華潤水泥控股有限公司
China Resources Cement Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Codes: 712 and 2512)

ANNOUNCEMENT OF INTERIM RESULTS FOR 2005

FINANCIAL HIGHLIGHTS

	Consolidated	
	1/1/2005 to 30/6/2005 (Unaudited)	1/1/2004 to 30/6/2004 (Unaudited) (Restated)*(note)*
	HK$'000	*HK$'000*
Turnover	**765,633**	671,270
Profit before interest expenses and taxation	**38,509**	71,481
Profit attributable to shareholders of the Company	**1,536**	42,055
Earnings per share – basic *(HK$)*	**0.004**	0.116
Dividends	**Nil**	Nil

note: The comparative figures have been restated to reflect the changes of accounting policies as more fully described in notes 3 and 4 to the condensed financial statements below.

The board ("Board") of directors of the Company ("Directors") is pleased to announce the interim results of the Group for the six months period ended 30 June 2005. The interim financial statements of the Group are unaudited and this interim report comprising the interim financial statements has been reviewed by the Company's audit committee.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 June	
		2005	2004
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	***HK$'000***	*HK$'000*
Turnover	*5*	**765,633**	671,270
Cost of sales		**(614,596)**	(481,627)
Gross profit		**151,037**	189,643
Other income		**12,355**	12,861
Gain on change in fair value of investment property		**27,212**	–
Selling and distribution expenses		**(66,185)**	(53,893)
General and administrative expenses		**(85,910)**	(77,130)
Finance costs	*6*	**(24,776)**	(9,945)
Profit before taxation	*7*	**13,733**	61,536
Taxation	*8*	**(9,814)**	(5,492)
Profit for the period		**3,919**	56,044
Attributable to			
shareholders of the Company		**1,536**	42,055
minority interests		**2,383**	13,989
		3,919	56,044
Earnings per share – basic *(HK$)*	*9*	**0.004**	0.116

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30/6/2005 (Unaudited) HK$'000	At 31/12/2004 (Audited) HK$'000
Non-current assets			
Fixed assets		**2,250,429**	1,408,403
Investment property	10	**82,658**	–
Intangible assets		**110,852**	15,849
Interest in an associate		**65**	65
Other investments		**2**	2
Retention monies receivable due after one year		**8,121**	5,036
Prepaid rentals		**3,114**	3,397
Deposits on acquisition of fixed assets		**170,483**	66,657
Deferred tax assets		**16,007**	10,454
		2,641,731	1,509,863
Current assets			
Stocks		**214,178**	102,424
Retention monies receivable due within one year		**11,140**	11,265
Trade receivables		**526,546**	405,497
Other receivables		**132,769**	67,534
Pledged bank deposits		**19,953**	–
Cash and bank balances		**605,930**	257,191
		1,510,516	843,911
Current liabilities			
Trade payables		**343,412**	162,807
Other payables		**248,263**	211,135
Provisions		**3,687**	3,767
Amounts due to fellow subsidiaries		**–**	448
Amounts due to minority shareholders of subsidiaries		**1,515**	2,808
Taxation payable		**3,506**	334
Loans from minority shareholders of subsidiaries		**–**	41,897
Bank loans			
Amount due within one year		**840,322**	502,316
		1,440,705	925,512
Net current assets (liabilities)		**69,811**	(81,601)
Total assets less current liabilities		**2,711,542**	1,428,262

	At 30/6/2005 (Unaudited) *HK$'000*	At 31/12/2004 (Audited) *HK$'000*
Non-current liabilities		
Bank loans		
Amount due after one year	**577,094**	189,234
Provisions	**52,086**	53,951
Convertible bonds	**699,585**	–
Deferred tax liabilities	**65,039**	41,181
	1,393,804	284,366
Net assets	**1,317,738**	1,143,896
Capital and reserves		
Share capital	**38,186**	36,281
Reserves	**1,186,964**	1,036,854
Equity attributable to shareholders of the Company	**1,225,150**	1,073,135
Minority interests	**92,588**	70,761
Total equity	**1,317,738**	1,143,896

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated 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 ("Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for investment property, which is measured at fair value. The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2004 except for the changes as stated in note 3 below.

3. MAJOR CHANGES OF ACCOUNTING POLICIES

In the current period, the Company has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the profit and loss account, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Company's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(a) Goodwill

In accordance with HKFRS 3 "Business Combinations", goodwill arising on acquisitions is recognised as an asset and reviewed for impairment at least annually or more frequently if there are indications that the carrying value may not be recoverable. Any impairment is recognised immediately in the consolidated profit or loss account and is not subsequently reversed. HKFRS 3 requires that, after reassessment, any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in the consolidated profit and loss account. HKFRS 3 prohibits the recognition of negative goodwill in the balance sheet.

Goodwill arising from acquisitions prior to 1 January 2005 was amortised over its estimated useful life in previous years. The Group discontinued the amortisation of such goodwill on 31 December 2004 and the related accumulated amortisation was eliminated against the cost of goodwill at 1 January 2005.

Negative goodwill arising on acquisitions before the date of adoption of the new standard is derecognised and the unamortised balance is adjusted to the opening balance of retained profits as at 1 January 2005.

On disposal of a subsidiary or an associate, the profit and loss is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill.

In the current period, the Group has also applied HKAS 21 "The Effects of Changes in Foreign Exchange Rates" which requires goodwill to be translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item of the Group. Therefore, no prior period adjustment has been made. In the current period, the Group acquired a foreign operation, and goodwill arose on the acquisition of that foreign operation has been translated at the closing rate at 30 June 2005, which has insignificant effect in the balance of translation reserve at 30 June 2005.

(b) Share-based payment

The Group has granted share options to certain participants to subscribe for shares of the Company in accordance with the Company's share option scheme. Prior to 1 January 2005, the Group did not recognise the financial effect of the share options until the share options were exercised.

Under HKFRS 2 "Share-based Payment", the share options granted are classified as equity-settled share-based payments which are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured using the Black-Scholes model.

In accordance with the transitional provisions of HKFRS 2, the standard has been applied retrospectively to all grants of shares options that remained unvested as of 1 January 2005. Comparative figures have been restated. The change in policy has resulted in a decrease of HK$2,592,000 in net profits in the current period (1/1/2004 to 30/6/2004: HK$3,131,000), a decrease of HK$6,262,000 in retained profits at 31 December 2004 (31/12/2003: Nil) and an increase of HK$6,262,000 in share-based compensation reserve at 31 December 2004 (31/12/2003: Nil).

(c) Convertible bonds

In accordance with HKAS 32 "Financial Instruments: Disclosure and Presentation", convertible bonds are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in equity. In subsequent periods, the liability component is carried at cost using the effective interest method. The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument.

(d) Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in fixed assets and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease.

(e) Investment property

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment property which requires gains or losses arising from changes in the fair value of investment property to be recognised directly in the profit and loss account for the period in which they arise.

(f) Deferred taxes related to investment property

The deferred tax consequences of the investment property are assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date.

4. EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of initial adoption or the changes in the accounting policies described in note 3 above on the profit for the current and prior period are as follows:

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Expenses recognised in respect of share options granted	**(2,592)**	(3,131)
Interest on the liability component of convertible bonds	**(9,585)**	–
Decrease in deferred tax liabilities relating to liability component of convertible bonds	**1,677**	–
Gain on change in fair value of investment property	**27,212**	–
Increase in deferred tax liabilities relating to investment property	**(8,980)**	–
Decrease in amortisation of goodwill	**6,288**	–
Decrease in negative goodwill released	**(5,012)**	–
Increase (decrease) in profit for the period	**9,008**	(3,131)

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 are summarised below:

	At 31/12/2004 (originally stated) *HK$'000*	Adjustment *HK$'000*	At 31/12/2004 (restated) *HK$'000*
Share-based compensation reserve	–	6,262	6,262
Retained profits	112,209	(6,262)	105,947
Minority interests	–	70,761	70,761
Total effect on equity	112,209	70,761	182,970
Minority interests	70,761	(70,761)	–
	182,970	–	182,970

On 1 January 2005, negative goodwill arising on acquisitions before the date of adoption of HKFRS 3 is derecognised and the unamortised balance of HK$39,132,000 is adjusted to the opening balance of retained profits. This change in accounting policy has not been applied retrospectively. The amount of negative goodwill released to the profit and loss account for the six months ended 30 June 2004 amounted to HK$3,726,000.

5. TURNOVER AND SEGMENT INFORMATION

Primary reporting format – business segments

For the six months ended 30 June

	Cement		Concrete		Elimination		Consolidated	
	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*	**2005 (Unaudited) *HK$'000***	2004 (Unaudited) *HK$'000*	**2005 (Unaudited) *HK$'000***	2004 (Unaudited) *HK$'000*	**2005 (Unaudited) *HK$'000***	2004 (Unaudited) *HK$'000*
Turnover								
External sales	**342,421**	349,352	**423,212**	321,918	**–**	–	**765,633**	671,270
Inter-segment sales	**52,820**	53,153	**47**	125	**(52,867)**	(53,278)	**–**	–
	395,241	402,505	**423,259**	322,043	**(52,867)**	(53,278)	**765,633**	671,270

Inter-segment sales are charged at prevailing market prices.

	Cement 2005	Cement 2004	Concrete 2005	Concrete 2004	Elimination 2005	Elimination 2004	Consolidated 2005	Consolidated 2004
Results								
Segment results	**20,143**	70,115	**6,467**	14,187	**–**	–	**26,610**	84,302
Interest income							**1,368**	305
Unallocated corporate expenses							**(16,681)**	(13,126)
Gain on change in fair value of investment property	**27,212**	–	**–**	–	**–**	–	**27,212**	–
Finance costs							**(24,776)**	(9,945)
Profit before taxation							**13,733**	61,536
Taxation							**(9,814)**	(5,492)
Profit for the period							**3,919**	56,044

6. FINANCE COSTS

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**20,063**	9,824
Loans from minority shareholders of subsidiaries	**184**	648
Convertible bonds	**9,585**	–
	29,832	10,472
Less: Amount capitalised to fixed assets	**(5,056)**	(527)
	24,776	9,945

7. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation of fixed assets	**59,225**	45,056
Amortisation of goodwill (included in general and administrative expenses)	**–**	2,561
Amortisation of mining rights (included in general and administrative expenses)	**708**	484
Amortisation of prepaid rentals (included in general and administrative expenses)	**283**	283
Expenses recognised in respect of share options granted	**2,592**	3,131
Loss on disposal of fixed assets	**133**	2,779
and after crediting:		
Interest income	**1,368**	305
Release of negative goodwill (included in other income)	**–**	3,726

8. TAXATION

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The taxation charge (credit) comprises:		
Current taxation		
Hong Kong Profits Tax	**2,177**	1,406
Chinese Mainland Enterprise Income Tax	**1,243**	(729)
	3,420	677
Deferred taxation		
Hong Kong	**(6,906)**	(1,751)
Chinese Mainland	**13,300**	6,566
	6,394	4,815
	9,814	5,492

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profits for the period.

Chinese Mainland Enterprise Income Tax has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the relevant subsidiaries in the Chinese Mainland.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to shareholders of the Company for the period of HK$1,536,000 (1/1/2004 to 30/6/2004: HK$42,055,000) and on the weighted average number of 376,169,174 shares (1/1/2004 to 30/6/2004: 362,807,461 shares) in issue during the period.

No diluted earnings per share has been presented because the conversion of the Group's outstanding convertible bonds would result in an increase in profit attributable to shareholders of the Company and the adjusted exercise price of the Company's outstanding share options, which include the fair value of services to be provided to the Group in the future under the share options, is higher than the average market price of shares during the period.

The adjustment to the comparative basic and diluted earnings per share arising from the changes in accounting policies is as follows:

	Basic	**Diluted**
	HK cents	*HK cents*
Reconciliation of earnings per share for the six months ended 30 June 2004:		
As originally stated	12.5	12.4
Adjustments arising from the changes in accounting policies	(0.9)	*(note)*
	11.6	N/A

note: The computation of adjusted diluted earnings per share for the six months period ended 30 June 2004 does not assume the exercise of the Company's outstanding share options as the adjusted exercise price, which include the fair value of services to be provided to the Company in the future under the share options, of those options is higher than the average market price of shares during that period.

10. MOVEMENTS IN INVESTMENT PROPERTY

During the six months ended 30 June 2005, the Group completed the final stage of construction of a pier. Before the transfer of the pier to investments property, the carrying value of the pier amounted to approximately HK$55,446,000. The pier was valued by an external valuers, DTZ Debenham Tie Leung Limited at 30 June 2005 of approximately HK$82,658,000, on open market value approach and depreciated replacement cost approach, where applicable. The resulting increase in fair value of investment property of approximately HK$27,212,000 and the related increase in deferred tax liabilities of approximately HK$8,980,000 have been recognised in the profit and loss account.

DIVIDEND

The Board resolved not to declare an interim dividend.

REVIEW OF OPERATIONS

For the six months period ended 30 June 2005, the consolidated gross profit of the Group was approximately HK$151.0 million, representing a decrease of 20.4% from that of HK$189.6 million for the corresponding period last year. The gross margin was 19.7%, as compared to 28.3% for the corresponding period last year. The decrease was attributable to the significant increase in production costs and the decrease in general selling prices.

The profit attributable to shareholders of the Company for the six months ended 30 June 2005 amounted to HK$1.5 million, representing a decrease of 96.3% as compared with HK$42.1 million for the corresponding period last year.

At 30 June 2005, the Group had total assets and total liabilities of HK$4,152.2 million and HK$2,834.5 million (31/12/2004: HK$2,353.8 million and HK$1,209.9 million) respectively of which total assets of HK$2,640.4 million and HK$801.1 million (31/12/2004: HK$1,347.2 million and HK$743.1 million) and total liabilities of HK$458.0 million and HK$190.6 million (31/12/2004: HK$267.9 million and HK$164.3 million) were attributable to our cement and concrete operations respectively.

For the six months period ended 30 June 2005, net cash used in operating activities amounted to HK$73.0 million (2004: net cash generated from operating activities HK$52.0 million).

Cement Business

During the six months ended 30 June 2005, the Group's cement business sold a total of approximately 1.37 million tonnes of cement to external customers, representing a decrease of approximately 1.6% over the total volume of approximately 1.39 million tonnes sold for the corresponding period last year. External sales was HK$342.4 million, representing a decrease of 2.0% as compared with HK$349.4 million for the corresponding period last year. The profit from operations amounted to HK$20.1 million, which was approximately 71.3% less than HK$70.1 million for the corresponding period last year.

Due to the Chinese Government's effort to continue its austerity measures to cool down fixed assets investments including the property market, growth in demand for cement has slowed down for the first half of 2005. Despite the escalating cost of production, the Group has not been able to pass on the cost increases to customers. Average selling price of our cement products during the period dropped by 2% compared with the average price of the corresponding period last year.

During the period, price of coal which is the most significant cost component for clinker production increased by an average of approximately 41% as compared with the corresponding period last year. The hefty increase was the result of the increase in demand for coal and the significant increase in transportation costs for coal resulting from high oil prices and government's effort to combat over-loading. The tight supply of coal has led to lower quality and increased consumption of coal. The above factors have resulted in higher production cost of cement for the Group. For the six months period ended 30 June 2005, coal costs for our clinker production lines represented approximately 41.9% of the total cost of cement production (2004: 37.0%).

On 13 January 2005, the Group completed the acquisition of 73.5% interest in Guangxi Pingnan China Resources Yufeng Cement Company Limited ("Pingnan Joint Venture") and the related shareholder's loans from China Resources (Holdings) Company Limited ("China Resources Holdings") at the aggregate consideration of approximately HK$151.7 million. The production line of the Pingnan Joint Venture had been at run in operations since its completion in October 2004 and its production operations have gradually become normal.

On 23 February 2005, the Group completed the acquisition of the remaining 25% equity interest in China Resources Dongguan Cement Manufactory Holdings Limited which holds 100% interests in our Dongguan cement plant. Details of the acquisition were as described in our circular to shareholders on 7 February 2005.

In May 2005, the construction of the Group's new production line with an annual production capacity of 500,000 tonnes of slag powder at our Dongguan cement plant was completed. The establishment of this production line has enabled the Group to expand its product mix and has provided customers with opportunities to lower their cost through the use of new products.

The construction of two new 5,000 tonnes per day New Suspension Preheater ("NSP") clinker production lines at the production site of the Pingnan Joint Venture and at Guigang, Guangxi and a new 3,200 tonnes per day NSP clinker production line to replace the five existing wet process kilns we possessed has commenced during the period. It is anticipated that all these new production lines will be completed in the first quarter of 2006.

At 30 June 2005, the Group's total cement and clinker annual production capacity amounted to 5.8 million tonnes and 3.3 million tonnes respectively. When the construction projects mentioned in the preceding paragraph are completed in 2006, the Group will possess NSP clinker production lines with annual production capacity of 6.4 million tonnes and cement grinding production lines with annual production capacity of approximately 9.6 million tonnes.

To cope with our business strategy, our new cement manufacturing plants at Pingnan and Guigang are all equipped with piers for logistic movement of raw materials and cement products along Xijiang River. As a result, the pier which was under construction at Qinzhou, Guangxi has no longer served its originally intended usage for our own logistic operations and has been re-designated as investment property for rental income and capital appreciation during the period.

Concrete Business

The turnover and profit from operations for the six months ended 30 June 2005 of our concrete business amounted to HK$423.2 million and HK$6.5 million, representing an increase of 31.5% and a decrease of 54.4% over HK$321.9 million and HK$14.2 million respectively for the corresponding period last year.

During the period, sales volume of ready mixed concrete in Hong Kong continued to decrease and has reached the lowest level in the past ten years, as a result of the sluggish construction industry in Hong Kong in the past two years. Although we managed to maintain the average selling price of our concrete products at approximately the same level as the corresponding period last year, the average order size is smaller than those transacted in the past. Our concrete business in the Chinese Mainland are performing well with the new production lines installed since 2004 commencing to contribute, notwithstanding that selling prices have decreased by an average of 8% from the corresponding period last year.

The Group sold approximately 1,160,000 m^3 of ready mixed concrete products for the six months ended 30 June 2005 of which 910,000 m^3 was sold in the Chinese Mainland. In the corresponding period last year, a total of approximately 687,000 m^3 of ready mixed concrete products was sold and of which 386,000 m^3 was sold in the Chinese Mainland.

During the six months ended 30 June 2005, the Group also sold approximately 145,000 tonnes of precast concrete products, representing an increase of 107.1% over 70,000 tonnes for the corresponding period last year and our total sales of precast products amounted to approximately HK$101.8 million, representing an increase of 6.7% over that of the corresponding period last year. Our production costs increased and owing to the nature of the fixed price precast contracts, we were not allowed to pass on any cost increases to our customers, causing a total loss attributable to shareholders of the Company of HK$14.6 million from the Group's precast business during the period.

The Group has re-erected a 200,000 m^3 concrete production line, which had been relocated from our Shenzhen concrete plant, at a new batching plant in Longhua, Shenzhen in March 2005. In June 2005, another new 300,000 m^3 concrete production line was installed at this site. Total concrete annual production capacity in the Shenzhen vicinity at 30 June 2005 was approximately 1.6 million m^3. In June 2005, the Group has established another new 300,000 m^3 concrete production line at our Foshan concrete plant.

With the establishment of these new production lines, as at 30 June 2005, the Group's total annual concrete production capacity was approximately 5.0 million m^3 of which approximately 1.5 million m^3 and 3.5 million m^3 were in Hong Kong and the Chinese Mainland respectively.

Liquidity, Financial Resources and Financial Management

On 13 January 2005, the Group issued HK$800.0 million zero coupon convertible bonds due 2010 guaranteed by and convertible into 400.0 million shares of the Company at the initial conversion price of HK$2.00 per share (the "Bonds") for cash to Firstsuccess Investments Limited, a wholly owned subsidiary of China Resources Holdings. The Bonds have been listed on The Stock Exchange of Hong Kong Limited since 2 March 2005. At 30 June 2005, a total of HK$100,000.00 of the Bonds has been converted into 50,000 shares of the Company.

At 30 June 2005, the Group's cash and bank balances and pledged bank deposits totaling HK$625.9 million (31/12/2004: HK$257.2 million) included amounts held as follows: HK$291.4 million and RMB355.6 million (31/12/2004: HK$133.8 million and RMB131.3 million).

At 30 June 2005, total bank loans of the Group, which amounted to HK$1,417.4 million (31/12/2004: HK$691.6 million), comprised loans of HK$733.6 million and RMB728.0 million (31/12/2004: US$2.2 million, HK$379.5 million and RMB314.0 million) and are repayable as follows:

	At 30/6/2005 (Unaudited) *HK$million*	At 31/12/2004 (Audited) *HK$million*
Within one year	**840.3**	502.3
After one year and within two years	**277.1**	104.7
After two years and within five years	**300.0**	84.6
	1,417.4	691.6

Bank loans totaling HK$289.3 million (31/12/2004: HK$168.1 million) carried interests at fixed rates. Out of the bank loans, total amount of HK$263.0 million (31/12/2004: HK$282.7 million) was secured by fixed assets of the Group and total amount of HK$187.9 million (31/12/2004: Nil) was guaranteed by China Resources Holdings. The gearing ratio of the Group at 30 June 2005 was 172.8% (31/12/2004: 68.3%).

At 30 June 2005, the Group had total committed bank loan facilities to the extent of HK$200.0 million available for draw down by October 2005.

The Group's business transactions were principally carried out in Hong Kong dollars, Renminbi and United States dollars and given the linkage among these currencies, the Group's exposure to exchange risk is insignificant. It is the policy that the Group will not engage in any speculative activities. At 30 June 2005, the Group did not engage in any hedging transactions.

Charges on Assets

At 30 June 2005, certain assets of the Group with an aggregate carrying value of HK$405.9 million (31/12/2004: HK$532.3 million) were pledged with banks for banking facilities used by subsidiaries.

Employees and Remuneration Policies

At 30 June 2005, the Group employed a total of 4,262 full time employees (31/12/2004: 3,070) of which 242 (31/12/2004: 263) were based in Hong Kong and the remaining 4,020 (31/12/2004: 2,807) were based in the Chinese Mainland. The Group offers its employees remuneration packages mainly on the basis of individual performance and experience and also having regard to industrial practice. The Company has established a share option scheme whereby employees of the Group may be granted options to acquire shares in the Company.

Capital Expenditure

The residual balance of the Group's expansion plans to be invested at 31 December 2004 as stated in the Company's Annual Report 2004 was approximately HK$836.6 million. The status of these plans and other planned capital expenditure at 30 June 2005 is as follows:

Expansion plan stated in Annual Report 2004	Balance to be invested at 31/12/2004 *HK$ million*	Authorised (cancelled) during the period *HK$ million*	Invested during the period *HK$ million*	**Balance to be invested at 30/6/2005** ***HK$ million***
Construction of a dry process cement production line, a pier and improvement works at our site in Guangxi	36.9	(36.8)	0.1	**–**
Expansion of cement production capacity at our site in Dongguan	56.3	9.4	65.7	**–**
Construction of a dry process cement production line at Guigang, Guangxi	572.0	–	178.5	**393.5**
Acquisition of the Pingnan Joint Venture	151.7	–	151.7	**–**
Construction of a 5,000 tonnes per day NSP clinker production line at Pingnan	–	497.7	163.1	**334.6**
Construction of a 3,200 tonnes per day NSP clinker production line to replace the five wet process lines	–	216.0	39.0	**177.0**
	816.9	686.3	598.1	**905.1**
Other capital expenditure contracted but not provided for	19.7	129.8	38.1	**111.4**
	836.6	816.1	636.2	**1,016.5**

These planned and intended capital expenditures will be financed by internally generated funds, borrowings, introduction of strategic investors or new equity.

Subsequent Event

On 31 August 2005, the Board approved the acquisition of the remaining 9.1% equity interest (comprising the capital contribution of RMB57,700,000) in the Pingnan Joint Venture held by a minority shareholder at a consideration of RMB64,624,000.

PROSPECTS

In the second half of the year, the Chinese Government will continue to maintain the stability and continuity of its austerity policy, aiming to build a conserving society and actively promoting "new industrialisation" as characterised by "recycling economy" to balance the huge demand for natural resources as a result of economic growth. Waste kiln heat power generation as well as the use of industrial waste and alternative fuel (urban household garbage and industrial residuals) mark a new direction for the future development of cement production technology. The major advantages of NSP cement include environmental friendliness, energy efficiency, better quality and effective use of resources, etc.. It is a government policy to replace the old fashioned vertical kilns with advanced NSP clinker production lines and the trend is not expected to reverse in the future. The Company's strategy to build large scale NSP clinker plants is perfectly in line with government policies.

In the years to come, the cement industry in China will accelerate its consolidation. Market competition will continue to unfold in full scale and cement price will continue to be under pressure. Nevertheless, with the implementation of new government environment protection standards, the competitive advantage of NSP cement will be apparent. NSP cement will finally dominate the market and production capacity of outdated technology will be eliminated mostly through market competition. As the consolidation of the cement industry goes forward, more large scale cement conglomerates will advent and the concentration of production capacity in the Chinese Mainland will be significantly uplifted. By then, market competition will be more rational.

The Company is expanding its sales capability, market coverage, and competitiveness through expansion of marketing team and building more silo terminals in the Pearl River Delta area. Currently, vertical kiln cement has a market share of approximately 70% in Southern China. The Company will adjust its product mix and marketing strategy and enter the market segments traditionally occupied by vertical kiln cement. In order to accelerate the entry to these market segments, the Company will consider supplying clinker to vertical kiln cement producers and utilise their cement grinding capacity for a win-win co-operation opportunity.

The imbalance between coal supply and demand has been stabilised recently and raw coal prices are not expected to have any significant increase in the near future. The Company will streamline its operational procedures and consider other cost saving measures such as energy recycling with a view to improving the cost efficiency and lowering its production cost.

As advised in the Company's Annual Report 2004, on-site concrete batching will be banned by the Chinese Government in all cities in China commencing 1 January 2006 and it is also noted that most local governments have further prohibited the use of cement produced by vertical kilns in major infrastructure and landmark projects and in the production of ready mixed concrete. The above policies will not only facilitate the development of NSP cement but will also be advantageous to the rapid growth of the ready mixed concrete business in the coming years.

The Company will continue to implement its "two points, one stroke" strategy for its cement operations and expand its production sites in Guangxi and extend the facilities of sales network in the market of Pearl River Delta region. The Xijiang River which provides convenient and lower cost transportation will be used to enhance our competitiveness. The Company will also increase investment in downstream business, take advantage of the cement distribution network and continue its concrete business development to enhance the sale of cement, so as to consolidate the Company's market position.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months period ended 30 June 2005.

CORPORATE GOVERNANCE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and has applied the Model Code to include senior management and specified individuals who may have access to price sensitive information of the Group.

The Company has made specific enquiry of all Directors who confirmed that throughout the six month period ended 30 June 2005, they have complied with the Model Code.

On 28 July 2005, the Board has adopted the Corporate Governance Manual of the Company which has been prepared on basis of Appendix 14 Code of Corporate Governance Practices to the Listing Rules ("Appendix 14") to ensure that the Company complies with its code provisions and certain recommended best practice. The Board aims to continually review and enhance corporate governance practices in addition to compliance with applicable statutory requirements.

During the six months period ended 30 June 2005, the Company has complied with the code provisions set out in Appendix 14 except the following:

Code Provision A.4.1
Non-executive Directors have no set term of office but retire from office on a rotational basis at least once every three years. Amendment to the articles of association of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 7 April 2005 whereby every director shall be subject to retirement by rotation at least once every three years. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

Code Provision E.1.2
The Chairman did not attend the annual general meeting of the Company held on 7 April 2005 because of a business trip outside Hong Kong.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the financial statements for the period with the management and the Company's auditors.

By Order of the Board
Qiao Shibo
Chairman

Hong Kong, 2 September 2005

As at the date of this announcement, the Board comprises eleven Directors, of which six are executive Directors, namely Mr. Qiao Shibo, Mr. Shi Shanbo, Ms. Zhou Junqing, Mr. Zhou Longshan, Ms. Sun Mingquan and Mr. Zheng Yi; two are non-executive Directors, namely Mr. Jiang Wei and Mr. Keung Chi Wang, Ralph and three are independent non-executive Directors, namely Mr. Chan Mo Po, Paul, Mr. Lin Zongshou and Mr. Lui Pui Kee, Francis.

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