement Company Limited, of US$2,664,000 (31 December 2004: nil) which are unsecured, interest free and used to settled future purchases from the fellow subsidiary.

11. SHARE CAPITAL

	30.6.2005 & 31.12.2004	
	Number of shares of US$0.01 each	**Nominal value** *US$'000*
Authorised	100,000,000,000	1,000,000
Issued and fully paid	1,142,900,000	11,429

There were no changes in the authorised and issued share capital of the Company during the six months ended 30 June 2005 and 30 June 2004.

12. TRADE PAYABLES

The aged analysis of the trade payables is as follows:

	30.6.2005 ***(unaudited)*** ***US$'000***	31.12.2004 *(audited)* *US$'000*
Within 90 days	**3,526**	3,806
91 - 180 days	**237**	237
181 - 365 days	**766**	21
Over 365 days	**34**	114
	4,563	4,178

13. BANK BORROWINGS

	30.6.2005	31.12.2004
	(unaudited)	*(audited)*
	US$'000	*US$'000*
Secured:		
Loan from Industrial and Commercial Bank of China ("ICBC") *(note i)*	**68,750**	74,340
Loan from China Construction Bank ("CCB") *(note ii)*	**35,000**	35,000
Short term bank loans from ICBC *(note iii)*	**635**	—
	104,385	109,340
Unsecured:		
Short-term bank loans denominated in RMB *(note iv)*	**2,416**	2,416
Short-term bank loans denominated in USD *(note v)*	**800**	—
	3,216	2,416
	107,601	111,756
The maturity of the bank borrowings is as follows:		
Within one year	**23,171**	16,806
In the second year	**21,040**	21,040
In the third to fifth year inclusive	**55,290**	63,120
Over five years	**8,100**	10,790
	107,601	111,756
Less: Amount due within one year shown under current liabilities	**(23,171)**	(16,806)
Amount due after one year	**84,430**	94,950

Notes:

i. The loan from ICBC is denominated in United States dollars and is repayable by 14 semi-annual instalments commencing on 20 June 2003 bearing interest at London Inter-Banks Offer Rate ("LIBOR") plus 1%.

ii. The loan from CCB is denominated in United States dollars and is repayable by 13 semi-annual instalment commencing on 15 August 2005 bearing interest at LIBOR plus 0.95%.

iii. The secured short-term bank loans from ICBC are denominated in United States dollars and bear average interest rate of 3.89% per annum.

iv. The unsecured short-term bank loans are denominated in Renminbi bear average interest rate of 4.70% (six months ended 30.6.2004: 4.54%) per annum.

v. The unsecured short-term bank loans are denominated in United States dollars and bear average interest rate of 3.77% per annum.

The Directors consider that the carrying amount of the bank borrowings approximates to their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF FINANCIAL INDICATORS FOR FIVE YEARS

US$'000

	The first half of 2005	**Year 2004**	**Year 2003**	**Year 2002**	**Year 2001**
Turnover	**38,226**	81,944	78,012	67,841	64,061
(Loss) profit for the period	**(1,157)**	14,693	19,017	10,258	8,043
Total asset	**313,256**	319,019	316,514	269,441	282,721
Working capital *(note 1)*	**58,166**	67,255	67,087	(2,052)	3,004
Shareholder's equity	**198,255**	199,412	184,490	(6,974)	(17,230)
Total liabilities	**115,001**	119,607	132,024	276,415	299,951
Return on equity *(note 2)*	**(0.6%)**	7.4%	10.3%	N/A	N/A
Working capital ratio *(note 3)*	**29.3%**	33.7%	36.4%	N/A	N/A
Return on assets *(note 4)*	**(0.4%)**	4.6%	6.0%	3.8%	2.8%
Debt ratio *(note 5)*	**54.3%**	56.0%	65.8%	N/A	N/A
(Loss) earnings per share (US cents)	**(0.10)**	1.29	2.08	N/A	N/A

Notes: The Company was incorporated on 10 June 2003. Its shares were listed on the Stock Exchange on 12 December 2003. Data of the financial statements for the financial years prior to the establishment of the Company reflects the combined data of the existing subsidiaries of the Company.

Notes:

1. Working capital = current assets - current liabilities

2. Return on equity = profit (loss) for the period/period-end net assets

3. Working capital ratio = (current assets - current liabilities)/(total assets - total liabilities)

4. Return on assets = profit (loss) for the period/period-end total assets

5. Debt ratio = (bank loans + shareholders' loan (if any))/ shareholders' equity

I. OPERATION STRATEGIES

The main strategy focuses for our operation include the following:

1. continuously strengthening internal control and risk management,

2. maintaining a healthy financial structure, which allows the Group to capture opportunities when they arise,

3. investing prudently, focusing on maximizing the efficiency of assets on hand, while searching for acquisition and alliance partners,

4. developing and strengthening the Group's logistics network to seamlessly bring the products to the market,

5. enhancing sales portfolio management by leveraging domestic and international markets, targeting different customer and product segments to balance seasonality and attain better profitability.

II. REVIEW OF 2005 RESULTS

1. The Group's overall operations

For the six months ended 30 June 2005, the sales of cement and clinker of the Group was approximately 1.58 million tonnes, an increase of 15.5% over corresponding period of last year. The turnover amounted to approximately US$38,226,000, representing a decrease of 13.3% as compared with the corresponding period of last year. Although the Group utilized its international sales network to expand the overseas sales market and strictly control the cost and expenses in the first half of 2005, the cement industry of the PRC continued to decline subject to the cyclical and seasonal factors. At the same time, due to the dual pressure of the production cost caused by high coal price and escalating electricity price and cement price, the net loss of the Group was approximately US$1,157,000.

For the six months ended 30 June 2005, the Group's investment in fixed assets amounted to approximately US$2,043,000, which was injected mainly into the new tube mill project and the expansion of cement grinding mill. After commencing commercial production, the annual output of cement increased by nearly 30% to 4.2 million tonnes per year.

2. Loss of the Group

For the six months ended 30 June 2005, the loss of the Group was US$1,157,000, representing a significant decrease as compared with the corresponding period of 2004. This was mainly attributable to the decline of cement price in the PRC that led to a drop of the average selling price by approximately 25.0% as compared with the corresponding period of 2004. Although the purchasing prices of coal and electricity remained stable since the second half of 2004, the prices maintained at a high level. At the same time, by leveraging on the production capacity of the cement grinding mill and the external sourcing of a portion of clinker for producing cement, the average cost increased by approximately 10.0% as compared with the corresponding period of 2004.

2.1 *Turnover*

Set out below is an analysis of the Group's turnover in terms of its products for the six months ended 30 June 2005.

	Six months ended 30 June			
	2005		2004	
Products	**Turnover**	**Percentage**	Turnover	Percentage
	US$'000	**%**	US$'000	%
52.5 cement	**10,344**	**27.1**	11,697	26.5
42.5 cement	**20,946**	**54.8**	23,482	53.3
32.5 cement	**4,847**	**12.7**	8,883	20.1
Clinker	**2,089**	**5.4**	30	0.1
Total	**38,226**	**100.0**	44,092	100.0

For the six months ended 30 June 2005, the Group's sales increased by 15.5% as compared with the corresponding period of 2004. However, the turnover dropped by 13.3% when compared with the corresponding period of 2004. The fall of turnover was mainly attributable to the influence of austerity control measures for the first half of 2005 that led to a relatively significant decrease of cement price in the PRC market over the corresponding period of 2004. The average selling price reduced by 25.0% when compared with the corresponding period of 2004.

Set out below is an analysis of the Group's turnover in terms of its geographical region of sales for the six months ended 30 June 2005.

	Six months ended 30 June			
	2005		2004	
Sales Region	**Turnover**	**Percentage**	Turnover	Percentage
	US$'000	**%**	US$'000	%
Jiangsu Province	**16,280**	**42.6**	25,327	57.4
Zhejiang Province	**11,190**	**29.3**	11,814	26.8
Shanghai Municipality	**4,400**	**11.5**	4,287	9.7
Fujian Province	**2,657**	**6.9**	1,969	4.5
Guangdong Province	**—**	**0.0**	98	0.2
Export	**3,699**	**9.7**	597	1.4
Total	**38,226**	**100.0**	44,092	100.0

For the six months ended 30 June 2005, by following its sales portfolio management strategy, the Group expanded the export sales, which was amounted to US$3,700,000, 6.2 times of that of the corresponding period last year.

2.2 ***Cost of sales***

Set out below is the breakdown on the Group's cost of sales for the six months ended 30 June 2005.

	Six months ended 30 June			
	2005		2004	
Item	**Amounts US$'000**	**Percentage %**	Amounts US$'000	Percentage %
Raw materials	**8,643**	**27.2**	4,700	18.8
Energy	**16,693**	**52.5**	12,481	49.9
Depreciation and amortisation	**3,524**	**11.1**	3,325	13.3
Labour cost	**800**	**2.5**	746	3.0
Others	**2,147**	**6.7**	3,775	15.0
Total	**31,807**	**100.0**	25,027	100.0

For the six months ended 30 June 2005, the Group's average cost of sales was 10.0% more than the corresponding period of 2004. The main reasons were the significant increase in the price of energy (including coal and electricity) and the purchase of outside clinker in order to fully utilize the cement grinding capacity.

2.3 ***Gross profit***

Set out below is an analysis of the Group's gross profits in terms of its products for the six months ended 30 June 2005.

	Six months ended 30 June					
	2005			2004		
Products	**Gross profit US$'000**	**Percentage %**	**Gross profit margin %**	Gross profit US$'000	Percentage %	Gross profit margin %
52.5 cement	**2,206**	**34.4**	**21.3**	4,591	26.0	42.3
42.5 cement	**2,960**	**46.1**	**14.1**	10,300	54.0	43.9
32.5 cement	**901**	**14.0**	**18.6**	3,808	20.0	42.9
Clinker	**352**	**5.5**	**16.9**	6	0.0	20.0
Total	**6,419**	**100.0**	**16.8**	19,065	100.0	43.2

For the six months ended 30 June 2005, the Group recorded a gross profit of US$6,419,000. The average gross profit margin was 16.8%, with a significant decrease compared with the corresponding period of 2004. The fall in gross profit margin was mainly attributable to the decrease by 25.0% in the selling price of cement, and an increase in average cost of sales by 10.0% than that of the corresponding period of 2004.

2.4 ***Operating costs***

For the six months ended 30 June 2005, the Group's operating costs (including marketing costs and administrative expenses) amounted to US$6,085,000 in total, representing an increase of 13.2% as compared with the corresponding period of 2004. The increase in marketing costs was mainly attributable to the expansion of sales network and strengthening of customer service.

2.5 ***Finance costs***

For the six months ended 30 June 2005, the Group's finance costs amounted to US$2,218,000, representing a significant rise compared with the corresponding period of 2004. This was mainly attributable to an increase in interest rate since the Group based the calculation of LIBOR for the first half of 2005.

3. Capital and financial position

3.1 ***Cash Flows***

Cash flow from operating activities

For the six months ended 30 June 2005, net cash flow from operating activities was US$5,231,000, representing a decrease by US$19,904,000 over the corresponding period of 2004. The main reasons were: the Group's profit from operation has a significant decrease as compared with the corresponding period of 2004, and the trade receivables were increased. In order to ensure better supply of energy and raw materials, the Group put greater efforts in timely settling of payments subject to the availability of capital.

Cash flow in investing activities

For the six months ended 30 June 2005, net cash flow used in investing activities was US$953,000, of which US$2,043,000 was fixed asset investment expenses mainly for the expansion of the cement grinding capacity through the new tube mill project.

Cash flow in financing activities

For the six months ended 30 June 2005, net cash flow used in financing activities amounted to US$8,063,000, of which US$5,590,000 was used in the settling the principal of long-term loan according to the loan contract.

3.2 ***Financial Position***

As at 30 June 2005, the total assets of the Group amounted to US$313,256,000, representing a decrease of US$5,763,000 compared with the beginning of 2005. The total liabilities amounted to US$115,001,000, representing a decrease of US$4,606,000 compared with the beginning of 2005. The shareholder's equity was US$198,255,000, representing a decrease of US$1,157,000 compared with the beginning of 2005.

3.2.1 *Fixed assets*

As at 30 June 2005, the net value of the assets of the Group was US$207,134,000, of which property accounted for US$54,039,000, plant and equipment accounted for US$144,412,000, construction in progress accounted for US$2,974,000, and the net value of other fixed asset accounted for US$5,709,000.

3.2.2 *Current assets and current liabilities*

As at 30 June 2005, the Group's current assets were amounted to US$88,737,000, which mainly included inventories of US$15,324,000, trade receivables of US$17,886,000, bank balances and cash of US$45,131,000 and other current assets of US$10,396,000.

As at 30 June 2005, the Group's current liabilities were amounted to US$30,571,000, which included trade payable of US$4,563,000, long-term borrowings due within one year of US$23,171,000 and other current liabilities of US$2,837,000.

3.2.3 *Structure of interest-bearing borrowings*

As at 30 June 2005, the Group has interest-bearing borrowings of US$107,601,000, comprising unsecured short-term bank loans of US$3,216,000 and secured bank loan of US$104,385,000.

The maturity dates of bank loans of the Group as at 30 June 2005 were set out in condensed consolidated financial statement's note 13.

As at 30 June 2005, the Group's bank borrowings were secured by the assets with a net book value of US$154,607,000, including property, plant and equipment of US$136,356,000, the land use rights of US$16,318,000 and the bank deposits of US$1,933,000.

The unsecured short-term bank loans were denominated in RMB or USD, bearing an average interest rate of 4.67% per annum. They comprised mainly two revolving loans, each has a principal of RMB10,000,000 (equivalent to approximately US$1,208,000), and a loan in USD with a principal of US$800,000.

The secured bank loans were denominated in US dollars, bearing an average interest rate of LIBOR plus 0.98% per annum.

3.2.4 *Financial ratio*

	30 June 2005	31 December 2004	**increase/ decrease**
Turnover period of trade payables *(note 1)*	**25 days**	26 days	**-1 day**
Turnover period of trade eceivables *(description 1) (note 2)*	**68 days**	52 days	**+14 days**
Turnover period of inventories *(note 3)*	**81 days**	79 days	**+2 days**
Current ratio *(description 2) (note 4)*	**2.9 times**	3.7 times	**-0.8 times**
Quick ratio *(description 2) (note 5)*	**2.4 times**	3.2 times	**-0.8 times**
Gearing ratio *(description 3) (note 6)*	**34.3%**	35.0%	**-0.7%**
Debt ratio *(description 3) (note 7)*	**54.3%**	56.0%	**-1.7%**

Notes:

1. Turnover period of trade payables = number of days during the period x average trade payables / cost of sales

2. Turnover period of trade receivables = number of days during the period x (average trade receivables / 1.17) / turnover

3. Turnover period of inventories = number of days during the period x average inventories / cost of sales

4. Current ratio = current assets / current liabilities

5. Quick ratio = (current assets - inventories) / current liabilities

6. Gearing ratio = bank loans / total assets

7. Debt ratio = (bank loans + loans from shareholders) / shareholder's equity

Descriptions:

1. The increase in turnover period of trade receivables was due to the provision of slightly relaxed payment terms by the Group, subject to the market condition, to certain customers who have close cooperative ties with it and are capable of settling the payment by bank accepted remittance, leading to a rise in trade receivables. In addition, the sales income reduces as result of a fall in selling price.

2. As there is an increase in the amount of bank loans due to be paid within a year, the amount of current liabilities is higher than that of the beginning of the year. As a result, current ratio and quick ratio are lowered but the liquidity maintains in a relatively high level.

3. As the bank loans were repaid on due date during the period, the gearing ratio and debt ratio are less than that of the beginning of the year. As a result, the Group's financial structure is more stable.

3.2.5 *Shareholder's equity*

As at 30 June 2005, the shareholder's equity of the Group was US$198,255,000. The shareholder's equity comprised the following:

Items	**30 June 2005**		31 December 2004	
	Amounts	**Percentage**	Amounts	Percentage
	US$'000	**%**	US$'000	%
Share capital	**11,429**	**5.8**	11,429	5.7
Share premium and reserves	**186,826**	**94.2**	187,983	94.3
Total	**198,255**	**100.0**	199,412	100.0

As at 30 June 2005, the shareholder's equity reduced by 0.6% when compared with 31 December 2004. The fall in shareholder's equity was mainly derived from the loss of the Group during the period.

3.3 ***Finance Risks***

3.3.1 *Foreign exchange exposure*

The exchange risks of the Group mainly come from exchange rate fluctuation of Renminbi against US dollars. The Group keeps watch on exchange rate change of these currencies and market trend. The Group has not entered into any derivative instrument contracts for reducing foreign exchange risks for the six months ended 30 June 2005.

3.3.2 *Interest rate risks*

Major financing of the Group comes from long-term borrowings denominated in US dollars. The Group constantly reviews the market conditions, operating requirements and financial status to determine the most effective interest rate risk management tools. The Group has not entered into any contracts for hedging interest rate risks for the six months ended 30 June 2005.

IV. EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2005, the Group has 667 full-time employees. The Group focuses on the training and development of human resources, and provides a competitive remuneration package to employees. Other benefits offered by the Group include mandatory provident fund, insurance and discretionary bonus.

V. OUTLOOK FOR THE SECOND HALF OF 2005

In accordance with the operation strategies of the Group, the following plans will be introduced in the second half of 2005:

1. Production: the Group will fully utilize the additional production capacity after the renovation of cement mill to increase the cement output. Meanwhile, this will also shorten the time required for regular maintenance in the third quarter, thus increasing the production turnover of these facilities.

2. Sales: the Group will capitalize on its additional production capacity to explore overseas markets and expand exports while sustaining the domestic marketing share.

3. Logistics and distribution: the Group will initiate the plan to construct a new deep water jetty along the original coastline so as to increase throughput for the purpose of accommodating the expansion in production and sales. At the same time, it is also actively developing logistics and distribution facilities on land and seas routes, and constructing cement silos in order to compliment the competetive advantages of the Group.

OTHER INFORMATION

SHARE OPTION SCHEME

For the six months ended 30 June 2005, no share options of the Company was granted, exercised, lapsed or cancelled.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2005, the Company has complied with the code provisions of the "Code on Corporate Governance Practices" as set out in Appendix 14 to the Listing Rules, except for the following deviations:

1. Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In order to ensure full compliance with Code Provision A.4.2, a special resolution will be proposed to amend the relevant Articles of Association of the Company at the forthcoming general meeting.

2. Code Provision A.5.4 stipulates that the board of directors should establish written guidelines on no less exacting terms than the Model Code set out in Appendix 10 of the Listing Rules for relevant employees in respect of their dealings in the sccurities of the issuer. In order to comply with Code Provision A.5.4, the Directors of the Company will establish the written guidelines for the relevant employees of the Company in respect of their dealings in the Company's securities by around end of this year.

3. Code Provision C.3.3 stipulates that the terms of reference of the audit committee should include at least the duties as stated in Code Provision C.3.3. The existing terms of reference of the audit committee of the Company are under review and will be revised by around end of this year so as to be in full compliance with Code Provision C.3.3 accordingly.

REMUNERATION COMMITTEE

Pursuant to the provisions of the "Code on Corporate Governance Practices" as set out in Appendix 14 to the Listing Rules, the Board of Directors has established the remuneration committee on 7 July 2005. The committee comprised one non-executive Director, Mr. CHANG An Ping, Nelson and two independent non-executive Directors, Mr. MACKENZIE Davin A. and Mr. ZHUGE Pei Zhi.

AUDIT COMMITTEE

The Company has established an audit committee in November 2003 in accordance with the requirements of the Listing Rules, the duties of which are to review the accounting principles and practices adopted by the Group, and discuss the internal control system and financial reporting process with the management of the Group. The audit committee has reviewed the unaudited interim financial report for the six months ended 30 June 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standard set out in the "Model Code for Securities Transactions by Directors of Listed Issuer" ("Model Code") in Appendix 10 to the Listing Rules since 19 August 2004. After making specific inquiries to all the Directors, the Company confirms that it has fully complied with the requirements of the Code of Conduct and the Model Code for the six months ended 30 June 2005.

DIRECTORS OF THE COMPANY

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.

On behalf of the Board
WANG Chien Kuo, Robert
Chairman

Hong Kong
18 August 2005

* *For identification purpose only*

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