嘉新水泥（中國）控股股份有限公司
Chia Hsin Cement Greater China Holding Corporation

（於開曼群島註冊成立的有限公司）
(Incorporated in the Cayman Islands with limited liability)

(股份代號: 0699.HK)
(Stock Code: 0699.HK)

中期報告 2006
Interim Report 2006

	Six months ended	
	30 June 2006	30 June 2005
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Turnover	**63,248**	38,226
Gross profit	**11,009**	6,419
Gross profit margin	**17.4%**	16.8%
Profit for the period	**2,806**	(1,157)
Earnings per share (US cents)	**0.25**	-0.10
Return on equity	**1.3%**	-0.6%

	30 June 2006	31 December 2005
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Total assets	**324,845**	311,993
Total liabilities	**115,858**	107,640
Shareholders' equity	**208,987**	204,353
Gearing ratio	**32.3%**	30.7%
Debt ratio	**50.2%**	46.9%
Current ratio	**2.6 times**	2.4 times
Net asset per share (US cents)	**18.29**	17.88

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Corporate Profile and Structure

Chia Hsin Cement Greater China Holding Corporation (the "Company") and its subsidiaries (collectively "CHC Greater China" or the "Group") were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")(Stock code: 0699.HK) on 12 December 2003. CHC Greater China was selected into the T-share Index compiled by the Polaris Securities (HK) and the Standard & Poor's in July 2006.

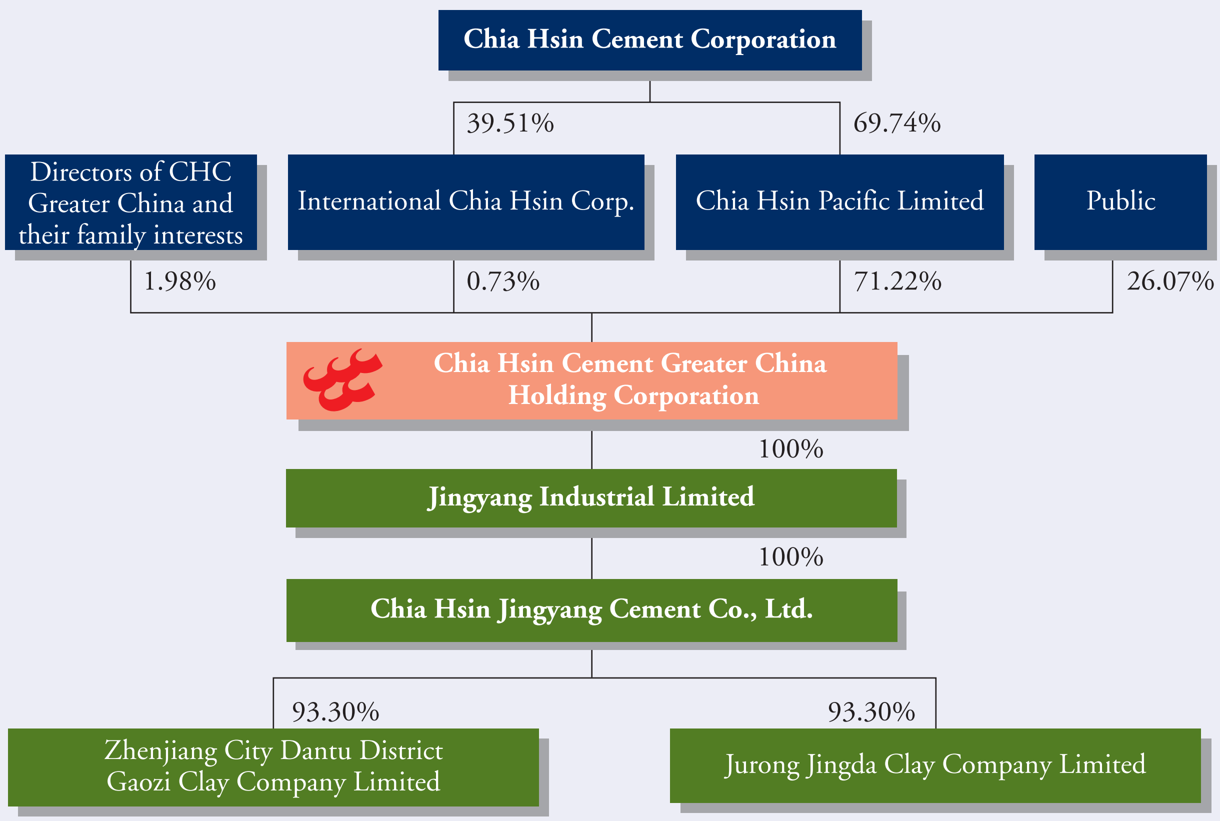
The Group has been engaged in cement production and cement related business in the People's Republic of China (the "PRC") since 1993. It is the first Taiwanese Player to enter the PRC market and is now one of the major cement suppliers in the Greater China region. Chia Hsin Cement Corporation ("CHC"), the parent company, is one of the 3 largest cement suppliers in Taiwan. It has been in operation for over 50 years and has been listed on the Taiwan Stock Exchange Corporation (Stock code: 1103.TW) since 1969.

CHC Greater China's production facility is located in Zhenjiang City, Jiangsu Province, the PRC, and owns a limestone reserve of approximately 320 million tonnes. The state-of-the-art production facilities, which have an annual production of over 4.2 million tonnes of cement and three private deep water jetties, 2 having a capacity to berth vessels of 30,000 tonnes and 1 of 5,000 tonnes, allowing the Group to provide a full range of products and services for its clients in both domestic and international markets.

The Group's products have been used in various landmark construction projects including the Shanghai Maglev Station, the Shanghai Pudong International Airport, the Shanghai Donghai Bridge and Big and Little Yangshan Deepwater Port, the Shanghai World Financial Centre, the Nanjing Subway, the Huaneng Power Plant, the Ning Hang Expressway, the Zhejiang Yongtaiwen Expressway, the Fujian Funing Expressway, the Jiangyin Bridge and the Xiapu Airport.

As at 30 June 2006, the Group has total assets of approximately US$325 million.

CORPORATE STRUCTURE



As at 30 June 2006

Corporate Information

DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. CHANG Yung Ping, Johnny
Mr. CHANG An Ping, Nelson

Independent Non-executive Directors

Mr. Davin A. MACKENZIE
Mr. ZHUGE Pei Zhi
Mr. WU Chun Ming

COMPANY SECRETARY

Ms. LO Yee Har, Susan

AUTHORISED REPRESENTATIVES

Mr. CHANG Kang Lung, Jason
Ms. WANG Li Shin, Elizabeth

MEMBERS OF THE AUDIT COMMITTEE

Mr. Davin A. MACKENZIE
(Chairman of the Audit Committee)
Mr. ZHUGE Pei Zhi
Mr. WU Chun Ming

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Davin A. MACKENZIE
(Chairman of the Remuneration Committee)
Mr. ZHUGE Pei Zhi
Mr. CHANG An Ping, Nelson

INFORMATION ON SHARES

Place of listing: The Stock Exchange of Hong Kong Limited
Stock code: 0699
Issue price: HK$1.48
Listing date: 12 December 2003
Number of shares in issue: 1,142,900,000
Nominal value: US$0.01 per share

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Wan Chai, Hong Kong

ENQUIRY FOR INVESTORS

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Chairman's Statement

Dear Shareholders,

I am pleased to present to you the Interim Report of Chia Hsin Cement Greater China Holding Corporation and its subsidiaries for the six months ended 30 June 2006.

OPERATING ENVIRONMENT

As a result of the expedited economic growth in the PRC, the first half of 2006 saw a year-on-year GDP growth of 10.9%, an increase of 0.9% over the same period of last year. In particular, the dual effects of fixed asset investment in major government projects and a flexible monetary policy maintained a high growth momentum, resulting in significant economic growth. For the first six months of the year, the overall investment of fixed assets recorded a year-on-year growth of 29.8%, a rise of 4.4% over the same period of last year.

Following the revived investment of fixed assets, overall supply exceeding demand in cement industry has taken a favourable turn since 2006 and hence both the pricing and volume of the business have increased. The profitability of the industry as a whole has gradually improved. This effectively marked a turnaround from the significant loss over the same period of last year. Eastern China's performance compared to other areas in the PRC was, however, less significant, owing to the imbalance between supply and demand. Export business continued to maintain a strong growth momentum. The cement industry in the PRC reached approximately 17.56 million tonnes in cement and clinker exports over the first half of year 2006, representing an increase of 125.3% over the same period of last year. Utilizing export to expand international business presence has become an important strategic option open to qualified cement companies.

In the wake of the Chinese government's re-affirmation on control measures for the cement industry, merger and acquisition activities are becoming more prominent. European and American cement companies have quickened their pace to enter the PRC market in order to capture opportunities to form strategic alliances with quality cement companies in China. This has developed into a powerful external drive for the structural adjustment of the cement industry in China.

BUSINESS REVIEW

Due to the effective strategies of the Group, the Group's operations have been growing rapidly in the first half of 2006. In total, cement production amounted to 1.6 million tonnes, representing an increase of 9% over the same period of last year; sales volume of cement and clinker amounted to 1,926,000 tonnes, turnover amounted to US$63,248,000, which recorded a year-on-year increase of approximately 21.9% and 65.5% respectively; gross profit amounted to US$11,009,000, representing an increase of 71.5% over the same period of last year and net profit amounted to US$2,806,000 which was a turnaround from a net loss over the same period of last year.

The Group experienced a quantum leap in its export sales. Profiting from the shift in sales strategy to the more favorable export markets in 2005, the Group utilized its unique competitive strengths to increase exports to 1,266,000 tonnes of cement and clinker, comprising 65.8% of the Group's total sales. The Group's export network spans across the world, reaching to places like the United States, Malaysia, New Zealand and the Middle East. According to the statistics of "Digital Cement", Chia Hsin Jingyang Cement Co., Ltd. ("Jingyang Cement"), a subsidiary of the Group, has become one of the major cement export companies in the PRC, pioneering China cement industry's active participation in the global cement arena.

In order to compliment its export strategy, the Group took bold initiatives in adjusting its operations and production. After various assessments, starting this year, the Group shifted its entire production to produce low alkali clinker and cement, which yields a higher profit margin. In respect of its product mix, the Group has decided to cease the production of low-grade Grade 32.5 cement with effect from April 2006 and concentrate on the high grade (including the Grades 42.5 and 52.5 cement) cement production and sales for a higher profit contribution. The proportion of high-grade cement turnover reached 94.7%, which was a record high for the Group in recent years.

Emphasis had been placed by the Group on its investment in strategic assets. Two important investments were made last year. One was an investment in two cement silos, which have already commenced operations since June 2006. This allows the Group more flexibility in terms of distribution. The other investment is in a new deep-water jetty. Operations have commenced in August 2006, increasing the Group's annual throughput capacity to over 8 million tonnes, making it one of the largest private deep-water jetties midstream to downstream of the Yangtze River. The Group will also seek to increase investments in capacity, storage, logistics, and sales network when the right opportunity arises to build a stronger foundation for our future growth.

While focusing on exports, the Group also simultaneously concentrates on the optimization and efficiency of the domestic markets as well, establishing a good reputation in these markets. Over the first six months of this year, the sales of cement and clinker in the domestic markets amounted to 660,000 tonnes. More importantly, cement trading, which was started in April 2006, will become an integral part of our future strategy, enabling us to capitalize on the growth of the China cement market and expand our domestic sales, while we continue to maintain our export markets, creating a win-win situation between export and domestic sales.

LOOKING FORWARD

Looking to the second half of 2006, we expect the Chinese government to target specific areas to tighten its austerity control measures, utilizing tools such as credit control, land approval, tax rebates, exchange rates, etc. in hopes of guiding the economy into a more rational growth. Structural optimization, efficiency enhancement, energy conservation, scientific growth, etc. should gradually be realized. Economic growth should taper slightly compared with the first six months of this year.

Supply and demand will slowly reach a balance and cement prices are expected to be stable with the possibility of a slight increase in the second half of 2006. Productions costs should remain stable and structural adjustment policies will be gradually implemented. We expect that the austerity control measures will slow down the pace of recovery and export tax incentives may be reduced. The growth in the United States economy is declining, particularly the property market which has been declining relatively faster than the other sectors. This situation will affect the high-growth export business of the PRC cement industry. However, we remain optimistic that profitability of cement industry will be significantly higher than 2005. The export volume will remain at a relatively high level and the companies which acquire competitive advantages will evaluate opportunities of acquisitions and alliances to further secure their position in the market.

The Group will continue to focus its business on export trade in the second half of the year while actively engage in the cooperation among domestic cement companies for the purpose of capitalizing on the development opportunities of the domestic cement industry. With the strengths of our present financial position, sufficient reserves and sustainable development capability, the Group will be able to overcome the risks generated by the austerity policy to be implemented by the PRC government. Moreover, the Group intends to enlarge its scale through capital restructuring and is currently evaluating the synergies created through exercising the option to purchase Jiangsu Union Cement Co., Ltd. ("Union Cement"). We also remain open to developing alliances with foreign partners to increase our influence in the Chinese markets.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would extend our gratitude to each of our friends for their support and trust in us. We will fully utilize our growing strengths to increase our operating scale and profitability to establish an influential position in the PRC cement industry.

By Order of the Board
WANG Chien Kuo, Robert
Chairman

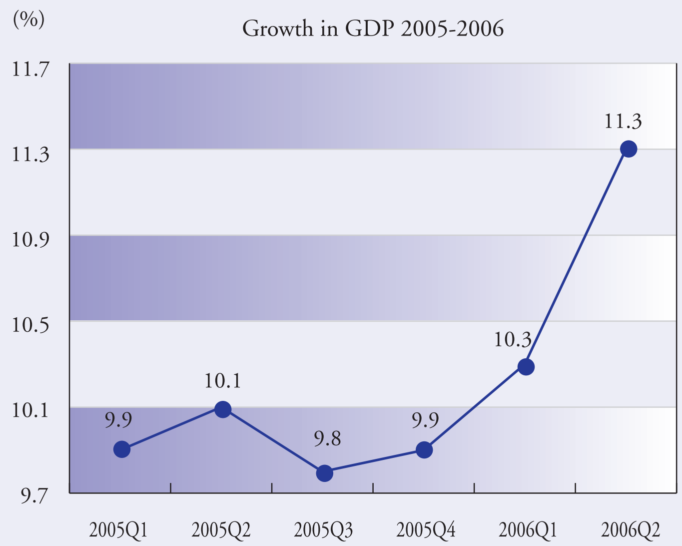
23 August 2006

For the first half of 2006, the PRC economy grew at a steadily rapid pace. Fixed assets investment grew faster in all other regions of the PRC, while growth in the Yangtze River Delta has tapered. Though the overall industry was still experiencing an over-supply, cement prices saw a moderate increase and the overall condition of the industry is better than that of the same period last year. With the clarification of austerity control measures for the cement industry, consolidation pace is faster. The global macro economy grew steadily and cement exports from China grew significantly.

1. ANALYSIS OF THE OPERATING ENVIRONMENT FOR THE FIRST HALF OF 2006

Balanced yet rapid growth of the national economy

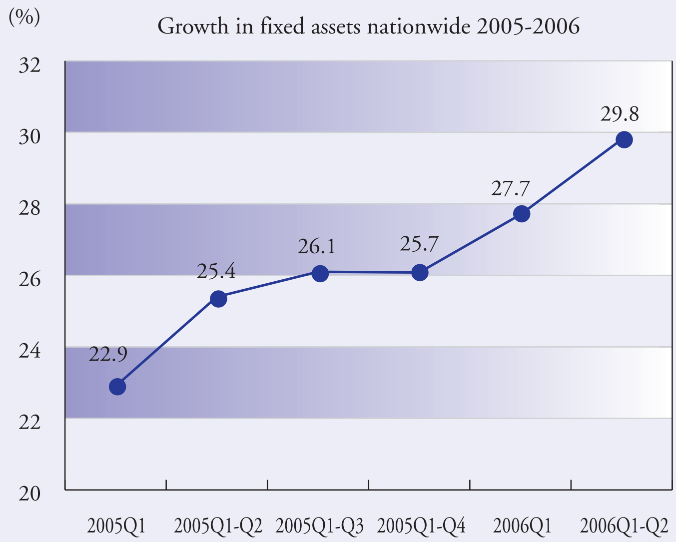
For the first half of 2006, the Chinese government has announced specific austerity control measure targeting the unbalanced growth in the economy. Its effect will become more evident in the second half of the year. According to the preliminary verification of the National Bureau of Statistics of China, for the first half of 2006, the GDP was RMB9,144.3 billion, representing a year-on-year increase of 10.9%, which was faster by 0.9 percentage point over the same period of last year; in quarterly terms, a year-on-year increase of 10.3% and 11.3% has been achieved for the first and second quarter respectively, which shows that growth in GDP has accelerated.



Source: National Bureau of Statistics of China

Fixed assets investment grew faster in all other regions of the PRC, while growth in investment in the Yangtze River delta area has tapered

For the first half of 2006, fixed assets investment kept growing at a high speed fueled by government's major infrastructure projects and generous monetary credit facility. The overall investment in fixed assets during the period amounted to RMB 4,237.1 billion, representing a year-on-year increase of 29.8%, which was faster by 4.4 percentage points, of which, investment in fixed assets in city and town areas amounted to RMB 3,636.8 billion, an increase of 31.3% and faster by 4.2 percentage points. However, in terms of regions, investment in fixed assets in the Yangtze River delta areas was notably lower than the national level, and in particular the investment in fixed assets in the areas of Shanghai and Jiangsu Province amounted to 9.5% and 24.8% respectively, which were 5.6 and 4.6 percentage points respectively lower than those of the same period of last year.

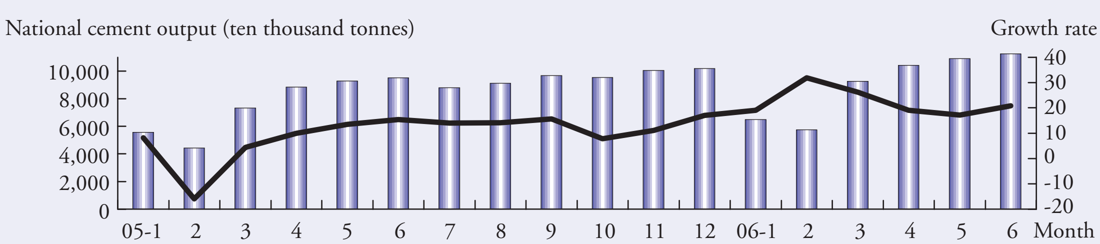


Source: National Bureau of Statistics of China

Rapid growth in the production and sales volumes of cement

For the first half of 2006, promoted by the investment in fixed assets, the national sales volume of cement increased at an accelerated rate. Production volume of cement during the period amounted to 542 million tonnes, representing an increase of 20.8% and faster by 12.46 percentage points over the same period of 2005, of which the production volume for June amounted to 112.5 million tonnes, which was a record high for a single month. However, the growth in eastern China region was lower than the national level, in particular, the year-on-year growth in cement production volume of Jiangsu Province for the first half of 2006 was 14.7%, which was lower than the national level by 6.1 percentage points. Its growth rate even dropped 11.7 percentage points over the same period of last year.

Monthly production and growth of cement 2005-2006



Source: China Cement Association

Reduction of additional capacity

As a result of the austerity control during the earlier periods, growth in fixed assets investment and additional production capacity have somewhat slackened. During the first half of 2006, the accumulated completed investment in fixed assets for the entire industry amounted to RMB17.17 billion, a decrease of 0.8% over the same period of last year. There were 31 new dry process production lines in the first half of the year, newly added clinker capacity amounted to 34.94 million tonnes.

New dry process clinker production capacity in 1H2006

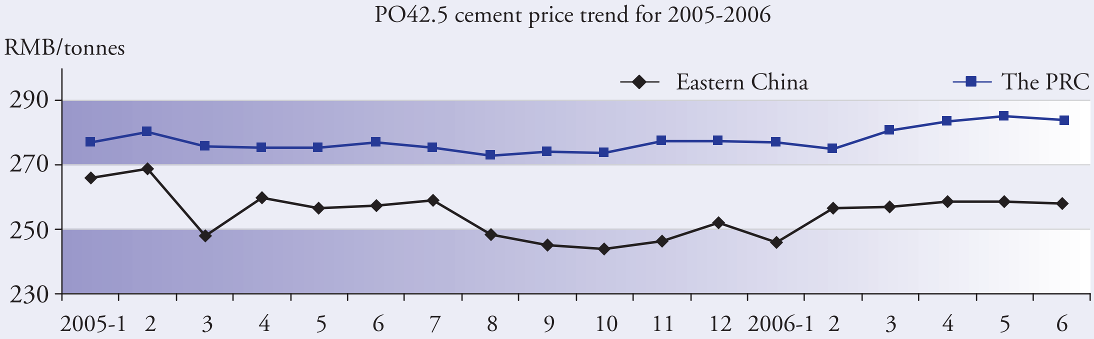
Scale (t/d)	5,000	3,000-4,000	2,500	1,000-1,200	Total
No. of lines	14	5	9	3	31
Capacity for clinker (ten thousand tonnes)	2,170	527	698	99	3,494

Source: China Cement Association

Stabilized prices of cement and improved profitability of the industry

With the demand steadily reviving and newly added production capacity decreasing, the supply and demand of cement gradually improved. There were indications that cement prices were rising by a small margin after having stabilized in the first half of 2006. Compared with the same period of last year, prices of coal were stable and had somewhat increased. However, the increase had noticably come down, in particular since April when the prices of coal showed a marked decrease; the rate of electricity was more or less stable, and the cost of energy for the production of cement did not vary significantly. For the first half of 2006, profitability of the cement industry has been lifted considerably. The total profit of the industry amounted to RMB 4.401 billion, representing a year-on-year increase of 141%.

PO42.5 cement price trend for 2005-2006



Source: China Building Materials Information's website

Export continued to rise rapidly

For the first half of 2006, the world economy was growing steadily and rapidly, when cement prices in the international market were visibly higher than the domestic ones. As such, the cement industry of the PRC found it favourable to engage in export sales. During the reporting period, the industry has seen rapid growth in export, and a total of 17.56 million tonnes of cement and clinker was recorded which amounted to US$569.16 million in export sales, representing an increase of 125.3% and 133.8% respectively over the same period of last year. It has become an important strategic option for well-positioned companies of the cement industry to increase their international presence by expanding export sales.

Further optimizing of the industry structure

Proportion using the new dry process for clinker production is an important measurement of the optimization of the industry. For the first half of 2006, proportion of production using the dry new process technology has reached 44.5%, an increase of 5.6 percentage points over the same period of last year. Furthermore, large-scale single-line capacity will be the direction for our development next to the new dry process production lines. The extent of concentration of the industry had seen a further intensification, where the increase in the production capacity of large-scaled cement companies (scale of annual production with over 1.20 million tonnes) amounted to 34.4%, which was 13.6 percentage points higher than the national level. In the wake of frequent mergers and acquisitions of companies as well as the increasing participation of foreign investment in the cement markets of the PRC, the number of large-scaled companies will increase, acting as an external force to speed up the structural adjustments of the industry.

2. OPERATING ENVIRONMENT OUTLOOK FOR THE SECOND HALF OF 2006

Looking forward, we are of the view that the second half of 2006 will witness a general improvement in the macro-economy of the PRC, as the government will take austerity policies to guide China's economy to a healthier and more rational growth. The oversupply of the cement industry of the PRC will improve gradually and the degree of prosperity will continue to rise after having been stabilized. Uncertainties in the further increase in growth rate for export sales exist but the annual export volume will still remain high.

Gradual stablisation of economic growth

For the first half of 2006, the effects of macro-economic policies will become more marked in the second half of the year. Moreover, in view of the high economic indicators for the first half of the year, it is anticipated that the government will continue to take moderate austerity policies, with a combination of interest rates, land, taxation and exchange rate to regulate the economy. The economy will grow more healthily and enduringly. We estimate that the annual economic growth will see a gentle slow-down over the first half of the year.

Fixed asset investment will drive the growth of cement production

It is anticipated that macro-economic austerity policies to be implemented in the second half of the year will dampen the speed of growth in the fixed assets investment, in particular sectors such as real property and steel will become the key targets of control. Nevertheless, the substantial fixed asset investment, particularly infrastructure, construction of new rural areas as well as city and town construction, will continue to grow at a high speed, driving the growth in cement demand. In addition, the demand of cement for 9 key railways of the State for the next five years will exceed 100 million tonnes. Consumption of cement for the construction of the new rural areas as well as city and town construction will amount to 450 million tonnes a year, which demonstrates the huge business opportunities brought about by investment in fixed assets.

Prices of cement is expected to steadily increase

In the wake of a decrease in investment in fixed assets of the cement industry, growth in newly added production capacity will further slow down. It is anticipated that 61 production lines using the new dry process and a corresponding increase of 70 million tonnes in the production capacity for clinker will be added, which represents 50 production lines and 31.84 million tonnes of production capacity for clinker less than those of last year. In respect of the speed of removing obsolete production capacity, Zhejiang Province, Henan Province and Guangdong Province are the nationwide front-runners with the respective governments providing subsidies for that purpose. Approximately 48 million tonnes of obsolete production capacity in aggregate has been weeded out by these provinces during the last two years. In spite of the re-commencement of production of certain vertical kilns due to the improving market conditions, oversupply of the cement industry will improve compared with last year. As a whole, the prices of cement will revive gradually. According to the forecast by the Chinese Cement Association, prices of cement in 2006 will rise by a small margin of approximately 5% than those of 2005.

A small downward adjustment pressure possible for coal prices

As the supply and demand of coal is becoming balanced, the prices of coal for 2006 will be more or less maintained at a high level and will fluctuate within a narrow margin. The trend for the prices is expected to start high and become lower toward the end of the year. It is estimated that a small downward adjustment pressure is possible for coal prices, particularly the coal used in sectors such as metallurgy and the manufacturing of construction materials, where the adjustment margin will likely be greater. On 30 June 2006, the National Development and Reform Commission initiated a second coal-electricity linked price movement which led to the adjustment of electricity rates in a number of provinces and cities. This would result in a moderate increase in the operating costs of the cement industry for the second half of the year.

New standards for environmental protection will impose a more stringent entry barrier

Cement production lines constructed prior to 1 January 2005 are subject to the Emission Standards for Atmospheric Pollutants by the Cement Industry (GB4915-2004) starting from 1 July 2006. The new standards strictly require that concentration of dust emission shall be lower than 100 mg/m^3, and as from 1 January 2010, the concentration of emission shall be lower than the international standards of 50 mg/m^3. The new standards entail the increased investment in environmental protection for backward enterprises and a higher entry barrier. The emission concentration of the Group at present is less than 37 mg/m^3, which is far lower than the international standards and is exemplary for the cement industry of the PRC for environmental protection.

Uncertainty increases as a result of the rapid growth in export sales

Growth in the world economy seemed to have slowed as a result of the continued increase in interest rates and high oil prices. In particular the United States, a major country to which China's cement exports, has experienced a conspicuous slow-down in the growth of its economy. Since the real property market cools down faster than other sectors, the high growth business of export of PRC's cement industry will be impacted. Also, with the rapid increase in cement export of the PRC, which is a product of high energy consumption, whether it will continue to enjoy the preferential policy of export tax rebate of 13% remains an uncertainty. Moreover, with the widening gap of trade surplus and high level of foreign reserve, the market's anticipatation on the reduction of tax rebate for cement export by the PRC government increases. Nevertheless, we hold an optimistic view on cement export for the year and well-positioned companies will be capable of shifting the burden of the increased costs to the downstream companies. As the largest economy in the world, investment in the industries and infrastructure of the United States produces an unfaltering demand in cement, with approximately 30 to 32 million tonnes in short supply to be filled by imports. According to the forecast by Statistics for Construction Materials Industries, the export volume of cement and clinker for the entire year will amount to 41.16 million tonnes, an increase of 86% over the same period of last year. The Group will capitalize on the advantage of its expanding pier access to capture the currently favourable export situation and enhance the Group's profitability.

Structural adjustment policy favours the long-term development of the cement industry

The National Development and Reform Commission issued the Notice on Opinions Regarding the Speeding up of the Structural Adjustment of the Cement Industry at the end of April this year, which categorically highlights the objective for the structural adjustment for the cement industry during the "Eleventh Five-Year Plan". That is, the projected production volume of cement should reach 1.25 billion tonnes by 2010, of which the proportion of production by the new dry process should be raised to 70%, and the rate of bulk cement should reach 60%; the accumulated weeding out of backward production capacity should reach 250 million tonnes. The average production scale of companies should increase from 200,000 tonnes in 2005 to approximately 400,000 tonnes, and the number of companies should be reduced to approximately 3,500. The average production scale of the top ten cement manufacturers should be over 30 million tonnes each and concentration of production should be raised to 30%; the concentration of production of the top 50 manufacturers should be raised to over 50%. Under the guiding policy, the cement industry will develop more healthily, and regional leaders shall see more room for development.

Considering the above, we view that the supply and demand of the cement industry in the PRC for the second half of the year will improve, although revival will be slowed down in the wake of the imminent macro-economic policy. Whilst the export business will be facing onging uncertainties, the overall picture of the export business environment will be favorable whereby the annual export sales volume for the year will be heightened substantially when compared with last year. The Group would take into account all challenges which it deems likely over the second half of the year and continue with its export-oriented strategy with a view to achieving a higher level of profitability.

FIVE YEARS COMPARISON OF FINANCIAL INDICATORS

Unit: US$'000

	The first half of year 2006	Year 2005	Year 2004	Year 2003	Year 2002
Turnover	**63,248**	91,485	81,944	78,012	67,841
Profit for the period	**2,806**	103	14,693	19,017	10,258
Total assets	**324,845**	311,993	319,019	316,514	269,441
Working capital *(note 1)*	**53,693**	46,845	67,255	67,087	(2,052)
Shareholders' equity	**208,987**	204,353	199,412	184,490	(6,974)
Total liabilities	**115,858**	107,640	119,607	132,024	276,415
Return on equity *(note 2)*	**1.3%**	0.1%	7.4%	10.3%	N/A
Working capital ratio *(note 3)*	**25.7%**	22.9%	33.7%	36.4%	N/A
Return on assets *(note 4)*	**0.9%**	0.0%	4.6%	6.0%	3.8%
Debt ratio *(note 5)*	**50.2%**	46.9%	56.0%	65.8%	N/A
Earnings per share (US Cents)	**0.25**	0.01	1.29	2.08	N/A

Note: The Company was incorporated on 10 June 2003 and was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 12 December 2003. Data of the financial statements for the financial years prior to the incorporation 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 borrowings/Shareholders' equity

I. SUMMARY OF OPERATIONS

For the first half of year 2006, both the economic growth of the PRC and the fixed assets investment have been maintained in high gear. Although the situation of supply exceeding demand still remained, the overall business environment has improved when compared with last year. Export business, which has continued to prosper, becomes an important strategic initiative for companies striving to enhance their level of profitability.

The management of the Group has looked closely at the development trend of the cement industry and was able to successfully carry out its export strategy to capitalize on the favourable export conditions through adjustments in product mix and innovation in production methodology. At the same time, the Group has begun its domestic trading, strategically invested and completed its jetty and silos, and continuously reviewed and optimized its internal control systems. The Group's competitive strengths have become even stronger leading to a significant increase in production, sales, turnover, and profit over the same period last year.

II. AN OVERVIEW OF PRODUCTION AND SALES

For the first half of year 2006, a total of 1,600,000 tonnes of cement were produced by the Group, representing an increase of 9% over the same period of last year, and 1,030,000 tonnes of clinker were produced, which was similar to that of the same period of last year. Sales volume of cement and clinker amounted to 1,926,000 tonnes, representing an increase of 21.9% over the same period of last year.

For the first half of year 2006, cement prices in the international markets were markedly more favourable, and the Group carried out its export strategy by leveraging on its own jetties and logistics. Its products have been successfully sold to the United States, Malaysia, New Zealand and the Middle East. During the period, a total of 1,266,000 tonnes of cement and clinker were exported, accounting for 65.8% of the total sales volume. The contribution by export business in gross profit was US$8,471,000, which accounted for 76.9% of the Group's total gross profit, and has greatly improved the gross profit margin structure of the Group. Meanwhile, the Group has focused on the optimization and efficiency of the domestic market. Domestic sales of cement and clinker for the first half of the year amounted to 660,000 tonnes, and in particular the domestic trade of cement, which the Group began to develop since April 2006, has become an important strategic initiative for the Group to achieve a win-win situation for both the export and domestic markets.

To facilitate its core strategy in export trade, the Group has made a large number of innovations and adjustments in its production technology. It has begun to produce low-alkali clinker and cement which attract higher profit margins. Furthermore, the Group has ceased the production of low-grade cement since April 2006 and focused on the production and sales of high-grade cement which contributes more profit. The Group has made technological revamp and optimization of operation for more effective energy saving and higher profit margin with its resources. It has passed the on-site certification for its comprehensive utilization of resources. It has also obtained the ISO9001:2000 quality management system annual review and extended certification in May 2006, which guarantees the high standard for its export cement. The two cement storage silos which the Group commenced construction since last year have been in operation since June 2006. The Group has thus become more flexible in the use of storage silos and distribution of cement, and the cost-effectiveness will be more and more apparent. As the new deep-water jetty has also been put into operation since August 2006, the throughput capacity of the jetties of the Group has been greatly enlarged, creating more room for business development.

III. ANALYSIS OF THE GROUP'S FINANCIAL STATUS

1. *Overview of the Group's Financial Status*

For the six months ended 30 June 2006, the Group's revenue amounted to US$63,248,000 based on International Financial Reporting Standards ("IFRS"), representing an increase of 65.5% over the same period of last year; its profit amounted to US$2,806,000 and its basic earnings per share amounted to US Cent 0.25, a turnaround from its loss-making condition over the same period of last year.

2. *Analysis of the Group's Profit*

2.1 Changes in major Profit and Loss items

	Six months ended		
	30 June 2006	30 June 2005	Increase/Decrease
	US$'000	US$'000	
Revenue	**63,248**	38,226	65.5%
Less: Cost of sales	**(52,239)**	(31,807)	64.2%
Operating costs	**(6,230)**	(6,085)	2.4%
Finance costs	**(2,821)**	(2,218)	27.2%
Plus: Other income and interest income	**1,353**	822	64.6%
Less: Other expenses	**(73)**	(95)	-23.2%
Income tax	**(432)**	—	—
Profit for the period	**2,806**	(1,157)	N/A

For the six months ended 30 June 2006, the Group's profit amounted to US$2,806,000, a turnaround from its loss-making condition over the same period of last year. It is mainly attributable to the following factors: (1) The increase in sales and the average selling price. The Group's turnover amounted to US$63,248,000, representing a considerable increase of 65.5% over the same period of last year; (2) The increase in the average selling price was larger than the increase in the average cost of sales. The unit product gross profit increased by 40.9% over the same period of last year, indicating that the Group's profitability has been markedly improved; (3) The continued revaluation of the Renminbi has produced an exchange gain of approximately US$706,000 arising from its bank borrowings which are denominated in US dollars, also contributing to the profit of the Group.

2.2 Revenue

Set out below is an analysis of the Group's revenue in terms of its products for the six months ended 30 June 2006.

	Six months ended			
	30 June 2006		30 June 2005	
Products	**Revenue**	**Percentage**	Revenue	Percentage
	US$'000	***%***	*US$'000*	*%*
Domestic sales				
52.5 cement	**9,188**	**14.5**	8,233	21.5
42.5 cement	**7,791**	**12.3**	20,946	54.8
32.5 cement	**948**	**1.5**	4,847	12.7
Clinker	**309**	**0.5**	501	1.3
Sub-total	**18,236**	**28.8**	34,527	90.3
Export sales				
52.5 cement	**42,910**	**67.9**	2,111	5.5
Clinker	**2,102**	**3.3**	1,588	4.2
Sub-total	**45,012**	**71.2**	3,699	9.7
Total	**63,248**	**100.0**	38,226	100.0

Set out below is an analysis of the Group's revenue in terms of its geographical region of sales for the six months ended 30 June 2006.

	Six months ended			
	30 June 2006		30 June 2005	
Sales Region	**Revenue**	**Percentage**	Revenue	Percentage
	US$'000	%	*US$'000*	%
Jiangsu Province	**8,233**	**13.0**	16,280	42.6
Zhejiang Province	**6,792**	**10.8**	11,190	29.3
Shanghai Municipality	**1,166**	**1.8**	4,400	11.5
Fujian Province	**2,045**	**3.2**	2,657	6.9
The United States	**37,302**	**59.0**	2,165	5.7
Other sales region	**7,710**	**12.2**	1,534	4.0
Total	**63,248**	**100.0**	38,226	100.0

For the first half of year 2006, the Group has capitalized on the favourable export situation and implemented its export strategy; an export sales of US$45,012,000 has been achieved during the period, accounting for 71.2% of the total revenue, which has become a key channel for the Group to enhance its profitability, and compared with the same period of last year, its export has made a breakthrough growth that is 12.2 times over the same period of last year.

In respect of sales volume, the Group primarily benefited from the upgraded production capacity, the use of its trading right and the successful expansion into the overseas market. The total sales volume for cement and clinker of the Group in the first half of year 2006 increased by 21.9% over the same period of last year.

The Group has enjoyed the advantages of high export sales prices and the gradual improvement of the domestic selling prices from its nadir during the period, when the average selling price amounted to US$32.8 per tonne. This was a considerable increase of 35.7% over the same period of last year.

In respect of product mix, the Group has been persistent in its effort to enlarge the proportion of high-grade cement, particularly after it has implemented an export sales strategy. The proportion of the revenue of grade 52.5 cement reached 82.4%, an increase of 55.4 percentage points over the same period of last year. This was a record high in recent years.

Revenue Attributable to the Largest Customer and the Five Largest Customers

For the six months ended 30 June 2006, the revenue from the largest customer of the Group was 35.0% of total revenue and the revenue from the five largest customers of the Group was 68.6% of the total revenue.

2.3 Cost of Sales

The Group's average cost of sales for the six months ended 30 June 2006 was US$27.1 per tonne. The breakdown of the cost of sales is set out as follows.

	Six months ended			
	30 June 2006		30 June 2005	
Cost item	**Amount**	**Percentage**	Amount	Percentage
	US$'000	*%*	*US$'000*	*%*
Raw materials	**25,745**	**49.3**	8,643	27.2
Energy	**17,692**	**33.9**	16,693	52.5
Depreciation and amortisation	**3,757**	**7.2**	3,524	11.1
Labour cost	**811**	**1.5**	800	2.5
Others	**4,234**	**8.1**	2,147	6.7
Total	**52,239**	**100.0**	31,807	100.0

Although the unit purchase cost of coal during the reporting period has decreased over the same period of last year, the average cost of sales of the Group has increased by 34.7% over the same period of last year. This was mainly attributable to the followings: increased production capacity for export sales and a more thorough annual overhaul on its production facilities during the low season. The Group has begun production of low-alkali clinker and cement in the first half of the year and increased the production of high-grade cement, thereby the unit production cost increased. The outsourcing of a portion of clinker for the production of cement and the purchase of a portion of cement and clinker for direct sales resulted in a significant change in the cost structure of the Group and have also contributed to the increase in the average production cost.

Purchase Attributable to the Largest Supplier and the Top Five Suppliers

For the six months ended 30 June 2006, the purchase from the largest supplier accounted for 21.6% of the total purchase, and the total purchase from the top five suppliers accounted for 69.0% of the total purchase of the Group.

During the reporting period, Union Cement was the largest supplier of the Group. Union Cement is indirectly controlled by Chia Hsin Pacific Limited ("CHPL") (the major shareholder of the Group), and is a connected person (as defined by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Group. Other than Union Cement, none of the Directors and their respective associates (as defined by the Listing Rules) and to the knowledge of the Directors, shareholders with over 5% of the share capital of the Company had any interest in any of the top five suppliers of the Group.

2.4 Gross Profit

Set out below is an analysis of the Group's gross profit in terms of its products for the six months ended 30 June 2006.

	Six months ended					
	30 June 2006			30 June 2005		
Products	**Gross profit amount**	**Percentage**	**Gross profit margin**	Gross profit amount	Percentage	Gross profit margin
	US$'000	**%**	**%**	US$'000	%	%
Domestic sales						
52.5 cement	**1,316**	**12.0**	**14.3**	1,548	24.1	18.8
42.5 cement	**1,180**	**10.7**	**15.1**	2,960	46.1	14.1
32.5 cement	**52**	**0.5**	**5.5**	901	14.0	18.6
Clinker	**-10**	**-0.1**	**-3.2**	10	0.2	2.0
Sub-total	**2,538**	**23.1**	**13.9**	5,419	84.4	15.7
Export sales						
52.5 cement	**8,084**	**73.4**	**18.8**	658	10.3	31.2
Clinker	**387**	**3.5**	**18.4**	342	5.3	21.5
Sub-total	**8,471**	**76.9**	**18.8**	1,000	15.6	27.0
Total	**11,009**	**100.0**	**17.4**	6,419	100.0	16.8

With the increase in sales volume, and particularly in the proportion of export sales, the Group's gross profit amounted to US$11,009,000, a considerable increase of 71.5% over the same period of last year. Moreover, the increase in the average selling price was greater than the increase in the average cost of sales, so that the gross profit margin was 0.6 percentage point higher than that of the same period of 2005, to 17.4%. In quarterly terms, the gross profit margin of the second quarter was 21.8%, which was 10.2 percentage points higher than the first quarter.

2.5 Operating Costs

Having persisted on an operational model focused on export sales by the Group, the package and transportation expenses have been substantially reduced. Besides, the high management level has also produced visible results in its economy of scale. The operating costs ratio for the period was significantly reduced by 6.0 percentage points to 9.9% when compared with the same period of 2005.

2.6 Finance Costs

For the six months ended 30 June 2006, the finance costs of the Group amounted to US$2,821,000, an increase of 27.2% when compared with the same period of 2005. This was mainly attributable to the increase of the interest rate based on London Inter Banks Offer Rate ("LIBOR") for the first half of year 2006.

2.7 Other Income and Interest Income

For the six months ended 30 June 2006, other income and interest income generated by the Group amounted to approximately US$1,353,000 with an increase of 64.6% when compared with the same period of 2005. The exchange gain derived from the revaluation of Renminbi and the interest income amounted to US$706,000 and US$484,000 respectively.

3. *Capital and Financial Status*

3.1 Condensed Cash Flow Statement

	Six months ended	
	30 June 2006	30 June 2005
	US$'000	US$'000
Cash flow from (used in) operating activities	**6,947**	(5,231)
Cash flow used in investing activities	**(6,537)**	(2,644)
Cash flow from (used in) financing activities	**6,300**	(6,372)
Effect of changes in foreign exchange	**(344)**	—
Cash and cash equivalent at the beginning of the period	**42,098**	59,378
Cash and cash equivalent at the end of the period	**48,464**	45,131

Cash flow from operating activities

For the six months ended 30 June 2006, the Group's net cash inflow from operating activities amounted to US$6,947,000, an increase of US$12,178,000 over the same period of 2005, which was mainly attributable to the strengthened profitability of the Group's principal operations. Profit generated was significantly higher than that of last year. In addition, the Group has tightened its control on trade receivables. Coupled with the increase of 65.5% in revenue, the trade receivables (including those from fellow subsidiaries) were 13.1% lower than those of the same period of last year.

Cash flow from investing activities

For the six months ended 30 June 2006, the net cash outflow of the Group's investing activities amounted to US$6,537,000 with an increase of US$3,893,000 when compared to the same period of 2005. Investment in fixed assets of US$7,672,000 were mainly expended on the new jetty and cement silos in the current period.

Cash flow from financing activities

For the six months ended 30 June 2006, the Group's net cash inflow from financing activities amounted to US$6,300,000, of which the principal repayment of long-term bank borrowings in US dollars as agreed in the loan agreements amounted to US$10,520,000; also, the Group has raised new borrowings of US$18,000,000 during the period for the purpose of improvement on the bank borrowings structure.

3.2 Changes in major Assets and Liabilities

	As at 30 June 2006	As at 31 December 2005	Increase/Decrease
	US$'000	*US$'000*	
Fixed assets and land use rights	**236,684**	231,418	2.3%
Bank balance and cash	**48,464**	42,098	15.1%
Other current assets	**39,697**	38,477	3.2%
Total assets	**324,845**	311,993	4.1%
Share capital	**11,429**	11,429	0%
Share premium and reserves	**197,558**	192,924	2.4%
Bank loan	**104,931**	95,810	9.5%
Other liabilities	**10,927**	11,830	-7.6%
Total share capital and liabilities	**324,845**	311,993	4.1%

As at 30 June 2006, the Group's total assets amounted to US$324,845,000, an increase of US$12,852,000 or 4.1% from the end of 2005, which was mainly attributable to the following reasons: (1) For the first half of year 2006, there is a significant increase in profit and net bank borrowings which account for 92.8% of the increase in total assets. (2) With the increase in assets denominated in US dollars as a result of the revaluation of Renminbi, the total assets of the Group have also increased.

3.3 Fixed Assets

As at 30 June 2006, the Group's net fixed assets amounted to US$219,172,000, of which US$55,276,000 represented property, US$148,740,000 represented plant and equipment, US$10,789,000 represented construction-in-progress and US$4,367,000 represented other net fixed assets. Net fixed assets have increased by US$5,344,000 from the end of 2005, partly because the Company has invested a portion of its capital in the construction of the deep-water jetties and cement storage silos, partly because of the revaluation of Renminbi.

3.4 Current Assets and Liabilities

As at 30 June 2006, the Group's current assets amounted to US$88,161,000, which mainly included inventory of US$17,485,000, trade receivables (excluding those from fellow subsidiaries of US$717,000) of US$12,225,000, bank balance and cash of US$48,464,000 and other current assets of US$9,987,000.

As at 30 June 2006, the Group's current liabilities amounted to US$34,468,000, of which trade payables (excluding those to a fellow subsidiary of US$250,000) of US$8,304,000, bank borrowings due within one year of US$23,541,000 and other current liabilities of US$2,623,000.

3.5 Structure of Interest-bearing Bank Borrowings

As at 30 June 2006, the Group's interest bearing bank borrowings amounted to US$104,931,000, including unsecured short-term bank borrowings of US$2,501,000 and secured bank borrowings of US$102,430,000.

As at 30 June 2006, the Group's book value of assets pledged to obtain bank borrowings amounted to approximately US$152,266,000, of which US$135,819,000 represented property, plant and equipments, and US$16,447,000 represented land use rights.

Unsecured short-term bank borrowings were denominated in Renminbi, which bore an interest at an average annual rate of 4.7%. These unsecured short-term bank loans mainly included two revolving loans. The principal of each was RMB10,000,000 (equivalent to approximately US$2,501,000) each.

Secured bank borrowings were denominated in US dollars, which bore interest based on the LIBOR plus an annual interest rate of 0.965%.

3.6 Shareholders' Equity

As at 30 June 2006, the shareholders' equity of the Group was US$208,987,000. The shareholders' equity comprised the following:

	As at 30 June 2006		As at 31 December 2005	
	Amount	**Percentage**	Amount	Percentage
	US$'000	*%*	*US$'000*	*%*
Share capital	**11,429**	**5.5**	11,429	5.6
Share premium and reserves	**197,558**	**94.5**	192,924	94.4
Total	**208,987**	**100.0**	204,353	100.0

As at 30 June 2006, the shareholders' equity increased by 2.3% from 31 December 2005, and the increase in shareholders' equity was mainly attributable to the Group's principal operating activities.

4. *Financial Ratios*

	As at 30 June 2006	As at 31 December 2005	Increase/Decrease
Turnover period of trade receivables *(note 1 & description 1)*	**32 days**	47 days	-15 days
Turnover period of trade payables *(note 2 & description 1)*	**22 days**	28 days	-6 days
Turnover period of inventories *(note 3 & description 1)*	**53 days**	68 days	-15 days
Current ratio *(note 4 & description 2)*	**2.6 times**	2.4 times	0.2 times
Quick ratio *(note 5 & description 2)*	**2.1 times**	1.9 times	0.2 times
Gearing ratio *(note 6 & description 3)*	**32.3%**	30.7%	1.6%
Debt ratio *(description 3)*	**50.2%**	46.9%	3.3%

Notes:

1. Turnover period of trade receivables = number of days during the period x average trade receivables/revenue with VAT

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

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

4. Current ratio = current assets/current liabilities

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

6. Gearing ratio = bank borrowings/total assets

Descriptions:

1. The turnover (days) for accounts receivables, accounts payables and inventories were lower from the end of 2005, and the number of days occupied by working capital was 24 days less as compared with those at the end of 2005, which was mainly attributable to the fact that while the Group was expanding its sales volume, both the revenue and the cost of sales had increased substantially, the amount of working capital occupied had not increased correspondingly, particularly as strict control was being exercised for trade receivables, resulting in a year-on-year decrease, which greatly enhanced the utilization rate of the Group's capital.

2. Both the current ratio and quick ratio were higher as compared with those at the end of 2005, and liquidity was maintained at a high level.

3. Both the gearing ratio and debt ratio were higher as compared with those at the end of 2005, which was mainly attributable to the fact that the Group's net bank borrowings had increased.

5. *Financial Risks*

5.1 Foreign Exchange Exposure

As the proportion of export sales of cement has increased, the Group's exposure to foreign exchange is mainly the exchange rate fluctuations of Renminbi to US dollars. During the reporting period, the exchange rate of Renminbi to US dollars has seen certain increases. As Renminbi revaluation is a long-term factor, it will inevitably have certain impact on the Group. The Group has been watching closely at the fluctuations of the exchange rates of these currencies and the market changes in determining whether or not any corresponding hedging measures should be taken. For the six months ended 30 June 2006, the Group has not entered into any derivative contract to hedge against foreign exchange exposure.

5.2 Interest Rate Risks

The principal financing borrowings of the Group have been long-term borrowings in US dollars. In the wake of the continued rise in interest rate by the Federal Reserve Board of the United States, finance costs for the US dollar loans have also increased. The Group has from time to time reviewed the market condition, the requirements of the Group's operations and its financial condition in determining the most effective management tools for the risks in interest rate. For the six months ended 30 June 2006, the Group has not entered into any contract to hedge against the risks of interest rate.

IV. EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2006, the Group had approximately 631 full-time employees, and the total remuneration during the reporting period amounted to US$1,848,000. The Group provides remuneration to its employees at competitive levels, and also other benefits such as mandatory provident fund, insurance and performance related bonus.

V. OPERATING STRATEGIES FOR THE SECOND HALF OF 2006

In the second half of the year, the Group will embrace market changes by adopting flexible operational strategies and fully utilize our enhanced strategic advantages with a view to expanding our corporate operational model and raising our level of productivity.

1. To overcome all challenges which may arise and continue to adhere to our policy of export-orientation.

2. To liaise closely with domestic cement corporations for developing the internal cement trade and capturing opportunities for cement penetration within the country.

3. To examine the exercise of option over Union Cement so as to benefit from assets consolidation and synergies.

4. To focus on the development of external strategic alliances for exploring advantageous opportunities and expanding the market influence for the Group.

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

As at 30 June 2006, 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 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 Stock Exchange pursuant to Divisions 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules on the Stock Exchange were as follows:

1. *The Company*

	Number of ordinary shares (long positions)			
Name of Directors	Personal interests	Family interests	Total number of shares	Approximate percentage of issued share capital of the Company (%)
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*

			Number of ordinary shares (long positions)			
Name of Directors	Name of associated corporations	Interests held by controlled corporations	Personal interests	Family interests	Total number of shares	Approximate percentage of issued share capital of the Company (%)
WANG Chien Kuo, Robert	CHC	—	358,811	21,108,875	21,467,686	3.18
	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

Name of Directors	Name of associated corporations	Interests held by controlled corporations	Personal interests	Family interests	Total number of shares	Approximate percentage of issued share capital of the Company (%)
		Number of ordinary shares (long positions)				
LAN Jen Kuei, Konrad	CHC	—	64,000	—	64,000	0.00
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	—	50,000	—	50,000	0.00
	Chia Hsin Construction and Development Corp.	—	387,000	—	387,000	0.78
CHANG Yung Ping, Johnny	CHPL	—	107,738	—	107,738	0.48
	CHC	44,955,178	27,609,062	—	72,564,240	10.75
	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	1.94
	Tong Yang Chia Hsin International Corporation	—	197,381	—	197,381	0.12
	Chia Hsin Construction and Development Corp.	—	288	—	288	0.00

Saved as those referred to above, as at 30 June 2006, certain Directors held certain shares in the Company's subsidiaries as the non-beneficial owners in compliance with the minimum requirement on the number of shareholders for the company.

Saved as disclosed above, as at 30 June 2006, none of the Directors or the 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 SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 685 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.

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

So far as the Directors or the chief executives of the Company are aware of, as at 30 June 2006, the shareholders, other than the Directors or the chief executives of the Company, who had interests or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company in accordance with the 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 (%)
CHPL *(note a)*	beneficially owned	814,000,000	71.22
International Chia Hsin Corp. ("ICHC") *(note b)*	beneficially owned	8,366,000	0.73
Tong Yang Chia Hsin International Corporation ("Chia Hsin International") *(note b)*	interests held by controlled corporations	8,366,000	0.73
CHC *(note a & b)*	interests held by controlled corporations	822,366,000	71.95

Notes:

a. CHPL is owned as to approximately by 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 to 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% of the issued share capital of ICHC were held by CHC and Chia Hsin International (a 87.18% owned subsidiary of CHC) respectively.

Saved as disclosed above, so far as the Directors or the chief executives of the Company are aware of, as at 30 June 2006, there was no other person, other than the Directors or the chief executives of the Company, who had interests or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company in accordance with the 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.

SHARE OPTION SCHEME

For the six months ended 30 June 2006, no share option of the Company was granted, exercised, lapsed or cancelled in accordance with the share option scheme of the Company.

Other Information

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2006, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

To the knowledge of the Company and the Directors, the Directors confirmed as at the last practical date before the publication of the interim report, sufficient public float of the Company was maintained.

AUDIT COMMITTEE

The Company has established an audit committee in November 2003 in accordance with the requirements of the Listing Rules. The committee comprised three Independent Non-executive Directors, Mr. Davin A. MACKENZIE, Mr. ZHUGE Pei Zhi and Mr. WU Chun Ming. Mr. Davin A. MACKENZIE is the Chairman of the committee. The unaudited interim financial report of the Group for the six months ended 30 June 2006 has been reviewed by the committee.

REMUNERATION COMMITTEE

Pursuant to the provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of 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. Davin A. MACKENZIE and Mr. ZHUGE Pei Zhi. Mr. Davin A. MACKENZIE is the Chairman of the committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2006, the Company has applied the principles and code provisions as set out in the CG Code and complied with all the code provisions. It also put in place certain Recommended Best Practices as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Since 19 August 2004, 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. After making specific inquiries of all the Directors, the Directors have confirmed that they have complied with the requirements of the Code of Conduct and the Model Code for the six months ended 30 June 2006.

MATERIAL LITIGATION

For the six months ended 30 June 2006, the Group had not engaged in any litigation or arbitration that had a significant impact upon its operations. None of the Directors and senior management was involved in any material litigation.

CONTINGENT LIABILITIES

As at 30 June 2006, the Company had no material contingent liabilities.

Independent Review Report

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
CHIA HSIN CEMENT GREATER CHINA HOLDING CORPORATION
嘉新水泥（中國）控股股份有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 31 to 44.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 August 2006

Condensed Consolidated Income Statement

For the six months ended 30 June 2006

	NOTES	Six months ended 30.6.2006 (unaudited) US$'000	Six months ended 30.6.2005 (unaudited) US$'000
Revenue	3	**63,248**	38,226
Cost of sales		**(52,239)**	(31,807)
Gross profit		**11,009**	6,419
Interest income		**484**	498
Other income		**869**	324
Distribution costs		**(4,074)**	(4,297)
Administrative expenses		**(2,156)**	(1,788)
Finance costs	4	**(2,821)**	(2,218)
Other expenses		**(73)**	(95)
Profit (loss) before tax	5	**3,238**	(1,157)
Income tax expense	6	**(432)**	—
Profit (loss) for the period		**2,806**	(1,157)
Dividend	7	**—**	—
Earnings (loss) per share – basic (US cents)	8	**0.25**	(0.10)

Condensed Consolidated Balance Sheet

At 30 June 2006

	NOTES	30.6.2006 (unaudited) US$'000	31.12.2005 (audited) US$'000
ASSETS			
CURRENT ASSETS			
Inventories		**17,485**	16,147
Trade receivables	9	**12,225**	13,913
Amounts due from fellow subsidiaries	10	**3,672**	3,553
Other receivables		**6,275**	3,631
Income tax recoverable		**40**	737
Pledged deposits		**—**	496
Bank balances and cash		**48,464**	42,098
		88,161	80,575
NON-CURRENT ASSETS			
Property, plant and equipment	11	**219,172**	213,828
Land use rights		**17,512**	17,590
		236,684	231,418
TOTAL ASSETS		**324,845**	311,993
EQUITY AND LIABILITY			
CAPITAL AND RESERVES			
Share capital	12	**11,429**	11,429
Share premium and reserves		**197,558**	192,924
		208,987	204,353
CURRENT LIABILITIES			
Trade payables	13	**8,304**	7,697
Amount due to a fellow subsidiary	14	**250**	248
Other payables		**2,373**	3,885
Bank borrowings	15	**23,541**	21,900
		34,468	33,730
NON-CURRENT LIABILITY			
Bank borrowings	15	**81,390**	73,910
TOTAL LIABILITIES		**115,858**	107,640
TOTAL EQUITY AND LIABILITIES		**324,845**	311,993

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2006

	Share capital *US$'000*	Share premium *US$'000*	PRC statutory reserves *US$'000*	Exchange translation reserve *US$'000*	Retained profits *US$'000*	Total *US$'000*
At 1 January 2005	11,429	164,342	3,260	(2,039)	22,420	199,412
Loss for the period	—	—	—	—	(1,157)	(1,157)
At 30 June 2005	11,429	164,342	3,260	(2,039)	21,263	198,255
At 1 January 2006	11,429	164,342	3,387	2,799	22,396	204,353
Exchange gain arising on translation of foreign operations, representing total income recognised directly in equity	—	—	—	1,828	—	1,828
Profit for the period	—	—	—	—	2,806	2,806
At 30 June 2006	11,429	164,342	3,387	4,627	25,202	208,987

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2006

	Six months ended	
	30.6.2006	30.6.2005
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Net cash from (used in) operating activities	**6,947**	(5,231)
Investing activities		
Purchases of property, plant and equipment	**(7,672)**	(2,043)
Proceeds on disposal of property, plant and equipment	**155**	592
Interest received	**484**	498
Decrease (increase) in pledged deposits	**496**	(1,691)
Net cash used in investing activities	**(6,537)**	(2,644)
Financing activities		
New bank loans raised	**20,501**	4,317
Repayments of bank borrowings	**(11,380)**	(8,472)
Interest paid	**(2,821)**	(2,217)
Net cash from (used in) financing activities	**6,300**	(6,372)
Net increase (decrease) in cash and cash equivalents	**6,710**	(14,247)
Cash and cash equivalents at beginning of the period	**42,098**	59,378
Effect of foreign exchange rate change	**(344)**	—
Cash and cash equivalents at end of the period, represented by bank balances and cash	**48,464**	45,131

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to 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 IFRS.

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 2005.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee of the IASB, which are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006 respectively. The application of these new standards, amendments and interpretations has no material effect on how the results for the current or prior accounting periods are prepared and presented.

The Group has not early applied the following new standard, amendment and interpretations that were in issue but not yet effective. The Directors of the Company anticipate that the application of these standard, amendment and interpretations will have no material impact on the results and financial positions of the Group.

IAS 1 (Amendment)	Presentation of Financial Statements (Amendment) – Capital Disclosures [1]
IFRS 7	Financial Instruments: Disclosures [1]
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies [2]
IFRIC 8	Scope of IFRS 2 [3]
IFRIC 9	Reassessment of Embedded Derivatives [4]
IFRIC 10	Interim Financial Reporting and Impairment [5]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 March 2006
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006
[5] Effective for annual periods beginning on or after 1 November 2006

3. GEOGRAPHICAL SEGMENTS

Geographical segments

The Group's operations and assets are mainly located in the PRC and the United States.

For management purposes, the Group's primary segment for reporting segment information is geographical segment. Segment information of the Group by location of customers is presented below:

Income statement for the six months ended 30 June 2006

	PRC	United States	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue	**18,236**	**37,302**	**7,710**	**63,248**
Segment result	**2,538**	**6,956**	**1,342**	**10,836**
Interest income				**484**
Other income				**869**
Unallocated expenses				**(6,130)**
Finance costs				**(2,821)**
Profit before tax				**3,238**
Income tax expense				**(432)**
Profit for the period				**2,806**

Income statement for the six months ended 30 June 2005

	PRC	United States	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue	34,527	2,165	1,534	38,226
Segment result	5,432	541	428	6,401
Interest income				498
Other income				324
Unallocated expenses				(6,162)
Finance costs				(2,218)
Loss before tax				(1,157)
Income tax expense				—
Loss for the period				(1,157)

4. FINANCE COSTS

	Six months ended	
	30.6.2006	30.6.2005
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Interest on bank borrowings:		
Wholly repayable within five years	**1,932**	89
Not wholly repayable within five years	**889**	2,129
	2,821	2,218

5. PROFIT (LOSS) BEFORE TAX

	Six months ended	
	30.6.2006	30.6.2005
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Profit (loss) before tax has been arrived at after charging:		
Amortisation of land use rights	**242**	235
Depreciation of property, plant and equipment	**4,182**	3,993
Net foreign exchange loss	**—**	4
Operating lease rentals in respect of rented premises	**117**	85
Repairs and maintenance	**2,833**	969
and after crediting:		
Net foreign exchange gain	**706**	—

6. INCOME TAX EXPENSE

The charge for the period represents provision for PRC enterprise income tax for one of the Company's PRC subsidiaries, Jingyang Cement for the period.

Pursuant to relevant laws and regulations in the PRC, Jingyang Cement, as a wholly foreign owned enterprise, 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 normal tax rate applicable to Jingyang Cement is 27%, comprising the standard tax rate of 24% and the local tax rate of 3%. The first year for which Jingyang Cement recorded profit for PRC enterprise income tax purposes was year 2003.

6. INCOME TAX EXPENSE (continued)

No provision for PRC enterprise income tax was made in the financial statements of Jingyang Cement for the six months ended 30 June 2005 as it has no assessable profit for the 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 Hong Kong Profits Tax has been made as the Company's subsidiary in Hong Kong has no assessable income for both periods presented.

No provision for deferred taxation has been recognised in the financial statements as there are no significant temporary differences arising during the period or at the balance sheet date.

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 2005: Nil).

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the six months ended 30 June 2006 is based on the profit for the period of approximately US$2,806,000 (For the six months ended 30 June 2005: loss of US$1,157,000) and on 1,142,900,000 ordinary shares in issue throughout the six months ended 30 June 2006 and 2005.

There were no potential dilutive shares in both periods presented.

9. TRADE RECEIVABLES

The aged analysis of trade receivables is as follows:

	30.6.2006	31.12.2005
	(unaudited)	(audited)
	US$'000	*US$'000*
Within 90 days	**10,585**	10,391
91 - 180 days	**1,640**	3,497
181 - 365 days	**—**	15
Over 365 days	**—**	10
	12,225	13,913

The Group allows credit period of 0 - 180 days to its trade customers. No interest was charged on overdue trade receivables.

10. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	30.6.2006	31.12.2005
	(unaudited)	(audited)
	US$'000	*US$'000*
Union Cement	**2,949**	2,522
Shanghai Chia Hsin Ganghui Company Limited ("Ganghui")	**717**	1,025
Chia Hsin Business Consulting (Shanghai) Corporation ("Business Consulting")	**6**	6
	3,672	3,553

The amounts due from fellow subsidiaries are unsecured and interest free. Included in the amounts due from fellow subsidiaries are trade balance of US$717,000 (31.12.2005: US$984,000) which are repayable in accordance with relevant trading terms. Amount due from Union Cement at 30 June 2006 represents purchase deposits paid by the Group which will be used to settle future purchases from the fellow subsidiary within a period of one year. The other amounts due from fellow subsidiaries are repayable on demand.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's acquisition of property, plant and equipment amounted to US$7,672,000 (six months ended 30 June 2005: US$2,043,000).

12. SHARE CAPITAL

	30.6.2006 & 31.12.2005	
	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 2006 and 2005.

13. TRADE PAYABLES

The aged analysis of the trade payables is as follows:

	30.6.2006	31.12.2005
	(unaudited)	(audited)
	US$'000	*US$'000*
Within 90 days	**7,143**	6,486
91 - 180 days	**131**	430
181 - 365 days	**299**	94
Over 365 days	**731**	687
	8,304	7,697

14. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount represents trade balance due to Business Consulting of US$250,000 (31.12.2005: US$248,000) which is unsecured, interest free and repayable on demand.

15. BANK BORROWINGS

	30.6.2006	31.12.2005
	(unaudited)	(audited)
	US$'000	*US$'000*
Secured:		
Loan from Industrial and Commercial Bank of China ("ICBC") *(note i)*	**54,810**	62,640
Loan from China Construction Bank ("CCB") *(note ii)*	**29,620**	32,310
Loan from Shanghai Commercial Bank ("SCB") *(note iii)*	**18,000**	—
	102,430	94,950
Unsecured:		
Short-term bank loans denominated in USD *(note iv)*	—	860
Short-term bank loans denominated in RMB *(note v)*	**2,501**	—
	104,931	95,810

The maturity of the bank borrowings is as follows:

Within one year	**23,541**	21,900
In the second year	**21,040**	21,040
In the third to fifth year inclusive	**57,630**	47,460
Over five years	**2,720**	5,410
	104,931	95,810
Less: Amount due within one year (shown under current liabilities)	**(23,541)**	(21,900)
Amount due for settlement over one year	**81,390**	73,910

15. BANK BORROWINGS (continued)

Notes:

i. The loan from ICBC was raised in 2003. It is denominated in United States dollars and is repayable in 14 half-yearly instalments commenced 20 June 2003 and carries interest at LIBOR plus 1%.

ii. The loan from CCB was raised in 2003. It is denominated in United States dollars and is repayable in 13 half-yearly instalments commenced 15 August 2005 and carries interest at LIBOR plus 0.95%.

iii. The loan from SCB is denominated in United States dollars and is repayable in 6 half-yearly instalments commencing 28 December 2008 and carries interest at LIBOR plus 0.90%.

iv. The unsecured short-term bank loans denominated in United States dollars carried an average fixed interest rate of 5.97% (six months ended 30 June 2005: 3.77%) per annum and has been fully repaid during the year.

v. The unsecured short-term bank loans denominated in Renminbi carry an average fixed interest rate of 4.70% (six months ended 30 June 2005: 4.70%) per annum.

The Directors consider that the carrying amounts of the bank borrowings approximate their fair values.

16. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 30 June 2006 amounted to approximately US$290,377,000 (31.12.2005: US$278,263,000).

The Group's net current assets at 30 June 2006 amounted to approximately US$53,693,000 (31.12.2005: US$46,845,000).

17. CAPITAL COMMITMENTS

	30.6.2006	31.12.2005
	(unaudited)	(audited)
	US$'000	*US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided for in the financial statements	**2,644**	5,957

18. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged by the Group to banks to secure the banking facilities granted by these banks to the Group:

	30.6.2006	31.12.2005
	(unaudited)	(audited)
	US$'000	*US$'000*
Property, plant and equipment	**135,819**	137,195
Land use rights	**16,447**	16,515
Bank deposits	**—**	496
	152,266	154,206

19. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	30.6.2006	31.12.2005
	(unaudited)	(audited)
	US$'000	*US$'000*
Within one year	**148**	133
In the second to fifth years inclusive	**52**	99
	200	232

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for terms ranging from one to three years with rentals fixed over the term of the leases.

20. RELATED PARTY TRANSACTIONS

During the period, the Group had transactions with certain related companies. Details of significant transactions with these companies during the period are as follows:

		Six months ended	
Nature of transaction	**Name of related company**	**30.6.2006**	30.6.2005
		(unaudited)	(unaudited)
		US$'000	*US$'000*
Sales of goods *(note i)*	Ganghui	**1,166**	4,400
Purchase of goods *(note ii)*	Union Cement	**11,282**	4,972
Consultancy fee paid *(note ii)*	Business Consulting	**125**	121
Licence fee income *(note ii)*	Ganghui	**14**	22
Vehicle rentals paid *(note ii)*	Business Consulting	**47**	45

In addition, the Group used the trademark and logo of "嘉新牌水泥" free of charge which were owned by CHC.

Notes:

(i) Sales transactions were carried out at cost plus a percentage of profit mark-up.

(ii) Purchase transactions, consultancy fees, licence fee income and vehicle rentals paid were calculated in accordance with the terms of the relevant agreement mutually agreed by the parties concerned.

Moreover, during the period, the Group paid remunerations of short-term benefit to Directors and other members of key management amounting to approximately US$339,000 (six months ended 30 June 2005: US$344,000).

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