



嘉新水泥（中國）控股股份有限公司*

Chia Hsin Cement Greater China Holding Corporation

(Incorporated in Cayman Islands with Limited Liability)

(Stock Code: 699)

Summary Report for the First Quarter of 2006

To increase shareholders' understanding of operations of Chia Hsin Cement Greater China Holding Corporation (the "Company") and its subsidiaries (collectively the "Group"), the directors of the Company would like to disclose the operations of the Group for the three months ended 31 March 2006 (the "Period") pursuant to rule 13.09 of the Rules Governing The Listing of Securities on the Stock Exchange of Hong Kong Limited as follows:

1. Financial Highlights for the First Quarter

	For the three months ended 31 March 2006 Unaudited US\$000'	For the three months ended 31 March 2005 Unaudited US\$000'
Turnover	27,526	17,676
Cost of sales	24,316	14,650
Profit/(loss) for the period	<u>(265)</u>	<u>(610)</u>
Inclusive of: Chia Hsin Jingyang Cement Co., Ltd ("Jingyang Cement")	(137)	(379)
Basic earnings/(loss) per share (US cents)	<u>(0.02)</u>	<u>(0.05)</u>

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

2. Business Review

2.1 Business Environment Analysis

China's economy had a good start in the first quarter of 2006 and continued to pursue a steady and fast upward trend. During the Period, GDP recorded a year-on-year growth of 10.2%, up 0.3% from the same period last year. The growth of fixed asset investments maintained at a relatively fast speed. Aggregate fixed asset investments recorded a year-on-year growth of 27.7%, up 4.9% from the same period last year.

In most regions of China, affected by seasonal factors such as cold climate and the Spring Festival, projects were conducted at a relatively slow pace. The cement market was in a relatively soft state in general. The first quarter was a traditional slow season for the cement industry in China. Nevertheless, as compared to the same period last year, the demand in the cement market rebounded substantially. For the first quarter of 2006, total cement production amounted to 220 million tonnes, up 23.3% from the same

period last year. The pace of growth increased by 22.1%. Meanwhile, cement prices continued to follow the downward trend in 2005. Despite a slight rebound in cement prices in March, the increase in the overall cement price was still restrained by the excessive supply (particularly in the Eastern region of China) in the industry.

In the first quarter of 2006, exports continued to be a focus of the China cement industry and export volume maintained an upward trend. For the first two months of 2006, exports of cement and clinker amounted to 4.52 million tonnes, 2.8 times that of the same period last year. The major export markets were the United States, Spain and the United Arab Emirates. According to “Digital Cement”, Jingyang Cement, a subsidiary of the Group, has become one of the major enterprises for cement export in China.

2.2 Analysis of the Group's Operations

Breakdown of turnover by products:

Types	For the three months ended 31 March 2006		For the three months ended 31 March 2005	
	Turnover US\$000'	Percentage %	Turnover US\$000'	Percentage %
Domestic sales				
52.5 Cement	3,123	11.3	4,886	27.6
42.5 Cement	3,535	12.8	10,460	59.2
32.5 Cement	675	2.5	2,142	12.1
Clinker	309	1.1	—	—
	<u>7,642</u>	<u>27.7</u>	<u>17,488</u>	<u>98.9</u>
Exports				
52.5 Cement	19,176	69.7	188	1.1
Clinker	708	2.6	—	—
	<u>19,884</u>	<u>72.3</u>	<u>188</u>	<u>1.1</u>
Total	<u>27,526</u>	<u>100.0</u>	<u>17,676</u>	<u>100.0</u>

Breakdown of turnover by sales regions:

Regions	For the three months ended 31 March 2006		For the three months ended 31 March 2005	
	Turnover US\$000'	Percentage %	Turnover US\$000'	Percentage %
Jiangsu	3,213	11.7	8,090	45.7
Zhejiang	2,708	9.8	5,297	30.0
Shanghai	554	2.0	2,956	16.7
Fujian	1,167	4.2	1,145	6.5
Exports	19,884	72.3	188	1.1
Total	<u>27,526</u>	<u>100.0</u>	<u>17,676</u>	<u>100.0</u>

- 2.2.1 Outstanding export performance with successful export oriented strategy.** In the first quarter of 2006, strong demand in the international cement market led to obvious price advantages. The Group increased its exports by taking advantage of its own jetties and sales channels. The exports of cement and clinker during the Period amounted to 563,000 tonnes, with a total value of US\$19,884,000, which was 106 times that of the same period last year. Exports have become an important channel for the Group to improve its profitability and financial position.
- 2.2.2 A sharp increase in turnover due to an increase in average unit sales price and sales volume.** During the Period, the share of export sales increased to 72.3% of turnover. Meanwhile, export prices for cement remained high and the decline in domestic prices in the slow seasons was limited. The Group has implemented a flexible and effective marketing strategy. As a result, the average sales price of the Group for the first quarter reached US\$32.5 per tonne, up 37.5% from the same period last year. Sales of cement and clinker amounted to 847,000 tonnes and turnover was US\$27,526,000, up 13.2% and 55.7% from the same period last year respectively. The Group has made significant progress in its market operating results when compared to last year.
- 2.2.3 Increasing proportion of high grade cement.** To match the development of the export sales market and meet the demand in the international market, the Group increased the production and sales of high grade cement in the first quarter of 2006. The share of the turnover for high grade cement reached 93.8%, up 5.9% from the same period in 2005. Maintaining a high proportion of high grade cement is an operating strategy that the Group has been adhering to.
- 2.2.4 Decline in gross profit margin due to an increase in average sales cost.** In the first quarter of 2006, the Group's average sales cost was US\$28.7 per tonne, up 46.6% from the same period last year. There was a year-on-year increase in the maintenance costs as the Group has made use of the slow season to carry out more extensive routine yearly maintenance for the production facilities in order to match the increase in production capacity and export sales. To match export sales, the Group increased the production of low-alkaline clinker and cement, which led to an increase in the unit production costs. The Group also outsourced a certain volume of clinker for cement production and purchased a portion of cement for direct sales, which also contributed to an increase in the average production cost. As the percentage increase of the average sales cost was higher than that of the average sales price, the gross profit for the first quarter of 2006 dropped to 11.7%.
- 2.2.5 An increase in total gross profit contributed to the decrease in loss.** Despite the reduction in the Group's profit margin, the increase in sales, particularly from the export sales, offset part of the unfavourable effects brought by the reduction in profit margin. The total gross profit increased and the loss was narrowed down over the same period last year. If the maintenance costs were excluded, the Group has already recorded a profit in the first quarter of 2006. This reversed the loss position before maintenance during the same period last year.

Looking forward to 2006, we believe that with an improvement in the situation of an excessive supply of cement, cement prices will gradually rise again and are expected to change the downward trend in the second half year. Driven by the government and with the participation of foreign players, the restructuring of the industry will accelerate. Export of cement will remain relatively high. The Group will further expand its business in the export sales market and seize every opportunity to develop domestic business. At the same time, with the completion of major maintenance work and the reduced cost pressure, the profitability of the Group is expected to improve.

As at 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. Davin A. MACKENZIE, Mr. ZHUGE Pei Zhi and Mr. WU Chun Ming are the Independent Non-executive Directors.

By order of the board
Chairman
WANG Chien Kuo, Robert

24 April 2006

* *for identification purpose only*

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