"**Under** the guidance of the "Eleventh Five-Year Plan", we expect a healthier, more scientific evolution of the cement industry in China. Through our development efforts in 2005, we are in a good position to seize new development opportunities in order to achieve better returns for our shareholders."

WANG Chien Kuo, Robert
Chairman of the Board

Dear Shareholders,

I am honored to present to you the annual report of Chia Hsin Cement Greater China Holding Corporation and its subsidiaries for the year ended 31 December 2005.

OPERATING ENVIRONMENT

Under the effects of the austerity control measures, China's economy grew at a steady and balanced pace, achieving a year-on-year GDP growth of 9.9% for 2005, a slight decrease from the 10.1% in 2004. Fixed asset investment continued to be strong. Total fixed asset investment in 2005 grew at 25.7%, a slight decrease of 0.9% from 2004.

During this period, the cement industry had also been going through its normal cyclical changes. The austerity control measures exacerbated the regional fluctuations in the market, while excess supply put a downward pressure on pricing. Together with the increase in energy cost, many companies were barely making a profit and several were at a loss. We believe that the industry reached a cyclical trough in 2005.

Austerity control measures accelerated the restructuring of the cement industry in the PRC. Consolidation of the industry has improved and increase in the activity of major foreign players is evident. The proportion of dry process technology increased and export became a new focus. In 2005, China exported approximately 22.16 million tonnes of cement and clinker, representing an increase of 215% over last year.

OPERATING REVIEW

Facing these difficult times, the Group focused internally to realign its strategy, optimize its product mix, tighten cost control, and prudently invested in strategic assets to better position itself for the coming opportunities and mitigate the cyclical risks. In 2005, the Group recorded a turnover of US$91,485,000, profit for the year of US$103,000 and earnings per share of US cents 0.01.

1. Readjusting market share, implementing an export strategy

In 2005, as China's domestic cement market was at a low, the international export market was rising. The Group utilized its jetty facilities and sales channels to readjust its market share distribution and implement an export oriented strategy. Currently, its products have been successfully sold to the United States, New Zealand and the Middle East, amongst others, and have been well received. In 2005, the Group exported 0.819 million tonnes of cement and clinker, with gross profit reaching US$5,230,000. In the domestic market, the Group was able to adjust its sales portfolio to mitigate sales in the lower price regions such as southern Jiangsu, which allowed our average price trend to slightly increase throughout the year.

2. Increasing strategic investments, securing logistics advantage

Sales channels and jetty facilities are strategically very important as they directly affect the sales volume, sales radius, quality of after sales service and pricing power. In 2005, the Group invested in the addition of a new jetty and storage facilities. Construction of the new jetty with length of 280 meters, width of 30 meters and an annual throughput capacity of 3.82 million tonnes began in November 2005. Expected completion date is in July 2006. At that time, the Group will have a throughput capacity of approximately 8 million tonnes, which will allow it to better serve its development. In addition, to complement its sales expansion, the Group added four new silos in Ningde, Kunshan, Yangzhou, and Nantong respectively. When necessary, the Group will further invest in storage facilities along the Yangtze River and in the eastern coastal areas to increase our market penetration and better our services to our end-customers.

3. Enlarging capacity, optimizing product mix

In order to fully realize our economies of scale and satisfy the continuous growth in the market, the Group installed a new ball mill in 2005 and increased our production capacity by approximately 30%, yielding approximately 4.20 million tonnes per annum. The Group also began the construction of two additional cement silos at the plant site, each with capacity of 15,000 tonnes, to accommodate the increase in production capacity and product variety. This enhanced the Group's ability to expand its sales network and meet demands from a variety of customers. After opening up the low alkali cement market towards the end of the year using purchased clinker, the Group is now studying the feasibility of producing the low alkali clinker itself for further cost savings.

4. Strict internal and financial control

The Group continues to focus on controlling expenses and cash management and implements a rolling budgeting system to monitor cash flow. During the year, the Group completed the revision of its internal control system, strengthened the function of the audit department, implemented regular audit on significant projects and improved its management expertise. With the constant enhancement of its ERP systems, the Group was able to better utilize its internal resources and optimize its management process.

OUTLOOK

2006 is the first year of the "Eleventh Five-Year Plan". We believe that China's economic development will maintain its growth, but the momentum is expected to slow down slightly. Austerity control measures will continue to be in place with optimizing industry structure, increasing efficiency, decreasing wasteful consumption and scientific development as its main objectives.

Looking at the cement industry, we believe that the imbalance between supply and demand, especially in the Huadong area, will be slowly alleviated. Prices should see a recovery in 2H2006. Coal and electricity supply should be at equilibrium and prices will remain stable and high. Under the directives of the "Eleventh Five-Year Plan" for cement, industry consolidation and adjustment will be improved and export may be affected. However, if the price of cement maintains at a low range, the Group expects exports to increase and it will act as the balancing lever to stabilize domestic supply and demand.

In 2006, CHC Greater China will capitalize on its unique logistics advantage and maintain its export oriented strategy. Meanwhile it will enhance its core competencies and be ready to seize the opportunities as the industry begins to recover, thereby generating better returns for our shareholders.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my appreciation to those who have continued to support us and believe in us. In 2006, the Group intends to actively participate in the recovery and consolidation of the industry to become an influential player in our markets.

By Order of the Board

WANG Chien Kuo, Robert
Chairman

Hong Kong
14 March, 2006