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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 699)

PRELIMINARY RESULTS ANNOUNCEMENT FOR YEAR 2006

The Board of Directors of Chia Hsin Cement Greater China Holding Corporation (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006, together with comparative figures for the year ended 31 December 2005 as follows:

CONSOLIDATED INCOME STATEMENT

	NOTES	**2006**	2005
		US$'000	US$'000
Revenue	4	**127,229**	91,485
Cost of sales		**(104,294)**	(77,731)
Gross profit		**22,935**	13,754
Interest income		**1,109**	1,033
Other income		**3,952**	3,716
Distribution expenses		**(8,518)**	(9,403)
Administrative expenses		**(5,218)**	(3,877)
Finance costs	6	**(6,256)**	(4,787)
Other expenses		**(353)**	(186)
Profit before tax		**7,651**	250
Income tax expense	7	**(1,134)**	(147)
Profit for the year	8	**6,517**	103
Dividend	9	**—**	—
Earnings per share — basic and diluted (US cents)	10	**0.57**	0.01

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER

	NOTES	2006 US$'000	2005 US$'000
ASSETS			
CURRENT ASSETS			
Inventories		**18,774**	16,147
Trade receivables	11	**14,004**	13,913
Amounts due from fellow subsidiaries	12	**3,336**	3,553
Other receivables		**3,455**	3,631
Income tax recoverable		**—**	737
Pledged deposits		**—**	496
Bank balances and cash		**52,390**	42,098
		91,959	80,575
NON-CURRENT ASSETS			
Property, plant and equipment		**226,944**	213,828
Land use rights		**17,683**	17,590
		244,627	231,418
TOTAL ASSETS		**336,586**	311,993
EQUITY AND LIABILITY			
CAPITAL AND RESERVES			
Share capital		**11,429**	11,429
Share premium and reserves		**206,086**	192,924
		217,515	204,353
CURRENT LIABILITIES			
Trade payables	13	**6,818**	7,697
Amount due to a fellow subsidiary	14	**—**	248
Other payables		**5,082**	3,885
Income tax payables		**700**	—
Bank borrowings		**23,601**	21,900
		36,201	33,730
NON-CURRENT LIABILITY			
Bank borrowings		**82,870**	73,910
TOTAL LIABILITIES		**119,071**	107,640
TOTAL EQUITY AND LIABILITIES		**336,586**	311,993

NOTES:

1. GENERAL INFORMATION

The Company is an exempted company with limited liabilities incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands and Unit No. 1907, 19th Floor, 9 Queen's Road Central, Hong Kong, respectively. The Company's immediate holding company and ultimate holding company are Chia Hsin Pacific Limited ("CHPL"), a company incorporated in the Cayman Islands, and Chia Hsin Cement Corporation ("CHC"), a company registered in Taiwan, respectively.

The functional currency of the Company is Renminbi. For the convenience of the users of the consolidated financial statements, the consolidated financial statements are presented in United States dollars.

The Company acts as an investment holding company. Particulars of the principal activities of its subsidiaries are mining of limestone and production and sales of cement and cement products.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, all of the new and revised standards and interpretations (new "IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new IFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

International Accounting Standards ("IAS")

IAS 1 (Amendment)	Capital Disclosures[1]

International Financial Reporting Standards ("IFRSs")

IFRS 7	Financial Instruments: Disclosures[1]
IFRS 8	Operating Segments[8]

International Financial Reporting Interpretations Committee ("IFRIC")

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]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[6]
IFRIC 12	Service Concession Arrangements[7]

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

[6] Effective for annual periods beginning on or after 1 March 2007

[7] Effective for annual periods beginning on or after 1 January 2008

[8] Effective for annual periods beginning on or after 1 January 2009

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs. There is no material differences between the Hong Kong Financial Reporting Standards ("HKFRs") and the IFRSs, which may have an effect on these consolidated financial statements. Accordingly, the Directors of the Company considered that it is not necessary to disclose and explain differences of accounting practice between IFRSs and HKFRSs or to compile a statement of financial effect of any such material differences in the consolidated financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

4. REVENUE

	2006 **US$'000**	2005 US$'000
Revenue comprises the following:		
Sales of cement	**122,975**	84,288
Sales of clinker	**4,254**	7,197
	127,229	91,485

5. GEOGRAPHICAL AND BUSINESS SEGMENTS

Geographical segments

For management purposes, the Group's primary segment for reporting segment information is geographical segment. With the introduction of new customers in Japan in the year, new segment of Japan is presented in 2006. Segment information of the Group by location of customers is presented below:

2006
Income statement

	People's Republic of China ("PRC") US$'000	United States US$'000	Japan US$'000	Europe US$'000	Others US$'000 (Note)	Total US$'000
Revenue	48,282	33,654	19,920	18,319	7,054	127,229
Segment result	7,436	6,234	4,312	3,868	1,039	22,889
Interest income						1,109
Other income						3,328
Unallocated expenses						(13,419)
Finance costs						(6,256)
Profit before tax						7,651
Income tax expense						(1,134)
Profit for the year						6,517

Balance sheet

Assets						
Segment assets	12,920	941	442	30	799	15,132
Unallocated assets						321,454
						336,586
Liabilities						
Unallocated liabilities						119,071

Note: Others included Malaysia, Singapore and Taiwan.

2005
Income statement

	PRC US$'000	United States US$'000	Japan US$'000	Europe US$'000	Others US$'000 (Note)	Total US$'000
Revenue	65,030	15,729	—	5,232	5,494	91,485
Segment result	8,264	2,670	—	1,190	1,385	13,509
Interest income						1,033
Other income						3,464
Unallocated expenses						(12,969)
Finance costs						(4,787)
Profit before tax						250
Income tax expense						(147)
Profit for the year						103
Balance sheet						
Assets						
Segment assets	13,723	1,215	—	—	—	14,938
Unallocated assets						297,055
						311,993
Liabilities						
Unallocated liabilities						107,640
Other information						
Allowance for doubtful debts written back	116	—	—	—	—	116

Note: Others included Malaysia, Singapore and Taiwan.

More than 90% of the Group's total assets at 31 December 2006 and 2005 and the capital additions made during the two years ended 31 December 2006 are located in the PRC.

Business segment

The Group is engaged in the production and sales of cement and other cement products. No business segment analysis is presented for both years as the Directors consider that the Group operates in a single business segment.

6. FINANCE COSTS

	2006 US$'000	2005 US$'000
Interest on bank borrowings:		
— wholly repayable within five years	**6,256**	3,349
— not wholly repayable within five years	**—**	1,438
	6,256	4,787

7. INCOME TAX EXPENSE

	2006 US$'000	2005 US$'000
The charge comprises:		
PRC taxation:		
Current year	**1,096**	147
Underprovision in prior year	**38**	—
	1,134	147

The charge for the year represents provision for PRC enterprise income tax for the Company's PRC subsidiaries for the year.

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiary in Hong Kong have no assessable income for both years presented.

Pursuant to relevant laws and regulations in the PRC, the Company's subsidiary, Chia Hsin Jingyang Cement Co., Ltd. (嘉新京陽水泥有限公司) ("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 enterprise 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 purpose was year 2003.

The income tax expense for the year can be reconciled to the profit before tax per consolidated income statement as follows:

	2006	2005
	US$'000	US$'000
Profit before tax	**7,651**	250
Tax at the PRC income tax rate of 27% (2005: 27%)	**2,066**	68
Tax effect of expenses not deductible for tax purpose	**328**	292
Tax effect of income not taxable for tax purpose	**(77)**	(17)
Effect of tax concession	**(1,348)**	(190)
Underprovision in respect of prior year	**38**	—
Others	**127**	(6)
Income tax expense	**1,134**	147

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

8. PROFIT FOR THE YEAR

	2006	2005
	US$'000	US$'000
Profit for the year has been arrived at after charging:		
Amortisation of land use rights	**488**	473
Auditors' remuneration	**135**	148
Cost of inventories recognised as an expense	**104,176**	77,731
Depreciation of property, plant and equipment	**8,439**	8,064
Loss on disposal/write-off of property, plant and equipment	**30**	—
Operating lease rentals in respect of		
rented premises	**227**	156
motor vehicles	**94**	92
Repairs and maintenance	**6,266**	4,336
Staff costs	**4,184**	3,940
and after crediting:		
Allowance for doubtful debts written back	**—**	116
Net foreign exchange gain	**2,911**	2,474
Profit on disposal of property, plant and equipment	**—**	178

9. DIVIDEND

No dividend has been paid or declared by the Company for both years presented.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of approximately US$6,517,000 (2005: US$103,000) and on 1,142,900,000 ordinary shares in issue throughout both years presented.

There were no potential dilutive shares in issue during both years presented.

11. TRADE RECEIVABLES

The age analysis of trade receivables is as follows:

	2006 US$'000	2005 US$'000
Within 90 days	**11,402**	10,391
91 - 180 days	**2,602**	3,497
181 - 365 days	**—**	15
Over 365 days	**—**	10
	14,004	13,913

No interest is charged on overdue trade receivables.

12. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	2006 US$'000	2005 US$'000
Name of fellow subsidiaries		
Shanghai Chia Hsin Ganghui Company Limited ("Ganghui")	**1,128**	1,025
Jiangsu Union Cement Company Limited ("Union Cement")	**2,208**	2,522
Chia Hsin Business Consulting (Shanghai) Corporation ("Business Consulting")	**—**	6
	3,336	3,553

The amounts due from fellow subsidiaries are unsecured and interest free. The amount due from Ganghui represents trading balances with age within 90 days and the amount is repayable in accordance with relevant trading terms. The amount due from Union Cement represents purchase deposit paid by the Group which will be used to settle future purchases from Union Cement within a period of one year. The amount due from Business Consulting as at 31 December 2005 was settled during the year.

13. TRADE PAYABLES

The aged analysis of the trade payable is as follows:

	2006 US$'000	2005 US$'000
Within 90 days	**6,381**	6,486
91 - 180 days	**124**	430
181 - 365 days	**97**	94
Over 365 days	**216**	687
	6,818	7,697

14. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount represented trade balance due to Business Consulting of US$248,000 as at 31 December 2005 which was unsecured, interest free and repaid during the year.

15. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2006 amounted to approximately US$300,385,000 (2005: US$278,263,000).

The Group's net current assets at 31 December 2006 amounted to approximately US$55,758,000 (2005: US$46,845,000).

ANALYSIS OF OPERATING AND FINANCIAL STATUS FOR 2006

1. Overview of the Group's operations

Looking back in 2006, the Group developed its export sales market and successfully sold its products to the United States, New Zealand, the Middle East and Africa. The low alkali and high-grade cement produced with advanced technology is a product only a few manufacturers in the PRC are able to produce, and its quality is approved by the CTL laboratory of the United States. The Group has also been placing emphasis on the optimization and efficiency of the domestic market. Since April 2006, it has been developing the domestic trading of cement, which has become an important option for the Group to achieve a win-win situation for export sales and domestic sales.

The Group's two cement silos and second deep-water jetty with berthing capacity of 30,000 tonnes, which began construction in the end of 2005, began operation in June and August 2006 respectively, greatly increasing the loading rate. Moreover, the Group exercised its option to acquire Union Cement to increase its clinker and cement capacity. The acquisition is still in progress and once completed will bring forth synergies in purchasing, operations, sales, branding and marketing.

2. Production and sales of the Group

In 2006, the Group produced a total of 3,070,000 tonnes of cement and 2,045,000 tonnes of clinker, which were more or less the same as in 2005. The actual sales of cement and clinker amounted to approximately 3,842,000 tonnes in aggregate, an increase of 10.0% from 2005.

For the first three quarters, the domestic market remained grim. The Group continued its export strategy which resulted in a breakthrough increase in export volume. In 2006, a total export sales of 2,158,000 tonnes of cement and clinker had been achieved, representing an increase of 163.5% over the previous year and accounting for 56.1% of the total sales. In line with the Group's export strategy, the Group has modified its production to include Type II/V cement as a product in the third quarter and to meet the demands of the United States, which helped to promote the rapid growth in the export business. In terms of export regions, in addition to securing the market of the United States, the Middle East, Africa, Australia, Asia, etc, the Group expanded to Europe and South America markets, which made its structure of oversea business more extensive and reasonable.

In the fourth quarter, the domestic market for cement began to recover after the trough of two years, particularly in the Eastern China market where the prices of cement surged. The Group then increased the proportion of domestic sales; it also made use of the cement trade license to purchase cement from a group of selected suppliers for sales in order to meet the demand from domestic customers. On the basis of an intricate sales network and domestic sales capabilities, the Group is able to adjust the sales to different regions for regional sales and further optimize its product mix, thereby increasing the proportion of sales for higher grade cement.

Furthermore, the Group has been working hard towards strengthening its own logistics and storage capabilities. In 2006, the construction of a deep-water jetty of 280 meters in length and 30 meters in breath was completed with a throughput capacity of 3.82 million tonnes, thereby lifting the Group's total throughput capacity to over 8 million tonnes. New cement silos were constructed, each of 15,000 tonnes, to meet the diversified sales and product mix. By increasing its handling and storage capabilities, the Group is laying a foundation for future expansion.

3. **Financial highlights**

In 2006, the Group achieved a revenue of approximately US$127,229,000, an increase of 39.1% from 2005, and our annual profit amounted to US$6,517,000, representing 62.3 times over the previous year. Basic and diluted earnings per share amounted to US cents 0.57.

4. **Analysis of the Group's financial performance**

4.1 ***Changes in major items of profit and loss***

	2006 US$'000	2005 US$'000	Increase/ decrease %
Revenue	**127,229**	91,485	39.1
Less: Cost of sales	**(104,294)**	(77,731)	34.2
Operating costs and other expenses	**(14,089)**	(13,466)	4.6
Finance costs	**(6,256)**	(4,787)	30.7
Add: Other income	**5,061**	4,749	6.6
Profit before tax	**7,651**	250	2,960.4
Less: Income tax expense	**(1,134)**	(147)	671.4
Profit for the year	**6,517**	103	6,227.2

4.2 ***Revenue***

Set out in the following table is the Group's revenue in terms of products in 2006:

Type	**2006**		2005	
	Revenue	**Percentage**	Revenue	Percentage
	US$'000	**%**	US$'000	%
Domestic sales				
52.5 cement	**23,274**	**18.3**	14,239	15.6
42.5 cement	**21,367**	**16.7**	38,504	42.1
32.5 cement	**1,511**	**1.2**	10,257	11.2
Clinker	**2,130**	**1.7**	2,030	2.2
	48,282	**37.9**	65,030	71.1
Export sales				
52.5 cement	**76,845**	**60.4**	21,288	23.3
Clinker	**2,102**	**1.7**	5,167	5.6
	78,947	**62.1**	26,455	28.9
Total	**127,229**	**100.0**	91,485	100.0

The Group's revenue in 2006 increased by 39.1% from 2005. Sales volume increased by 10.0%, and the average unit sales price was US$33.1/tonne which went up by 26.5% from 2005. Increase in sales volume was mainly attributable to the Group's use of its cement trading license to purchase cement and clinker for direct sales according to the specific needs of customers. While the Group has maintained the established relationship with customers in doing so, it had also increased its sales volume. In terms of unit sales price, the Group exercised its flexibility in sales to adjust its markets, including exports vs. domestic sales, and product mix to obtain a higher unit sales price. In addition, domestic prices have improved significantly in the fourth quarter of 2006 as well.

Revenue of the largest customer and the five largest customers:

In 2006, revenue of the Groups' largest customer accounted for 26.4% of the Group's total sales, and revenue of the five largest customers accounted for 56.6% of the Group's total sales.

During the reporting period, both the Directors and their associates (as defined in the Listing Rules) or any shareholders (which to the knowledge of the Directors interested in over 5% of the share capital of the Company) had not interested in any of our five largest customers.

Set out below is the Group's revenue in terms of sales regions in 2006:

Region	**2006** Revenue US$'000	**2006** Percentage %	2005 Revenue US$'000	2005 Percentage %
Jiangsu Province	21,591	17.0	29,500	32.3
Zhejiang Province	15,207	12.0	23,125	25.3
Shanghai Municipality	4,516	3.4	6,253	6.8
Fujian Province	6,968	5.5	6,152	6.7
Total domestic sales	48,282	37.9	65,030	71.1
United States	33,654	26.5	15,729	17.2
Japan	19,920	15.7	—	—
Europe	18,319	14.4	5,232	5.7
Other export regions	7,054	5.5	5,494	6.0
Total export sales	78,947	62.1	26,455	28.9
Total	127,229	100.0	91,485	100.0

In 2006, the prices of cement for export sales were higher than those for domestic sales. The Group continued to expand the export sales market, increasing it from 28.9% in 2005 to 62.1% in 2006, of which predominantly went to the United States. The Group also expanded sales to Japan and adjusted its domestic sales to achieve better returns.

4.3 *Cost of sales*

4.3.1 *Effects of changes in the prices of major energy source and raw materials*

Coal:

In 2006, the cost of raw coal accounted for approximately 17.9% of the cost of sales. The Group has been closely monitoring the changes in the price of raw coal and has adopted effective measures to control the cost of purchase of raw coal. The average cost of purchase of raw coal decreased by approximately 7.2% from 2005, which in turn reduced the cost of clinker slightly.

Electricity:

In 2006, the cost of electricity accounted for approximately 16.0% of the cost of sales. Changes in the cost of electricity have a material effect on profit, and inadequate supply of electricity will have a direct effect on our production volume. The Group continued to adopt effective measures to ensure the supply of electricity. However, power tariff rose by 2.0% in 2005.

Limestone:

In 2006, the cost of limestone accounted for approximately 3.3% of the cost of sales. The Group currently owns a limestone mine with a reserve of 320,000,000 tonnes. The mined limestone is carried by conveyance belt corridor to the plant, thereby ensuring that the Group has a stable supply of limestone at stable prices.

Purchases from the largest supplier and the five largest suppliers:

In 2006, the Group's purchases from the largest supplier accounted for 19.4% of our total purchase, and the five largest suppliers accounted for 67.1% of our total purchase.

During the reporting period, Union Cement was its largest supplier, and CHPL, its major shareholder indirectly controls Union Cement, which constitutes a connected person (as defined in the Listing Rules) of the Group. Other than Union Cement, both the Directors and their associates (as defined in the Listing Rules) or any shareholder (which to the knowledge of the Directors are interested in over 5% of the share capital of the Company) had not interested in any of its five larges suppliers.

4.3.2 *Structure of the cost of sales*

In 2006, unit cost of sales was US$27.2/tonne. Set out in the following table is the structure of the cost of sales:

	2006		2005	
Item of cost	**Amount US$'000**	**Percentage %**	Amount US$'000	Percentage %
Raw material *(Note 1)*	30,474	29.2	24,251	31.2
Energy	35,341	33.9	33,701	43.4
Depreciation and amortization	7,325	7.0	6,441	8.3
Cost of labor	1,682	1.6	1,591	2.0
Others *(Note 2)*	29,472	28.3	11,747	15.1
Total	104,294	100.0	77,731	100.0

Note:

1. The cost of external purchases of clinker were used in the production of cement has been included in the raw materials.

2. Other items included maintenance expense, other manufacturing expenses and cost of external purchase of cement.

In 2006, the unit cost of sales increased by 22.0% from 2005. The Group has been emphasizing on the control of maintenance expense and expenses such as the daily outgoings of the plant for production. Reasons for the rise in the average unit cost of sales from 2005 include outsourcing more clinker for production of cement for export; increase in production of high grade cement; and direct trading of purchased cement to meet customer demands.

4.4 ***Gross profit***

In 2006, gross profit amounted to US$22,935,000, an increase of 66.8% from 2005. Gross profit margin in 2006 was 18.0%, of which the gross profit margin for domestic sales was 15.4% and the gross profit margin for export sales was 19.7%, an increase of 3.0 percentage points from 2005. The rise in gross profit margins was attributable to the fact that increase in the average sales price was higher than the increase in the average cost of sales.

The gross profit margins in terms of products are set out in the following table:

	2006			2005		
Products	**Gross profit US$'000**	**Percentage %**	**Gross profit margin %**	Gross profit US$'000	Percentage %	Gross profit margin %
Domestic sales						
52.5 cement	3,883	16.9	16.7	2,377	17.3	16.7
42.5 cement	3,417	14.9	16.0	4,610	33.5	12.0
32.5 cement	106	0.5	7.0	1,323	9.6	12.9
Clinker	15	0.1	0.7	214	1.6	10.6
Sub-total	7,421	32.4	15.4	8,524	62.0	13.1
Export sales						
52.5 cement	15,142	66.0	19.7	4,333	31.5	20.4
Clinker	372	1.6	17.7	897	6.5	17.4
Sub-total	15,514	67.6	19.7	5,230	38.0	19.8
Total	22,935	100.0	18.0	13,754	100.0	15.0

4.5 ***Operating costs and other expenses***

In 2006, the Group's distribution expenses and administrative expenses amounted to US$13,736,000 in aggregate, an increase of 3.4% from 2005, which was far less than the increase in revenue and which has shown that control of the operating costs was effective.

4.6 ***Finance costs***

In 2006, the Group's finance costs amounted to US$6,256,000, which was 30.7% higher than in 2005. This was mainly attributable to the significant increase in the LIBOR for the year causing interest expense of the Group based on LIBOR to increase substantially. Also, the newly raised loans in US dollars the increased the base on which the interest was calculated.

4.7 ***Other income***

Other income was mainly form exchange rate gains. With the appreciation of the Renminbi, loans denominated in US dollars yielded an exchange rate gain of US$2,911,000.

4.8 ***Income tax expense***

Pursuant to the requirements of the Enterprise Income Tax Law for Foreign Investment of the PRC, Jingyang Cement, our wholly-owned subsidiary, began to enjoy its reduction by 50% in income tax from 2005 for a term of six years, and the effective taxation rate is 12%.

4.9 ***Basic and diluted earnings per share***

The Group's earnings per share for 2006 amounted to US cents 0.57, a more evident increase from 2005. This was mainly attributable to the larger increase in the Group's profit from 2005.

5. **Capital and financial status**

5.1 ***Condensed Cash Flow Statement***

	2006	2005
	US$'000	US$'000
Net cash from operating activities	**19,452**	10,592
Net cash used in investing activities	**(12,487)**	(6,182)
Net cash from (used in) financing activities	**4,522**	(20,733)
Effect of foreign exchange rate change	**(1,195)**	(957)
Bank balance and cash at the beginning of the year	**42,098**	59,378
Bank balance and cash at the end of the year	**52,390**	42,098

Cash from operating activities

The Group's cash flow from operating activities amounted to US$19,452,000, an increase of US$8,860,000 from 2005, which was mainly attributable to the increase in operating profit.

Cash used in investing activities

The Group's cash used in investing activities amounted to US$12,487,000, which mainly comprised the expenditure in the investment in fixed assets of US$14,344,000. The amount was used in the construction of No. 2 jetty, the cement silos and other facilities, and interest income of US$1,109,000.

Cash from financing activities

The Group's cash from financing activities in 2006 amounted to US$4,522,000, of which the principal repayment of long-term loans according to the loan contracts amounted to US$21,040,000 and of short-term loans decreased by US$860,000, and interest payment on the loans amounted to US$6,139,000. In order to balance the source of bank borrowings, the Group effected the financing of US$30,000,000 from banks other than the domestic banks in the PRC.

5.2 ***Changes and analysis of major items of assets and liabilities***

	2006	2005	Increase/
			decrease
	US$'000	US$'000	%
Fixed assets and land use rights *(Note 1)*	244,627	231,418	5.7
Bank balance and cash	52,390	42,098	24.4
Other current assets *(Note 2)*	39,569	38,477	2.8
	336,586	311,993	7.9
Share capital	11,429	11,429	0.0
Share premium and reserves	206,086	192,924	6.8
Capital and reserves	217,515	204,353	6.4
Bank borrowings *(Note 3)*	106,471	95,810	11.1
Other liabilities	12,600	11,830	6.5
Total liabilities	119,071	107,640	10.6
Total equity and liabilities	336,586	311,993	7.9

As at 31 December 2006, the Group's total assets amounted to US$336,586,000, an increase of US$24,593,000 from 2005; its total liabilities amounted to US$119,071,000, an increase of US$11,431,000 from 2005, and shareholders' equity amounted to US$217,515,000, an increase of US$13,162,000 from 2005. Increase in total assets was mainly attributable to the increase in the total liabilities from the increase in bank borrowings on one hand, and the increase in profit for the year and the increase in assets denominated in US dollars as a result of the changes in the rate of foreign exchange of Renminbi, which increased the shareholders' equity.

Note 1 *Fixed assets and land use rights*

As at 31 December 2006, the net asset value of the Group's fixed assets and land use rights included as long-term assets amounted to US$244,627,000, of which property amounted to US$68,777,000, plants and equipment amounted to US$151,467,000, construction-in-progress amounted to US$933,000, the net value of other fixed assets amounted to US$5,767,000 and the net value of land use rights included as long-term assets amounted to US$17,683,000. Increase in fixed assets was attributable to the investment in the No. 2 jetty, cement silos and other facilities for the period and the increase in assets denominated in US dollars as a result of the changes in the rate of foreign exchange of Renminbi.

Note 2 *Current assets and current liabilities*

As at 31 December 2006, the Group's current assets amounted to US$91,959,000, which mainly comprised of inventory of US$18,774,000, trade receivables (including receivables from fellow subsidiaries) of approximately US$15,132,000 (of which note receivables which have a higher degree of guaranteed recovery accounted for approximately 65%), bank balance and cash of US$52,390,000 and other current assets of US$5,663,000.

As at 31 December 2006, the Group's current liabilities amounted to US$36,201,000, of which trade payables amounted to US$6,818,000, long-term loans due within one year amounted to US$23,601,000 and other current liabilities of US$5,782,000.

Note 3 *Structure of interest-bearing borrowings*

In 2006, the Group strictly performed the terms of the borrowing agreements entered into with banks and duly repaid the principals and interest. In order to balance the source of bank borrowings, the Group effected the financing of US$30,000,000 with banks other than the domestic banks of the PRC. As at 31 December 2006, the Group had interest-bearing borrowings of US$106,471,000, including non-secured short-term bank borrowings of US$2,561,000 and secured bank loans of US$103,910,000. Details of the maturity of bank loans and the terms of these loans will be set out in the auditors' report of the annual report of the Company for the year ended 31 December 2006.

As at 31 December 2006, the Group's net asset value secured for the obtaining of bank borrowings amounted to approximately US$179,465,000, of which property, plants and equipment amounted to US$162,851,000 and land use rights amounted to US$16,614,000.

Unsecured short-term bank loans were denominated in Renminbi, which bore interest at an average fixed interest rate approximately 5.00% per annum. The principal of the unsecured short-term bank loans amounted to US$2,561,000.

Secured bank loans were denominated in US dollars, which bore interest at the average interest rate based on the LIBOR plus an annual interest rate of 0.958%.

5.3 ***Shareholders' equity***

As at 31 December 2006, the Group's shareholders' equity amounted to US$217,515,000. Structure of the shareholders' equity is set out in the following table:

	2006		2005	
Type	**Amount US$'000**	**Percentage %**	Amount US$'000	Percentage %
Share capital	11,429	5.3	11,429	5.6
Share premium and reserves	206,086	94.7	192,924	94.4
Total	217,515	100.0	204,353	100.0

The shareholders' equity at 31 December 2006 increased by 6.4% from 2005. Increase in shareholders' equity was mainly from the annual profit from the principal businesses of the Group and the translation gains resulting from the assets denominated in Renminbi translated into US dollars with the appreciation in Renminbi.

5.4 ***Financial ratios***

	2006	2005
Average turnover days of trade receivables *(note 1 and description 1)*	**40 days**	47 days
Average turnover days of trade payables *(note 2 and description 1)*	**25 days**	28 days
Average turnover days of inventories *(note 3 and description 1)*	**60 days**	68 days
Current ratio *(note 4 and description 2)*	**2.5 times**	2.4 times
Quick ratio *(note 5 and description 2)*	**2.0 times**	1.9 times
Gearing ratio *(note 6 and description 3)*	**31.6%**	30.7%
Debt to equity ratio *(note 7 and description 3)*	**48.9%**	46.9%

Notes:

1. Average turnover days of trade receivables = average trade receivables/(revenue from domestic sales x 1.17 + revenue from export sales) x 360

2. Average turnover days of trade payables = average trade payables/cost of sales x 360

3. Average turnover days of inventories = average inventories/cost of sales x 360

4. Current ratio = current assets/current liabilities

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

6. Gearing ratio = borrowings/total assets

7. Debt to equity ratio = borrowings/shareholders' equity

Descriptions:

1. Turnover days of working capital (including trade receivables, trade payables and inventories) was 12 days less than in 2005, it was because the increase in revenue was far higher than the increase in capital used as working capital.

2. The current ratio increased while the quick ratio decreased. It was because the cash from operating activities and inventories had increased.

3. Increase in the gearing ratio and the debt to equity ratio was attributable to the net bank borrowings for the year had increased by approximately US$10,661,000.

6. **Risk of foreign exchange**

The Group's operations are derived from the domestic and export markets. The risk in foreign exchange of the Group mainly arises from export sales contracts denominated in US dollars and repayment of foreign currency loans as well as the obligation of interest payment. The risk of foreign exchange mainly arises from the fluctuations in the rate of foreign exchange for Renminbi against the US dollar. The Group has been heeding the fluctuations in the rate of foreign exchange and market trends of these currencies. In 2006, it has not entered into any derivative contract to hedge the risk of foreign exchange.

7. **Number of employees and remuneration policy**

As at 31 December 2006, the group had approximately 600 full-time employees. The Group provides its employees with competitive remuneration and provides benefits such as the mandatory provident fund, insurance and performance-linked bonus.

OPERATION STRATEGY AND BUSINESS PROSPECTS

In the middle of 2007, with the economy of the United States and the world slowing and with the reduced tax rebate for export of the PRC, the significant increase in cement and clinker export from the PRC will see slower growth. It is expected that PRC's domestic economy and fixed assets investment will continue to grow rapidly. Together with major construction projects such as Beijing Olympic Games in 2008, the Shanghai World Expo in 2010, roads and railway construction between cities and towns. Recovery of the domestic market is expected to continue through 2007. As such, the Group will maintain a flexible sales strategy, balancing exports and domestic sales, so as to maintain a long term market position and optimize profitability.

The Company's subsidiary, Jingyang Cement has been selected as one of the 60 enterprises receiving support of the State. In the "Eleventh Five-Year Plan" and the "Development Policy for the Cement Industry", the structure of the cement industry will be moving towards consolidation and standards have been set for the concentration of the industry, level of production technology, and environmental protection. With the encouragement of these policies, companies with the necessary competitive strengths will be well positioned to grow. The Company has always taken into reference the government policy direction and have been developing its business accordingly. It will select the appropriate moment to grow, both organically and externally through acquisitions.

For 2007, in addition to focusing on growing its core business, the Group will also seek opportunities to maximize each link in its value chain. Storage and distribution is critical for integrating our upstream and downstream businesses and ensuring consistent, timely delivery of our products. It will also concentrate on building logistics capabilities in line with production. In addition, it will explore the possibilities of further utilizing its resources, such as limestone, to generate more profits for the Group.

OTHER INFORMATION

Purchase, sale and redemption of listed securities

For the year ended 31 December 2006, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate governance

The Company recognizes the importance of good corporate governance to the Group's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to its needs.

The Group also strives to attain and maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Group's corporate governance principles emphasise a quality Board effective internal control and accountability to shareholders.

The Company has applied the principles of good corporate governance and complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

Annual General Meeting

The Annual General Meeting ("AGM") of the Company will be held on Tuesday, 22 May 2007. The Company will publish and despatch in due course to its shareholders the notice convening the meeting in accordance with the relevant requirements.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 16 May 2007 to Tuesday, 22 May 2007, both days inclusive, during which period no transfer of shares can be registered. To qualify for attending the AGM, all transfers accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited, the Company's Share Registrar not later than 4:30 pm on Tuesday, 15 May 2007 at 26th floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration.

Audit committee

The Company has established the audit committee in November 2003. The committee comprised all three independent non-executive Directors of the Company, namely Mr. Davin A. MACKENZIE, Mr. ZHUGE Pei Zhi and Mr. WU Chun Ming. Mr. Davin A. MACKENZIE is the chairman of the committee. The audit committee has reviewed the annual results for the year ended 31 December 2006.

Directors

As 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 An Ping, Nelson and Mr. Fu Ching Chuan 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.

On behalf of the Board
WANG Chien Kuo, Robert
Chairman

21 March 2007

* *For identification purposes only*

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