

Directors' Report

The Board is pleased to present its report together with this annual report and the audited financial statements of CHC Greater China and its subsidiaries for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The principal activity of the Company is investment holding whereas the principal activities of its subsidiaries are production and sales of cement and other cement products.

Details of the principal activities of the subsidiaries as at 31 December 2005 are set out in note 34 to the financial statements.

For the year ended 31 December 2005, there were no material acquisitions and disposal of subsidiaries by the Company.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 47.

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2005.

SIGNIFICANT INVESTMENT

There were no significant investment of the Group during the reporting period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 1 June 2006 to Tuesday, 6 June 2006 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending the AGM to be held on 6 June 2006, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30pm on Tuesday, 30 May 2006.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Group for the year ended 31 December 2005 are set out in note 20 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company and the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Group for the year ended 31 December 2005 are set out in the consolidated statement of changes in equity on page 49.

BANK BORROWINGS

Details of the Group's bank borrowings, for the year ended 31 December 2005 are set out in note 25 to the financial statements.

DIRECTORS

The Directors of the Company as at 31 December 2005 were as follows:

Executive Directors were Mr. WANG Chien Kuo, Robert (Chairman), Mr. LAN Jen Kuei, Konrad (Vice Chairman), Mr. CHANG Kang Lung, Jason (Managing Director/Chief Executive Officer) and Ms. WANG Li Shin, Elizabeth;

Non-executive Directors were Mr. CHANG Yung Ping, Johnny and Mr. CHANG An Ping, Nelson;

Independent non-executive Directors are Mr. Davin A. MACKENZIE, Mr. ZHUGE Pei Zhi and Mr. WU Chun Ming.

Mr. MAR Shaw Hsiang, a non-executive Director, and Ms. CHEN Meei Ling, Shelly, an independent non-executive Director, resigned from the office as Director of the Company with effective from 15 March 2005.

In accordance with Article 112 of the Company's Articles of Association, Mr. WANG Chien Kuo, Robert, Mr. CHANG Kang Lung, Jason and Ms. WANG Li Shin, Elizabeth shall retire by rotation and being eligible, offer themselves for re-election at the AGM.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 6 to 9 of this annual report.

DIRECTORS' SERVICE CONTRACTS

1) Executive Directors

On 26 November 2003, each of Mr. WANG Chien Kuo, Robert, Mr. LAN Jen Kuei, Konrad, Mr. CHANG Kang Lung, Jason and Ms. WANG Li Shin, Elizabeth entered into a service contract with the Company for an initial term of three years commencing from 12 December 2003, and will continue thereafter for a successive term of one year until terminated by either party with the giving of notice in writing for not less than three months to the other party. Each of the executive Directors is entitled to a fee of HK\$150,000 per annum, subject to an annual adjustment of not more than 10.0% after one year of service at the discretion of the Board. Each of the executive Directors is also entitled to remuneration as the chairman, vice-chairman, managing director or controller of the Company, as the case may be. Each of executive Directors shall receive remuneration on the basis of thirteen months for a year.

In addition, each of the executive Directors is entitled to a discretionary management bonus after one year of service provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 3.0% of the audited combined or consolidated net profit of the Group (after taxation and minority interests and payment of such bonus) and the profit after the payment of the total bonuses to all executive Directors shall exceed US\$14,600,000. Each executive Director shall also be re-imbursed all reasonable expenses incurred by him during his term of office and the normal course of operation of the Company.

Apart from the fees and remuneration payable by the Company, each of Mr. WANG Chien Kuo, Robert, Mr. CHANG Kang Lung, Jason and Ms. WANG Li Shin, Elizabeth is entitled to a remuneration from Jingyang Cement as to RMB11,200, RMB8,400 and RMB7,000 per month respectively on the basis of thirteen months for a year.

2) Non-executive Directors

The non-executive Directors have been appointed for a term of one year until the conclusion of the AGM. The Company intends to pay a Director's fee of HK\$100,000 per annum to each of the non-executive Directors.

3) Independent Non-executive Directors

The independent non-executive Directors have been appointed for a term of one year until the AGM. The Company intends to pay a Director's fee of HK\$80,000 per annum to each of the independent non-executive Directors.

Save as disclosed above, none of the Directors proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

■ Directors' Report

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in note 9 to the financial statements. The Director's fee of Mr. ZHUGE Pei Zhi, an independent non-executive Director was expensed in the accounts but was not collected. Moreover, save for the directors' remuneration as disclosed in note 9 of the financial statements, during the reporting period, no emoluments were paid to the directors as an inducement to join or upon joining the Company or as compensation for loss of office of the directors or resigning directors.

CONNECTED TRANSACTIONS

Details of the disclosable connected transactions, which are all continuing connected transactions, for the year ended 31 December 2005 are set out in note 33 to the financial statements. The independent non-executive Directors of the Group have reviewed the continuing connected transactions and confirmed that the continuing connected transactions were conducted (i) in ordinary and usual course of business of the Group; (ii) on normal commercial terms of the Group; and (iii) pursuant to the terms of the agreement governing the transactions, which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Directors engaged the auditors of the Company to perform certain agreed procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the Board. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed in the section headed "Relationship with CHC" in the Prospectus, during the year and as at the date of this annual report, none of the Directors and controlling shareholders of the Company had any interest in business which competes or may compete with the Group's business under the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" in the Prospectus and note 33 to the financial statements, none of the Directors of the Group had a material interest, either directly or indirectly, in any significant contract entered into by the Group or any of its subsidiaries at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

There is no contract entered into by the Group relating to its management and administration or subsisting during the year which is substantial to the entire or any part of the business for the Company.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2005, the interests or short positions held by the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would be required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

1. The Company

Name of director	Number of ordinary shares (long positions)			Approximate percentage of issued share capital (%)
	Personal interest	Family interest	Total number of shares	
CHANG Kang Lung, Jason	6,740,000	400,000	7,140,000	0.62
CHANG Yung Ping, Johnny	13,452,000	2,146,000	15,598,000	1.36

2. Associated Corporations

Name of director	Name of associated corporation	Number of ordinary shares (long positions)				Approximate percentage of issued share capital (%)
		Interest of controlled corporation	Personal interest	Family interest	Total number of shares	
WANG Chien Kuo, Robert	CHC	—	358,811	21,108,875	21,467,686	3.07
	Tong Yang Chia Hsin International Corporation	—	194,168	14,002	208,170	0.12
	Chia Hsin Construction and Development Corp.	—	4,863,088	1,285,200	6,148,288	12.37
LAN Jen Kuei, Konrad	CHC	—	64,000	—	64,000	0.01
CHANG Kang Lung, Jason	CHC	—	300,000	—	300,000	0.04
	Tong Yang Chia Hsin International Corporation	—	869,180	—	869,180	0.51
	Chia Hsin Construction and Development Corp.	—	638,400	—	638,400	1.28
WANG Li Shin, Elizabeth	CHC	—	40,000	—	40,000	0.01
	Chia Hsin Construction and Development Corp.	—	387,000	—	387,000	0.78
CHANG Yung Ping, Johnny	Chia Hsin Pacific Limited	—	107,738	—	107,738	0.48
	CHC	44,955,178	27,780,062	—	72,735,240	10.39
	Tong Yang Chia Hsin International Corporation	—	380,781	—	380,781	0.22
	Chia Hsin Construction and Development Corp.	—	8,169,600	—	8,169,600	16.43
CHANG An Ping, Nelson	CHC	10,646,179	2,295,527	202,640	13,144,346	1.87
	Tong Yang Chia Hsin International Corporation	—	197,381	—	197,381	0.12
	Chia Hsin Construction and Development Corp.	—	288	—	288	0.00

Save as those referred to above, as at 31 December 2005, certain Directors held certain shares in the Company's subsidiaries as the non-beneficial owners to comply with the minimum requirement on the number of shareholders for a Company.

Save as disclosed above, as at 31 December 2005, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which would be required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

■ Directors' Report

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES OF THE COMPANY

So far as the Directors are aware of, as at 31 December 2005, the shareholders, other than the Directors or the chief executives of the Company, who had an interest or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name of shareholders	Nature of interests	Number of ordinary shares	Percentage of issued share capital of the Company
Chia Hsin Pacific Limited ("CHPL") (note a)	beneficially owned	814,000,000	71.22%
International Chia Hsin Corp. ("ICHC") (note b)	beneficially owned	7,780,000	0.68%
Tong Yang Chia Hsin International Corporation ("Chia Hsin International") (note b)	interests held by controlled corporations	7,780,000	0.68%
CHC (notes a and b)	interests held by controlled corporations	821,780,000	71.90%

Note:

- a. CHPL is owned as to approximately 69.74% by CHC, the ultimate controlling company of the Company, as to approximately 24.19% by Chia Hsin International (a 87.18% owned subsidiary of CHC), as approximately 4.16% by CHC Holdings Inc. (a wholly-owned subsidiary of CHC), as to approximately 1.21% by Chia Hsin RMC Corporation (a company owned as to 13.71% by CHC), as to approximately 0.48% by Mr. CHANG Yung Ping, Johnny, a non-executive Director and as to approximately 0.22% by Sung-Ju Investment Corporation.
- b. The 19.33% and 20.18% issued share capital of ICHC is held by CHC and Chia Hsin International (a 87.18% owned subsidiary of CHC) respectively.

Save as disclosed above and so far as the Directors are aware of, as at 31 December 2005, no other party (other than the Directors and the chief executives of the Company) had an interest or short positions in the shares, the underlying shares or debentures of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

For the year ended 31 December 2005, no share options were granted, exercised, lapsed or cancelled under the share option scheme of the Company. Details of the share option scheme are set out in note 31 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2005.

MAJOR LITIGATION

The Group did not engage in any litigation or arbitration of material importance during the year.

PUBLIC FLOAT

Based on all the information available to the Company and within the knowledge of the Directors, the Directors confirmed that there was a sufficient public float of the Company as at the date of this report, being the latest practicable date prior to the issue of this annual report.

CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed “Corporate Governance Report” in this annual report.

AUDIT COMMITTEE

The Board has established the Audit Committee in November 2003 in accordance with the requirements of the Listing Rules. The Committee comprises all the independent non-executive Directors, Mr. Davin A. MACKENZIE, Mr. ZHUGE Pei Zhi and Mr. WU Chun Ming and Mr. Davin A. MACKENZIE is the chairman of the Committee. Summary of duties and works of the Committee is set out in the “Corporate Governance Report” in this annual report.

REMUNERATION COMMITTEE

Pursuant to the requirements of the CG Code, the Board has established the Remuneration Committee on 7 July 2005. The Committee comprises one non-executive Director, Mr. CHANG An Ping, Nelson and two independent non-executive Directors, Mr. Davin A. MACKENZIE and Mr. ZHUGE Pei Zhi and Mr. Davin A. MACKENZIE is the chairman of the Committee. Summary of duties and works of the Committee is set out in the “Corporate Governance Report” in this annual report.

AUDITORS

The accounts have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment at the AGM.

By Order of the Board
WANG Chien Kuo, Robert
Chairman

14 March 2006