THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Offer, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in CHCGC, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to a licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This document should be read in conjunction with the Form of Acceptance, the contents of which form part of the terms of the Offer contained therein.

These materials are not an offer for sale of the TCCIH Shares in the United States. The TCCIH Shares have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be sold in the United States absent registration or an exemption from registration under the Securities Act.

TCC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1136)

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: 0699)

OFFER AND RESPONSE DOCUMENT RELATING TO A VOLUNTARY CONDITIONAL OFFER BY MORGAN STANLEY ASIA LIMITED ON BEHALF OF TCC INTERNATIONAL HOLDINGS LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF CHIA HSIN CEMENT GREATER CHINA HOLDING CORPORATION

Financial Adviser to TCCIH

Morgan Stanley

Independent Financial Adviser to the CHCGC IBC

ACCESS CAPITAL

A letter from the TCCIH Board is set out on pages 9 to 13 of this Composite Document.

A letter from Morgan Stanley containing, amongst other things, the details of the terms of the Offer is set out on pages 14 to 21 of this Composite Document.

A letter from the CHCGC Board is set out on pages 22 to 27 of this Composite Document.

A letter from the CHCGC IBC containing its recommendation to the Independent CHCGC Shareholders is set out on page 28 of this Composite Document and a letter from the CHCGC IFA to the CHCGC IBC is set out on pages 29 to 49 of this Composite Document.

The procedures for acceptance and other related information are set out in Appendix I of this Composite Document and in the accompanying Form of Acceptance. Acceptances should be received by no later than 4:00 p.m. on Thursday, 13 September 2007 (or such other time and/or date as the Offeror may determine and announce with the consent of the Executive).

2 August 2007

* *For identification purpose only*

CONTENTS

EXPECTED TIMETABLE

Despatch date of the Composite Document
and the commencement of the Offer[1] . . . . Thursday, 2 August 2007

TCCIH EGM . . . . 3:30 p.m. on Thursday, 23 August 2007

Announcement of the results of the TCCIH EGM
on the website of the Stock Exchange
and the website of TCCIH . . . . Thursday, 23 August 2007

Notification of the announcement
of the results of the TCCIH EGM
in the newspapers in Hong Kong . . . . Friday, 24 August 2007

Latest time and date for acceptance
of the Offer[2] . . . . 4:00 p.m. on Thursday, 13 September 2007

First Closing Date[2] . . . . Thursday, 13 September 2007

Announcement of the result of the Offer,
as at the First Closing Date,
on the website of the Stock Exchange
and the website of TCCIH . . . . 7:00 p.m. on Thursday, 13 September 2007

Notification of the announcement
of the result of the Offer,
as at the First Closing Date,
in the newspapers in Hong Kong . . . . Friday, 14 September 2007

Latest date for posting of share certificates
to the CHCGC Shareholders who accepted
the Offer by the First Closing Date, assuming
the Offer becomes or is declared unconditional
on the First Closing Date[3] . . . . Monday, 24 September 2007

Latest time and date for the Offer remaining
open for acceptance assuming the Offer
becomes or is declared unconditional on
the First Closing Date[4] . . . . 4:00 p.m. on Thursday, 27 September 2007

Long Stop Date being the latest time by which
the Offer can become or be declared
unconditional as to acceptances[5] . . . . 7:00 p.m. on Tuesday, 2 October 2007

Notes:

(1) The Offer is made on Thursday, 2 August 2007, namely the date of posting of the Composite Document, and is capable of acceptance on and from that date.

(2) In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which the Composite Document was posted. The latest time for acceptance of the Offer is 4:00 p.m. on Thursday, 13 September 2007. See also note (4) below.

(3) The consideration payable for the CHCGC Shares under the Offer will be posted by ordinary post to the CHCGC Shareholders accepting the Offer at his/her/its own risk as soon as possible, but in any event within 10 days of the later of: (i) the date of receipt by the Receiving Agent of all the relevant documents to render the acceptance under the Offer complete and valid, and (ii) the date the Offer becomes, or is declared, unconditional.

(4) In accordance with the Takeovers Code, where the Offer becomes or is declared unconditional, it should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offer is closed to the CHCGC Shareholders who have not accepted the Offer. TCCIH reserves its right to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). TCCIH will issue a press announcement in relation to any extension of the Offer, which will state the next closing date or, if the Offer has become or is at that time unconditional, that the Offer will remain open until further notice. The Offeror has stated its intention in this Composite Document to exercise certain rights of compulsory acquisition under Section 88 of the Cayman Islands Company Law if the Offeror acquires not less than 90% of the Disinterested Shares within four months of the posting of the Composite Document as required by Rule 2.11 of the Takeovers Code. The Offer may not remain open for acceptance for more than 4 months from the date of posting of this Composite Document, unless the Offeror has by that time become entitled to exercise those rights of compulsory acquisition.

(5) In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day this Composite Document was posted. Where a period laid down by the Takeovers Code ends on a day which is not a business day, the period is extended until the next business day. Accordingly, unless the Offer has previously become or is declared unconditional as to acceptances, the Offer will lapse after 7:00 p.m. on Tuesday, 2 October 2007, unless extended with the consent of the Executive.

All time references contained in this Composite Document are to Hong Kong time.

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

acting in concert	:	has the meaning ascribed thereto in the Takeovers Code
Announcement	:	the joint announcement dated 14 June 2007 made by TCCIH and CHCGC regarding the Offer
associate	:	has the meaning ascribed to that expression in Listing Rule 1.01
Cayman Islands Company Law	:	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
CCASS	:	the Central Clearing and Settlement System established and operated by HKSCC
CHCGC	:	Chia Hsin Cement Greater China Holding Corporation, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
CHCGC Board	:	the board of directors of CHCGC
CHCGC Directors	:	the directors of CHCGC
CHCGC Group	:	CHCGC and its subsidiaries
CHCGC IBC	:	the independent board committee of CHCGC comprising Davin A Mackenzie, Zhuge Pei Zhi and Wu Chun Ming who are all the independent non-executive directors of CHCGC, which has been formed to advise the Independent CHCGC Shareholders in respect of the Offer
CHCGC IBC Letter	:	the letter from the CHCGC IBC to the Independent CHCGC Shareholders, as set out on page 28 of this Composite Document

CHCGC IFA	:	Access Capital Limited, the independent financial adviser to the CHCGC IBC in respect of the Offer, a licensed corporation under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
CHCGC IFA Letter	:	the letter from the CHCGC IFA to the CHCGC IBC, as set out on pages 29 to 49 of this Composite Document
CHCGC Letter	:	the letter from the CHCGC Board to CHCGC Shareholders, as set out on pages 22 to 27 of this Composite Document
CHCGC Shares	:	ordinary shares of US$0.01 each in the share capital of CHCGC
CHCGC Shareholders	:	holders of CHCGC Shares
CHC Holding	:	Chia Hsin Cement Corporation, a company incorporated in Taiwan, the securities of which are listed on the Taiwan Stock Exchange
CHPL	:	Chia Hsin Pacific Limited, a company incorporated in the Cayman Islands with limited liability
Composite Document	:	this composite offer and response document dated 2 August 2007 issued jointly by TCCIH and CHCGC in connection with the Offer
Disinterested Shares	:	all the CHCGC Shares other than those held by TCCIH and parties acting in concert with TCCIH
Enlarged Group	:	the TCCIH Group and the CHCGC Group
Executive	:	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
First Closing Date	:	13 September 2007, being the first closing date for the Offer

Form of Acceptance	:	the form of acceptance and transfer in respect of the Offer which accompanies this Composite Document
HK$	:	Hong Kong dollars, the lawful currency of Hong Kong
HKSCC	:	Hong Kong Securities Clearing Company Limited
Hong Kong	:	the Hong Kong Special Administrative Region of the PRC
ICHC	:	International Chia Hsin Corporation, a company incorporated in Taiwan with limited liability
Independent CHCGC Shareholders	:	CHCGC Shareholders other than the Offeror and parties acting in concert with it
Irrevocable Undertaking	:	the irrevocable undertaking dated 14 June 2007 (as amended on 30 July 2007) given by CHPL, ICHC and CHC Holding to the Offeror and Morgan Stanley
Jingyang Cement	:	Chia Hsin Jingyang Cement Co., Ltd., a wholly foreign owned enterprise established in the PRC on 26 June 1993 with limited liability and an indirectly wholly-owned subsidiary of CHCGC
Last Trading Date	:	11 June 2007, being the last trading day prior to the suspension of trading in CHCGC Shares and TCCIH Shares pending the publication of the Announcement
Latest Practicable Date	:	Monday, 30 July 2007, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
Listing Rules	:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Long Stop Date	:	Tuesday, 2 October 2007, being the 60th day after the date of the posting of the Composite Document (or such later date to which the Executive may consent)
Morgan Stanley	:	Morgan Stanley Asia Limited, a licensed corporation under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities

Morgan Stanley Letter	:	the letter from Morgan Stanley to CHCGC Shareholders, as set out on pages 14 to 21 of this Composite Document
New TCCIH Shares	:	up to 519,448,050 TCCIH Shares to be issued as consideration for the transfer of CHCGC Shares to the Offeror
Offer	:	the voluntary conditional securities exchange offer by Morgan Stanley on behalf of TCCIH to acquire all of the issued shares in the share capital of CHCGC on the terms and subject to the conditions contained in this Composite Document and the Form of Acceptance, including any extension or revision thereof
PRC or China	:	the People's Republic of China
Receiving Agent	:	Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, being the share registrar for receiving and processing the acceptances of the Offer
Relevant TCCIH Shareholders	:	TCC, TCCI, any other TCCIH Shareholder and any of their respective associates who have a material interest in the Offer or the Very Substantial Acquisition
RMB	:	Renminbi, the lawful currency of the PRC
SFC	:	the Hong Kong Securities and Futures Commission
SFO	:	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Stamp Office	:	the Stamp Office of the Inland Revenue Department of Hong Kong
Stock Exchange	:	The Stock Exchange of Hong Kong Limited
Takeovers Code	:	the Hong Kong Code on Takeovers and Mergers

TCC	:	Taiwan Cement Corporation, a company incorporated in Taiwan, the securities of which are listed on the Taiwan Stock Exchange
TCC Liuzhou	:	TCC Liuzhou Construction Materials Company Limited, a company incorporated in the PRC
TCC Yingde	:	TCC Yingde Cement Co., Ltd, a company incorporated in the PRC and a wholly-owned subsidiary of TCCIH
TCCI	:	TCC International Limited, a company incorporated in the British Virgin Islands
TCCIH or the Offeror	:	TCC International Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
TCCIH Board	:	the board of directors of TCCIH
TCCIH Directors	:	the directors of TCCIH
TCCIH EGM	:	the extraordinary general meeting of TCCIH to be convened for the purpose of considering and, if thought fit, approving, amongst other things, the Offer and the issue of New TCCIH Shares and all the transactions and matters contemplated or required in connection with the Offer
TCCIH Group	:	TCCIH and its subsidiaries
TCCIH Letter	:	the letter from the TCCIH Board to the CHCGC Shareholders, as set out on pages 9 to 13 of this Composite Document
TCCIH Shares	:	ordinary shares of HK$0.10 each in the share capital of TCCIH
TCCIH Shareholders	:	holders of TCCIH Shares
US$	:	United States dollars, the lawful currency of the United States

US or United States	:	the United States of America
Very Substantial Acquisition	:	the very substantial acquisition referred to in the section headed "Very Substantial Acquisition and Allotment of New TCCIH Shares" in the Morgan Stanley Letter
Vigers	:	Vigers Appraisal & Consulting Limited, the independent property valuer providing the valuation report on the property interests held by the CHCGC Group

In this Composite Document, certain amounts denominated in US$ or RMB have been translated, for illustration purposes only, into HK$ at the respective exchange rates: (i) US$1.00: HK$7.80 and (ii) RMB0.98:HK$1.00.

In the event of inconsistency, the English text of this Composite Document shall prevail over the Chinese text.

TCC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1136)

Executive Directors:
Mr. Koo, Cheng-Yun, Leslie *(Chairman)*
Mr. Wu Yih Chin

Non-executive Directors:
Mr. Kao, Teh-Jung
Dr. Shan Weijian

Independent Non-executive Directors:
Mr. Liao Poon Huai
Dr. Chih Ching Kang, Kenneth
Mr. Shieh, Jen-Chung, Roger

Registered office:
P.O. Box 309, Ugland House
South Church Street, George Town
Grand Cayman
Cayman Islands

Principal place of business in Hong Kong:
16th Floor
Hong Kong Diamond Exchange Building
8-10 Duddell Street
Central
Hong Kong

2 August 2007

Dear CHCGC Shareholders,

VOLUNTARY CONDITIONAL OFFER BY MORGAN STANLEY ASIA LIMITED ON BEHALF OF TCC INTERNATIONAL HOLDINGS LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF CHIA HSIN CEMENT GREATER CHINA HOLDING CORPORATION

INTRODUCTION

On 14 June 2007, we jointly announced with CHCGC that a voluntary conditional securities exchange offer was intended to be made by Morgan Stanley, on behalf of TCCIH, to acquire all of the issued shares in the share capital of CHCGC.

Full details of the Offer are set out elsewhere in the Composite Document, which this letter forms a part of. Terms defined in the Composite Document have the same meanings when used in this letter.

We would like to take this opportunity to briefly set out certain background information on TCCIH, the reasons we are making the Offer and our intentions in relation to CHCGC.

INFORMATION ON THE OFFEROR AND THE TCCIH GROUP

TCCIH was incorporated on 4 July 1997 under the laws of the Cayman Islands. TCCIH is principally engaged in the business of importing and distributing cement in Hong Kong, manufacturing and distributing cement and slag powder in China, providing cement handling services in the Philippines and through its associates, producing and distributing ready-mixed concrete in Hong Kong, China and Brunei.

The TCCIH Shares were listed on the Stock Exchange on 6 October 1997 after a public offering of the TCCIH Shares.

FINANCIAL AND TRADING PROSPECTS OF TCCIH

The TCCIH Group intends to focus primarily on expanding its operations in Mainland China. The TCCIH Group believes that it will be able to capitalise on recent governmental policy changes in order to increase the scale of its operations and profitability. Its expansion plans include:

- **Guangdong and Guangxi Provinces**
  - developing an additional production line for slag powder with an annual capacity of 700,000 metric tonnes in TCC Liuzhou. The new production line is expected to be completed in the fourth quarter of 2007; and
  - developing two new production lines with annual capacities of 2.25 million metric tonnes each in the Yingde plant. The production lines are expected to be completed by the end of 2007, and in the first quarter of 2008, respectively. Upon completion of the two production lines, the Yingde plant will become one of the largest cement production bases in Guangdong; and
- **Fujian Province**
  - developing an additional production line with an annual capacity of 750,000 metric tonnes in the Fuzhou cement grinding plant. The new production line is expected to be completed in the third quarter of 2007. Upon completion, the Fuzhou plant's total annual capacity will be increased by 50% and reach 2.25 million metric tonnes per annum.

Based on these expansion plans, by the first half of 2008, the TCCIH Group will have a comprehensive annual capacity of slag powder, clinker and cement of 13 million metric tonnes, cementing its leading position in the rapidly expanding southern China market.

REASONS FOR THE OFFER

The Offeror believes there are compelling commercial reasons for a combination of TCCIH and CHCGC as set out below:

- *Enhanced size and scale*: The Enlarged Group will become one of the leading producers of cement in the Yangzi River and Pearl River deltas in eastern and southern China respectively. The acquisition of CHCGC strengthens the Enlarged Group by providing market share and presence in eastern China as well as improved scale through an increase of production capacity. The eastern and southern China regions represent some of the fastest growing areas in China which contribute a significant portion of China's gross domestic product.

- *Increased profile and strengthened strategic position*: The Enlarged Group will be better positioned to compete in a rapidly consolidating industry. In the current market environment, it is important to be recognised as one of the leading regional producers.

- *Operational synergies*: The combination would allow for potential savings from the integration of procurement and supply chain management functions, as well as the ability to leverage CHCGC's expertise with its global export cement business to a number of countries including the United States.

INTENTIONS IN RELATION TO CHCGC

Upon completion of the Offer, the Enlarged Group will become one of the leading producers of cement in the Yangzi River and Pearl River deltas in eastern and southern China, respectively. The Offeror intends to continue the CHCGC Group's cement production in Jiangsu. The Offeror believes that the acquisition of CHCGC will strengthen the Enlarged Group by providing market share and presence in eastern China as well as a larger scale of operations through an increase of production capacity.

The Offeror intends to take measures, as is common in the ordinary course of its business, to improve the financial and operational performance of the Enlarged Group. The Offeror expects potential cost savings from the integration of procurement and supply chain management functions.

TCCIH and CHCGC intend to form an integration committee to address the issues of combining the businesses. Regarding the future employment of staff, TCCIH intends to integrate and consolidate the management teams of the TCCIH Group and the CHCGC Group with a view to utilising the senior management capacity fully to realise group synergies of the integrated businesses.

After completion of the Offer, in the event that CHCGC is not privatised, TCCIH will give consideration to corporate governance issues relating to:

(i) the delineation of the businesses of the TCCIH Group and the CHCGC Group;

(ii) competition issues between the TCCIH Group and the CHCGC Group; and

(iii) the degree of managerial, operational and financial reliance of the CHCGC Group on the TCCIH Group.

COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING OF CHCGC

The Offeror intends to exercise the right to compulsorily acquire those CHCGC Shares not acquired by the Offeror pursuant to the Offer under Section 88 of the Cayman Islands Companies Law if it acquires not less than 90% of the Disinterested Shares within four months of the posting of the Composite Document as required by Rule 2.11 of the Takeovers Code. For the purposes of Rule 2.11 of the Takeovers Code, the CHCGC Shares held by CHPL and ICHC, who together with CHC Holding are treated as parties acting in concert with TCCIH, TCC and TCCI in connection with the Offer, will not be treated as Disinterested Shares. The Offer may not remain open for acceptance for more than 4 months from the date of posting of the Composite Document, unless the Offeror has by that time become entitled to exercise those rights of compulsory acquisition. Section 88 of the Cayman Islands Companies Law requires the Offer to be accepted by the holders of not less than 90% of the issued CHCGC Shares. Should compulsory acquisition rights arise and be exercised in full, the Offeror intends to discontinue the listing of CHCGC, which will be a wholly-owned subsidiary of the Offeror at such time, and an application will be made for the withdrawal of the listing of the CHCGC Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

PUBLIC FLOAT OF CHCGC AND TCCIH

If the Offeror does not effect the compulsory acquisition set out above (whether by reason of not acquiring 90% of the Disinterested Shares or otherwise), the TCCIH Directors and the new CHCGC Directors to be appointed to the CHCGC Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in CHCGC.

The Stock Exchange has stated that if, at the completion of the Offer, less than 25% of the CHCGC Shares and/or the TCCIH Shares are held by the public, or if the Stock Exchange believes that:

(a) a false market exists or may exist in the trading of the CHCGC Shares and/or, as appropriate, the TCCIH Shares; or

(b) there are insufficient CHCGC Shares and/or, as appropriate, the TCCIH Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend trading in the CHCGC Shares and/or, as appropriate, the TCCIH Shares.

DISCUSSION WITH CHCGC SHAREHOLDERS

TCCIH confirms that it has not had any discussions with any CHCGC Shareholders (other than CHPL and ICHC) in relation to a commitment to accept or reject the Offer, and other than the Irrevocable Undertaking, there is no agreement or understanding with any CHCGC Shareholders in relation to the acceptance or rejection of the Offer or the acquisition of the CHCGC Shares by TCCIH. Please refer to the section entitled "Irrevocable Undertaking to Accept the Offer" in the Morgan Stanley Letter for a description of the commitment by CHPL and ICHC to accept the Offer pursuant to the Irrevocable Undertaking.

MISCELLANEOUS

To the best of the knowledge, information and belief of the TCCIH Board, having made all reasonable enquiries, CHCGC and its substantial shareholders are third parties independent from and not connected with the Offeror and any of the directors, chief executive or substantial shareholders of the Offeror and its subsidiaries and any of their respective associates, and the Offer does not constitute a connected transaction for TCCIH.

Your attention is drawn to the information in the Morgan Stanley Letter, which immediately follows this letter, as well as the additional information set out in the Appendices which form part of the Composite Document.

Yours faithfully
for and on behalf of
TCC INTERNATIONAL HOLDINGS LIMITED

Koo, Cheng-Yun, Leslie
Chairman

Morgan Stanley

Morgan Stanley Asia Limited
30th Floor, Three Exchange Square
Central
Hong Kong

2 August 2007

Dear CHCGC Shareholders,

**VOLUNTARY CONDITIONAL OFFER
BY MORGAN STANLEY ASIA LIMITED
ON BEHALF OF
TCC INTERNATIONAL HOLDINGS LIMITED
TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF
CHIA HSIN CEMENT GREATER CHINA HOLDING CORPORATION**

INTRODUCTION

On 14 June 2007, TCCIH and CHCGC jointly announced a voluntary conditional securities exchange offer intended to be made by us on behalf of TCCIH, to acquire all of the issued shares in the share capital of CHCGC.

Terms defined in the Composite Document have the same meaning when used in this letter.

THE OFFER

On behalf of TCCIH, we are making the Offer on the terms and conditions set out below in this letter (together with the terms set out in Appendix I to the Composite Document) and in the Form of Acceptance.

Offer Conditions

The Offer is conditional upon:

(a) the Offer and the allotment and issue by TCCIH of new TCCIH Shares to the CHCGC Shareholders who accept the Offer having been approved by the TCCIH Shareholders in general meeting in accordance with the Listing Rules;

(b) valid acceptances of the Offer having been received at or before 4:00 p.m. on the First Closing Date (or such other time as TCCIH may, subject to the Takeovers Code, decide) in respect of the CHCGC Shares which will result in TCCIH holding at least 90% of the Disinterested Shares;

(c) the Stock Exchange having granted its approval for the listing of, and permission to deal in, the new TCCIH Shares to be issued in consideration for the acquisition of the CHCGC Shares pursuant to the terms of the Offer;

(d) subject to Note 2 to Rule 30.1 of the Takeovers Code, no event having occurred which would make the Offer or the acquisition of any of the CHCGC Shares by the Offeror void, unenforceable, illegal or which would prohibit the implementation of the Offer or impose any additional material conditions or obligations with respect to the Offer or any part thereof or on the acquisition of any of the CHCGC Shares;

(e) any necessary consent or approval (including approval in principle) of any governmental or regulatory body in relation to the Offer having been obtained pursuant to the provisions of any laws or regulations in Hong Kong, the PRC, Taiwan and overseas;

(f) any necessary third party consents in relation to the Offer required pursuant to any agreement to which any member of the CHCGC Group is a party (where any failure to obtain a consent would have a material adverse effect on the business of the CHCGC Group taken as a whole) having been obtained or waived by the relevant party(ies);

(g) subject to Note 2 to Rule 30.1 of the Takeovers Code, since the date of the Announcement, there having been no material adverse change in the business, assets, financial or trading position or prospects of the CHCGC Group taken as a whole; and

(h) save in connection with the completion of the Offer, the listing of the CHCGC Shares on the Stock Exchange not having been withdrawn, and no indication being received from the SFC and/or the Stock Exchange to the effect that the listing of the CHCGC Shares on the Stock Exchange is or is likely to be withdrawn.

The Offeror reserves the right to waive all or any of the conditions (except for the conditions referred to in (a) and (c) above) in whole or in part. Condition (b) may be waived subject to the Offeror having received acceptances in respect of CHCGC Shares which would result in the Offeror holding more than 50% of the voting rights in CHCGC. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on Tuesday, 2 October 2007. Accordingly, unless the Offer has previously become or is declared unconditional as to acceptances, the Offer will lapse after 7:00 p.m. on Tuesday, 2 October 2007, unless extended with the consent of the Executive.

Consideration

The consideration payable under the Offer is as follows:

For each CHCGC Share .... 0.4545 new TCCIH Shares

Based on an exchange ratio of 0.4545 TCCIH Shares per CHCGC Share and 1,142,900,000 CHCGC Shares in issue at the Latest Practicable Date, the maximum number of New TCCIH Shares that TCCIH will issue in connection with the Offer is 519,448,050. This represents approximately 67.21% of the existing issued ordinary share capital of TCCIH of 772,922,000 TCCIH Shares as at the Latest Practicable Date, and approximately 40.19% of the enlarged issued share capital of TCCIH of 1,292,370,050 TCCIH Shares immediately following the issue of the New TCCIH Shares.

There is no outstanding options, derivatives, warrants or other securities in issue convertible or exchangeable into CHCGC Shares.

On the basis of an ascribed value of HK$2.26 per CHCGC Share under the Offer (being the value of 0.4545 TCCIH Shares based on the closing price of each TCCIH Share of HK$4.98, as quoted on the Stock Exchange on the Last Trading Date), the entire issued share capital of 1,142,900,000 CHCGC Shares is valued at approximately HK$2,582,954,000.

The exchange ratio of 0.4545 TCCIH Shares per CHCGC Share was determined by TCCIH on the basis of the recent financial performance of TCCIH and CHCGC including profitability measures such as margins and net income, and taking into account the recent trading performance of CHCGC Shares.

Comparisons of Value

Based on the closing price of each TCCIH Share of HK$4.98, as quoted on the Stock Exchange on the Last Trading Date, the Offer of an ascribed value of HK$2.26 per CHCGC Share represents:

(a) a premium of approximately 13.00%, 11.17%, 18.64% and 27.04% over the average closing prices of HK$2.00, HK$2.03, HK$1.91 and HK$1.78 per CHCGC Share, being the average closing prices of CHCGC Shares as quoted on the Stock Exchange for the 5, 10, 20 and 30 trading days respectively immediately prior to and including the Last Trading Date;

(b) a premium of approximately 2.26% over the closing price of each CHCGC Share of HK$2.21, as quoted on the Stock Exchange on the Last Trading Date;

(c) a discount of approximately 45.36%, 46.55%, 46.37% and 38.41% over the average closing prices of HK$4.14, HK$4.23, HK$4.21and HK$3.67 per CHCGC Share, being the average closing prices of CHCGC Shares as quoted on the Stock Exchange for the 5, 10, 20 and 30 trading days respectively immediately prior to and including the Latest Practicable Date; and

(d) a discount of approximately 43.64% over the closing price of each CHCGC Share of HK$4.01, as quoted on the Stock Exchange on the Latest Practicable Date.

On the basis of an implied issue price of HK$4.86 (equivalent to the closing price of HK$2.21 per CHCGC Share as quoted on the Stock Exchange on the Last Trading Date divided by 0.4545) for each New TCCIH Share, such implied issue price represents:

(a) a premium of approximately 5.06% and 15.95% over the average closing prices of HK$4.63 and HK$4.19 per TCCIH Share, being the average closing prices of TCCIH Shares as quoted on the Stock Exchange for the 20 and 30 trading days respectively immediately prior to and including the Last Trading Date;

(b) a discount of approximately 1.14% and 3.69% over the average closing prices of HK$4.92 and HK$5.05 per TCCIH Share, being the average closing prices of TCCIH Shares as quoted on the Stock Exchange for the 5 and 10 trading days respectively immediately prior to and including the Last Trading Date;

(c) a discount of approximately 2.41% over the closing price of each TCCIH Share of HK$4.98, as quoted on the Stock Exchange on the Last Trading Date;

(d) a discount of approximately 49.65%, 50.13%, 49.02% and 41.85% over the average closing prices of HK$9.65, HK$9.75, HK$9.53 and HK$8.36 per TCCIH Share, being the average closing prices of TCCIH Shares as quoted on the Stock Exchange for the 5, 10, 20 and 30 trading days respectively immediately prior to and including the Latest Practicable Date; and

(e) a discount of approximately 48.30% over the closing price of each TCCIH Share of HK$9.40, as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and Lowest Prices

During the period commencing 6 months preceding the Last Trading Date, and ending on and inclusive of the Latest Practicable Date, the highest closing price of CHCGC Shares as quoted on the Stock Exchange was HK$4.74 each on 6 July 2007, and the lowest closing price of CHCGC Shares as quoted on the Stock Exchange was HK$1.18 each on 5 March 2007.

Settlement of Consideration

Provided that the Form of Acceptance and share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the Receiving Agent by not later than the latest time for acceptance, settlement of the consideration under the Offer will be made as soon as possible but in any event within ten days of the later of the date on which the Offer becomes or is declared unconditional in all respects and the date of receipt of the duly completed Form of Acceptance.

CHCGC Shareholders should be aware that in accepting the Offer, any resulting fractions of a New TCCIH Share will be disregarded and such fractions of a New TCCIH Share will not be issued.

CHCGC Shareholders should also be aware that TCCIH Shares are traded in board lots of 2,000 shares and no arrangements are intended to be made for the trading of odd lots of TCCIH Shares resulting from the acceptance of the Offer. CHCGC Shareholders who receive odd lots of TCCIH Shares resulting from the acceptance of the Offer may choose to combine the odd lots into full lots for the purposes of trading on the Stock Exchange.

IRREVOCABLE UNDERTAKING TO ACCEPT THE OFFER

Pursuant to the Irrevocable Undertaking, CHPL and ICHC have undertaken to accept the Offer in respect of all the 814,000,000 CHCGC Shares and 10,508,000 CHCGC Shares held by them respectively, representing in aggregate approximately 72.14% of the issued share capital of CHCGC provided that at the time they are required to accept the Offer the Taiwan Investment Commission and the Taiwan Fair Trade Commission have approved or indicated that the parties may proceed with the proposed acquisition by TCCIH of all the issued shares in the share capital of CHCGC. The obligation of CHPL and ICHC to accept the Offer shall lapse if after the date of the Announcement, there is a material adverse change in the business, assets, financial or trading position or prospects of the TCCIH Group as a whole.

The Irrevocable Undertaking also provides that prior to the closing or lapsing of the Offer, CHPL and ICHC shall not sell, transfer, charge, encumber, grant any option over or otherwise dispose of or permit the sale, transfer, charging or other disposition or creation or grant of any other encumbrance or option of or over all or any of the CHCGC Shares which are the subject of their respective undertakings or interest in such CHCGC Shares except under the Offer, or accept or procure the acceptance of any other offer in respect of all or any of such CHCGC Shares. Under the Irrevocable Undertaking, CHC Holding undertakes that it will use its best endeavours to procure the performance by CHPL and ICHC of their respective obligations under the Irrevocable Undertaking.

The Irrevocable Undertaking will be binding even if a higher offer is made for the CHCGC Shares.

VERY SUBSTANTIAL ACQUISITION AND ALLOTMENT OF NEW TCCIH SHARES

As the highest of the percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the acquisition of CHCGC Shares by TCCIH pursuant to the Offer are more than 100%, such acquisition will constitute a very substantial acquisition by TCCIH for the purposes of the Listing Rules and the Offer is therefore conditional upon the approval of the TCCIH Shareholders in general meeting. The Relevant TCCIH Shareholders, who hold approximately 73.43% of the issued share capital of TCCIH, will be required to abstain from voting at the TCCIH EGM in respect of any TCCIH Shares held by them or on their behalf in relation to the resolution relating to the Very Substantial Acquisition.

The allotment and issue of new TCCIH Shares to the CHCGC Shareholders who accept the Offer is also subject to the approval of the TCCIH Shareholders in general meeting pursuant to Rule 13.36(1)(a) of the Listing Rules. The Relevant TCCIH Shareholders, who hold approximately 73.43% of the issued share capital of TCCIH, will be required to abstain from voting at the TCCIH EGM in respect of any TCCIH Shares held by it or on behalf of any of them in relation to the resolution relating to the above allotment and issue of new TCCIH Shares for the purposes of Rule 13.36(1)(a) of the Listing Rules.

The resolutions relating to the Very Substantial Acquisition and the allotment and issue of new TCCIH Shares will be approved by way of a poll at the TCCIH EGM.

FURTHER TERMS OF THE OFFER

Further Terms

Further terms and conditions (including the procedures for acceptance, the acceptance period and revisions of the Offer) of the Offer are also set out in Appendix I to the Composite Document and the Form of Acceptance.

Closing of the Offer

Except with the consent of the Executive, all conditions to the Offer must be fulfilled (or, if permissible, waived) or the Offer must lapse within 21 days of the First Closing Date or of the date the Offer becomes or is declared unconditional as to acceptances, whichever is the later. The latest date on which the Offeror can declare the Offer unconditional as to acceptances is 7 p.m. on the Long Stop Date.

If the conditions to the Offer are fulfilled (or, if permissible, waived), the CHCGC Shareholders will be notified by an announcement in accordance with the Takeovers Code and Listing Rules as soon as practicable thereafter.

GENERAL MATTERS RELATING TO THE OFFER

CHCGC Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. It is emphasised that none of the Offeror or Morgan Stanley or any of their respective directors or affiliates or any other person involved in the Offer accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the Offer.

ADDITIONAL INFORMATION

Further details of the Offer are set out elsewhere in the Composite Document of which this letter forms a part. We would like to draw your attention to the TCCIH Letter, which sets out, among other things, certain background information on TCCIH, the reasons for the Offer and the intentions of TCCIH in relation to CHCGC, the CHCGC Letter, the CHCGC IBC Letter and the CHCGC IFA Letter, each of which is set out in the Composite Document, and the additional information set out in the appendices of the Composite Document.

Yours faithfully
for and on behalf of
MORGAN STANLEY ASIA LIMITED

Che-Ning Liu
Managing Director

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: 0699)

Executive Directors:
Wang Chien Kuo, Robert *(Chairman)*
Lan Jen Kuei, Konrad
Chang Kang Lung, Jason
Wang Li Shin, Elizabeth

Non-executive Directors:
Chang An Ping, Nelson
Fu Ching Chuan

Independent Non-executive Directors:
Davin A Mackenzie
Zhuge Pei Zhi
Wu Chun Ming

Registered office:
P.O. Box 309GT, Ugland House
South Church Street, George Town
Grand Cayman
Cayman Islands

Principal place of business in Hong Kong:
Room 1907, 19th Floor
9 Queen's Road
Central
Hong Kong

2 August 2007

Dear CHCGC Shareholders,

VOLUNTARY CONDITIONAL OFFER BY MORGAN STANLEY ASIA LIMITED FOR AND ON BEHALF OF TCC INTERNATIONAL HOLDINGS LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF CHIA HSIN CEMENT GREATER CHINA HOLDING CORPORATION

INTRODUCTION

Reference is made to the Announcement issued by TCCIH and CHCGC dated 14 June 2007, in which it was announced that Morgan Stanley, on behalf of TCCIH, intended to make a voluntary conditional securities exchange offer to acquire all of the issued shares in the share capital of CHCGC.

In accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code, the CHCGC IBC comprising all of the independent non-executive directors of CHCGC, namely Davin A Mackenzie, Zhuge Pei Zhi and Wu Chun Ming was established to advise the Independent CHCGC Shareholders in respect

* *For identification purpose only*

of the Offer. Chang An Ping, Nelson, a non-executive director of CHCGC, is also a director of TCC, CHC Holding and CHPL, respectively. Fu Ching Chuan, a non-executive director of CHCGC, is also a director of CHC Holding and is deemed to be interested in approximately 0.03% of the issued share capital of CHCGC. CHC Holding and CHPL will be treated as parties acting in concert with TCCIH, TCC and TCCI for the purposes of the Offer. In this connection, Mr. Chang and Mr. Fu have been excluded from the CHCGC IBC.

The purpose of the Composite Document of which this letter forms a part is to provide you with, among other matters, information relating to the CHCGC Group, the Offeror and the Offer as well as setting out the CHCGC IBC Letter containing the recommendation of the CHCGC IBC to the Independent CHCGC Shareholders in respect of the Offer, and the CHCGC IFA Letter containing the CHCGC IFA's advice to the CHCGC IBC in respect of the Offer.

Terms defined in the Composite Document shall have the same meanings when used herein unless the context otherwise requires.

THE OFFER

Morgan Stanley is making the Offer for and on behalf of the Offeror, subject to the terms set out in the Composite Document (including, without limitation, those in Appendix I to the Composite Document) and in the accompanying Form of Acceptance, to acquire all of the issued CHCGC Shares. Further details of the Offer are set out in the Morgan Stanley Letter in the Composite Document.

CHCGC SHARES HELD BY THE CHCGC DIRECTORS

As at the Latest Practicable Date, two of the CHCGC Directors, Chang Kang Lung, Jason and Fu Ching Chuan, are interested in 7,140,000 CHCGC Shares and 372,000 CHCGC Shares respectively, representing in aggregate approximately 0.65% of the issued share capital of CHCGC. Both of them intend to accept the Offer in respect of their respective shareholdings.

OPTIONS

CHCGC has a share option scheme in place which enables CHCGC to grant options to employees, executives or officers, directors of CHCGC or any of its subsidiaries and any business consultants, agents, legal or financial advisers of CHCGC or any of its subsidiaries, who in the sole discretion of the CHCGC Board, will contribute or have contributed to CHCGC and/or any of its subsidiaries. As at the Latest Practicable Date, no options have been granted pursuant to the share option scheme.

IRREVOCABLE UNDERTAKING TO ACCEPT THE OFFER

Pursuant to the Irrevocable Undertaking, CHPL and ICHC have undertaken to accept the Offer in respect of all the 814,000,000 CHCGC Shares and 10,508,000 CHCGC Shares held by them respectively, representing in aggregate approximately 72.14% of the issued share capital of CHCGC provided that at the time they are required to accept the Offer the Taiwan Investment Commission and the Taiwan Fair Trade Commission have approved or indicated that the parties may proceed with the proposed acquisition by TCCIH of all the issued shares in the share capital of CHCGC. The obligation of CHPL and ICHC to accept the Offer shall lapse if after the date of the Announcement, there is a material adverse change in the business, assets, financial or trading position or prospects of the TCCIH Group as a whole.

The Irrevocable Undertaking also provides that prior to the closing or lapsing of the Offer, CHPL and ICHC shall not sell, transfer, charge, encumber, grant any option over or otherwise dispose of or permit the sale, transfer, charging or other disposition or creation or grant of any other encumbrance or option of or over all or any of the CHCGC Shares which are the subject of their respective undertakings or interest in such CHCGC Shares except under the Offer, or accept or procure the acceptance of any other offer in respect of all or any of such CHCGC Shares. Under the Irrevocable Undertaking, CHC Holding undertakes that it will use its best endeavours to procure the performance by CHPL and ICHC of their respective obligations under the Irrevocable Undertaking.

The Irrevocable Undertaking will be binding even if a higher offer is made for the CHCGC Shares.

INFORMATION ON THE CHCGC GROUP

CHCGC was incorporated on 10 June 2003 under the laws of the Cayman Islands. The CHCGC Group is principally engaged in the business of producing and selling cement and other cement products under the “Chia Hsin” brandname in the coastal and eastern part of the PRC, namely Jiangsu, Zhejiang, Fujian and Shanghai. The CHCGC Group also exports cement to the United States, Middle East, Africa and New Zealand.

The CHCGC Shares were listed on the Stock Exchange on 12 December 2003 after a public offering of the CHCGC Shares.

The net asset value of the CHCGC Group as at 31 December 2006 was US$217.515 million (approximately HK$1,696.62 million). The net profit before tax and extraordinary items of the CHCGC Group for the years ended 31 December 2005 and 2006 were US$0.25 million (approximately HK$1.95 million) and US$7.651 million (approximately HK$59.68 million), respectively. The net profit after tax and extraordinary items of the CHCGC Group for the years ended 31 December 2005 and 2006 were US$0.103 million (approximately HK$0.80 million) and US$6.517 million (approximately HK$50.83 million), respectively.

THE OFFEROR'S INTENTIONS REGARDING CHCGC

CHCGC Business

Upon completion of the Offer, the Enlarged Group will become one of the leading producers of cement in the Yangzi River and Pearl River deltas in eastern and southern China, respectively. The Offeror intends to continue the CHCGC Group's cement production in Jiangsu. The Offeror believes that the acquisition of CHCGC will strengthen the Enlarged Group by providing market share and presence in eastern China as well as a larger scale of operations through an increase of production capacity.

The Offeror intends to take measures, as is common in the ordinary course of its business, to improve the financial and operational performance of the Enlarged Group. The Offeror expects potential cost savings from the integration of procurement and supply chain management functions.

TCCIH and CHCGC intend to form an integration committee to address the issues of combining the businesses. Regarding the future employment of staff, TCCIH intends to integrate and consolidate the management teams of the TCCIH Group and the CHCGC Group with a view to utilising the senior management capacity fully to realise group synergies of the integrated businesses.

After completion of the Offer, in the event that CHCGC is not privatised, TCCIH will give consideration to corporate governance issues relating to:

(i) the delineation of the businesses of the TCCIH Group and the CHCGC Group;

(ii) competition issues between the TCCIH Group and the CHCGC Group; and

(iii) the degree of managerial, operational and financial reliance of the CHCGC Group on the TCCIH Group.

Compulsory Acquisition and Withdrawal of Listing of CHCGC

The Offeror intends to exercise the right to compulsorily acquire those CHCGC Shares not acquired by the Offeror pursuant to the Offer under Section 88 of the Cayman Islands Companies Law if it acquires not less than 90% of the Disinterested Shares within four months of the posting of the Composite Document as required by Rule 2.11 of the Takeovers Code. For the purposes of Rule 2.11 of the Takeovers Code, the CHCGC Shares held by CHPL and ICHC, who together with CHC Holding are treated as parties acting in concert with TCCIH, TCC and TCCI in connection with the Offer, will not be treated as Disinterested Shares. The Offer may not remain open for acceptance for more than 4 months from the date of posting of the Composite Document, unless the Offeror has by that time become entitled to exercise those rights of compulsory acquisition. Section 88 of the Cayman Islands Companies Law requires the Offer to be accepted by the holders of not less than 90% of the issued CHCGC Shares. Should compulsory acquisition rights arise and be exercised in full, the Offeror intends to discontinue the listing of CHCGC, which will be a wholly-owned subsidiary of the Offeror at such time, and an application will be made for the withdrawal of the listing of the CHCGC Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

Maintaining the Listing

If the Offeror does not effect the compulsory acquisition set out above (whether by reason of not acquiring 90% of the Disinterested Shares or otherwise), the TCCIH Directors and the new CHCGC Directors to be appointed to the CHCGC Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in CHCGC.

The Stock Exchange has stated that if, at the completion of the Offer, less than 25% of the CHCGC Shares and/or the TCCIH Shares are held by the public, or if the Stock Exchange believes that:

(a) a false market exists or may exist in the trading of the CHCGC Shares and/or, as appropriate, the TCCIH Shares; or

(b) there are insufficient CHCGC Shares and/or, as appropriate, the TCCIH Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend trading in the CHCGC Shares and/or, as appropriate, the TCCIH Shares.

FURTHER INFORMATION

Please refer to the Morgan Stanley Letter and Appendix I to the Composite Document for further information in relation to the Offer.

RECOMMENDATION

The executive directors of CHCGC believe that the terms of the Offer are fair and reasonable and in the interests of the shareholders of CHCGC as a whole.

Your attention is also drawn to the CHCGC IBC Letter set out in the Composite Document, which contains its recommendation to the Independent CHCGC Shareholders in respect of the Offer and the CHCGC IFA Letter which contains the CHCGC IFA's advice to the CHCGC IBC. You are also advised to read the Composite Document and the Form of Acceptance in respect of the acceptance and settlement procedures of the Offer.

Yours faithfully
For and on behalf of the board of
CHIA HSIN CEMENT GREATER CHINA HOLDING CORPORATION

Wang Chien Kuo, Robert
Chairman

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: 0699)

To the Independent CHCGC Shareholders

2 August 2007

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL OFFER BY
MORGAN STANLEY ASIA LIMITED
FOR AND ON BEHALF OF
TCC INTERNATIONAL HOLDINGS LIMITED
TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF
CHIA HSIN CEMENT GREATER CHINA HOLDING CORPORATION**

As the CHCGC IBC, we have been appointed to advise you in connection with the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the CHCGC Shareholders are concerned. Details of the Offer are set out in the TCCIH Letter and the Morgan Stanley Letter contained in the Composite Document, of which this letter forms part. Terms defined in the Composite Document shall have the same meanings when used herein unless the context otherwise requires. Access Capital Limited has been appointed as the CHCGC IFA to advise the CHCGC IBC in respect of the terms of the Offer. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the CHCGC IFA Letter on pages 29 to 49 of the Composite Document.

Having considered the terms of the Offer, taking into account the information contained in the Composite Document, and the advice of the CHCGC IFA, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent CHCGC Shareholders are concerned. Accordingly, we recommend that you should accept the Offer.

Yours faithfully
THE INDEPENDENT BOARD COMMITTEE

Davin A Mackenzie	**Zhuge Pei Zhi**	**Wu Chun Ming**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

* *For identification purpose only*

The following is the full text of the letter of advice to CHCGC IBC and Independent CHCGC Shareholders from Access Capital Limited prepared for the purpose of incorporation in the Composite Document.

ACCESS
CAPITAL
Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

To: CHCGC IBC and Independent CHCGC Shareholders

2 August 2007

Dear Sirs,

VOLUNTARY CONDITIONAL OFFER TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF CHCGC

INTRODUCTION

We refer to our appointment as the independent financial adviser to the CHCGC IBC and the Independent CHCGC Shareholders in relation to the voluntary conditional offer made by Morgan Stanley Asia Limited on behalf of TCCIH to acquire all the issued shares in the share capital of CHCGC. Terms used in this letter have the same meanings as defined in the Composite Document of which this letter forms part.

On 14 June 2007, TCCIH jointly announced with CHCGC that a voluntary conditional securities exchange offer was intended to be made by Morgan Stanley, on behalf of TCCIH, to acquire all the issued shares in the share capital of CHCGC. In accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code, the CHCGC IBC comprising all the independent non-executive directors of CHCGC, namely Davin A Mackenzie, Zhuge Pei Zhi and Wu Chun Ming was established to advise the Independent CHCGC Shareholders whether the Offer is fair and reasonable and in the interests of the CHCGC and the CHCGC Shareholders as a whole.

Details of the terms of the Offer are set out in the Morgan Stanley Letter which forms part of the Composite Document.

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to CHCGC contained in the Composite Document and the information and representations provided to us by CHCGC and/or its senior management staff and/or the CHCGC Directors. We have assumed that all such statements, information, opinions and representations for matters relating to CHCGC contained or referred to in the Composite Document or otherwise provided or made or given by CHCGC and/or its senior management staff and/or the CHCGC Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Composite Document. We have assumed that all opinions and representations for matters relating to CHCGC made or provided by the CHCGC Directors and/or the senior management staff of CHCGC contained in the Composite Document have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from CHCGC and/or its senior management staff and/or the CHCGC Directors that no material facts have been omitted from the information provided and referred to in the Composite Document.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by CHCGC and/or its senior management staff and/or the CHCGC Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of CHCGC or any of its subsidiaries.

PRINCIPAL FACTORS

In the following sections, we set out the principal factors that we have taken into account in arriving at our advice to the CHCGC IBC and the Independent CHCGC Shareholders.

Recent developments of the cement industry in the PRC and implications

The cement industry in the PRC is undergoing a phase of consolidation. With the State's determination to enhance overall efficiency and cost effectiveness of the cement industry and its growing emphasis on environmental protection, there is expected to be intensified measures to eliminate inefficient small scale cement operations. According to a policy notice issued by the National Development and Reform Commission on 17 April 2006, the PRC will have to replace 250 million metric tonnes of cement capacity from small plants by 2010.

In line with the State's direction to meet long-term targets for reducing energy use and to fit in with the attempts to reduce the PRC's trade imbalance, the Ministry of Finance announced in June 2007 that the Government will scrap export rebates on cement and some other energy-intensive products from 1 July 2007.

These developments have long-term implications for major cement producers such as TCCIH and CHCGC. Given the established presences in their respective stronghold in the South China market (in the case of TCCIH) and the East China market (in the case of CHCGC), they are both well position to increase capacity to fill in the market vacuum left behind by the elimination of small inefficient cement producers. Both TCCIH and CHCGC have been increasing their respective production capacities.

In order to maximize the benefits under the industry consolidation trend, new capacities would need to be built which would entail substantial capital expenditure outlay, as well as short term reduction in corporate profitability, as new plants inevitably incur significant start up costs and higher unit costs during the initial months of "running-in" operations. As stated in TCCIH's 2006 annual report, TCCIH's 2006 financial result was adversely impacted by the costs incurred in its Yingde plant, which commenced commercial production in July 2006.

For CHCGC which exports a significant amount of its production of cement and clinker, particularly to the United States, it is increasing its focus on the domestic market to redress the expected negative impact from the above-mentioned government policy of reduction of export rebate, and the slowing of economic development in the United States.

Reasons and possible commercial benefits under the Offer

As stated in the Announcement, the Offeror believes there are commercial reasons for a combination of TCCIH and CHCGC as set out below:

Enhanced size and scale – The Enlarged Group will become one of the leading producers of cement in the Yangzi River deltas in eastern and southern China respectively. The proposed acquisition of CHCGC under the Offer is expected to strengthen the Enlarged Group by providing market share and presence in eastern China as well as improved scale through an increase of production capacity. The eastern and southern China regions represent some of the fastest growing areas in China which contribute a significant portion of China's gross domestic product.

Increased profile and strengthened strategic position – The Enlarged Group will be better positioned to compete in a rapidly consolidating industry. In the current environment, it is important to be recognized as one of the leading regional producers.

Operational synergies – The combination would allow for potential savings from the integration of procurement and supply chain management functions, as well as the ability to leverage CHCGC's expertise with its global export concrete business to a number of countries including the United States.

The CHCGC Board concurs with the above reasons. The CHCGC Board is also of the view that the Enlarged Group will, over the next two years, stand to benefit considerably from the synergies of the business combination and the full production of TCCIH's manufacturing facilities. As the Enlarged Group will cover a larger area/market than each company alone, the increased size will provide the Enlarged Group with more pricing power and enable it to diversify any region risks in market pricing movement.

Having regard to the recent developments of the cement industry and the potential benefits as mentioned above, we also concur with the view of CHCGC Board that the successful implementation of the Offer to be a reasonable strategy for CHCGC to retain its long-term competitiveness and thus is in the interest of CHCGC and its shareholders.

The share exchange ratio

Under the Offer and based on an exchange ratio of 0.4545 new TCCIH Share per CHCGC Share, and based on 1,142,900,000 CHCGC Shares in issue at the Latest Practicable Date, existing CHCGC Shareholders will own approximately 40.19% of the enlarged share capital of TCCIH, assuming full acceptance under the Offer. In considering the terms of the Offer we have examined the respective values of CHCGC and TCCIH attributed to them for the purpose of the combined group through the share exchange ratio to identify whether the value attributed to CHCGC is fair and reasonable.

Evaluation of the share exchange ratio valuations

For the purpose of our evaluation and based on the share price data used in the Announcement, we show below in Table 1 based on the relevant exchange share prices of CHCGC and TCCIH under the Offer and (i) the closing price on 11 June 2007, being the Last Trading Date and (ii) the average closing prices for the 5, 10, 20 and 30 trading days respectively immediately prior to and including the Last Trading Date.

Table 1

		Premium (Discount) to				
	Share exchange Price *(HK$)*	**Last Trading Date closing price**	**5 days average closing price**	**10 days average closing price**	**20 days average closing price**	**30 days average closing price**
CHCGC	2.26	2.42%	13.17%	11.50%	19.13%	27.16%
TCCIH	4.86	-2.41%	-1.14%	-3.69%	5.06%	15.95%

Table 1A

	CHCGC *HK$*	**TCCIH** *HK$*
Last Trading Date closing price	2.21	4.98
Average closing price		
5 days	2.00	4.92
10 days	2.03	5.05
20 days	1.90	4.63
30 days	1.78	4.19
Share exchange price under the Offer	2.26	4.86

Based on Table 1, the Offer ascribed a value to the CHCGC Shares at a premium to all its relevant closing share prices consistently. The Offer also ascribed a value to the TCCIH shares at a discount to its relevant closing share price for the Last Trading Date, the 5 days and 10 days average closing price and at a premium to the 20 and 30 days average closing price.

We set out below in Table 2 three valuation measures based on the premium (discount) to market price, price earnings ratio ("PER") of the shares and the price to book ratio ("PBR") of CHCGC and TCCIH based on the Offer terms.

Table 2

	Share exchange price	Premium (Discount) to Last Trading Date closing price	5 days average closing price	10 days average closing price	PER	PBR
	(HK$)				*(times)*	*(times)*
CHCGC	2.26	2.42%	13.17%	11.50%	50.95	1.52
TCCIH	4.86	-2.41%	-1.14%	-3.69%	n/a	3.17

As shown in Table 2, CHCGC is valued at a PER and PBR of approximately 50.95 times and approximately 1.52 times respectively, based on the audited figures for the year ended 31 December 2006. By the same measure, TCCIH is valued at PBR of approximately 3.17 times. As TCCIH did not report a profit for 2006, there is no relevant PER figure.

In the sections below we have provided a comparative analysis of the valuation measures in relation to CHCGC and TCIH.

Relative valuations of TCCIH and CHCGC

Set out in Table 3 is the market capitalization of CHCGC and TCCIH, based on their respective closing price on the Last Trading Date, and their respective average closing prices for the 5, 10, 20 and 30 trading days respectively immediately prior to and including the Last Trading Date. On these bases we have calculated the total market capitalization of CHCGC and TCCIH and percentage contribution to this total and made a comparison to the percentage represented by each company under the Offer terms.

Market capitalization

As shown in Table 3 below, the Offer results in a theoretical uplift in the valuation of the interests of the CHCGC Shareholders in the combined valuation of the two companies by a range of between approximately 2.9% and 9.2% based on the various price measures adopted. For example, in the case of the calculations under the Last Trading Date closing price, the Offer results in a theoretical uplift in the valuation of the interests of the CHCGC Shareholders from HK$2,525.8 million, or HK$2.21 per share to approximately HK$2,586.9 million (being approximately 40.77% of HK$6,345.17 million), equivalent to HK$2.263 per CHCGC Share. Such implied uplift in valuation have not take into account the other benefit from the successful implementation of the Offer described later in this letter.

Table 3 *(in HK$)*

	Last Trading Date closing price	%	**5 days average closing price**	%	**10 days average closing price**	%	**Offer price**	%
CHCGC	2,525,809,000	39.62%	2,285,800,000	37.56%	2,323,515,700	37.33%	2,586,851,289	40.77%
TCCIH	3,849,151,560	60.38%	3,799,684,552	62.44%	3,900,164,412	62.67%	3,758,322,596	59.23%
Total	6,374,960,560	100.00%	6,085,484,552	100.00%	6,223,680,112	100.00%	6,345,173,885	100.00%
Theoretical uplift in valuation of CHCGC	2.90%		8.54%		9.20%			

	20 days average closing price	%	**30 days average closing price**	%
CHCGC	2,177,224,500	37.85%	2,033,219,100	38.56%
TCCIH	3,575,537,172	62.15%	3,239,573,740	61.44%
Total	5,752,761,672	100.00%	5,272,792,840	100.00%
Theoretical uplift in valuation of CHCGC		7.72%		5.73%

PER

Table 4

	PER based on					
	Last Trading Date closing price	**5 days average closing price**	**10 days average closing price**	**20 days average closing price**	**30 days average closing price**	**Offer terms**
CHCGC	49.69	44.97	45.71	42.83	40.00	50.89
TCCIH	n/a	n/a	n/a	n/a	n/a	n/a
TCCIH Adjusted Profit	83.86	82.78	84.97	77.90	70.58	81.88
PER difference	34.17	37.81	39.26	35.07	30.58	30.99

The above table shows that CHCGC is valued at the PER of approximately 50.9 times its net earnings for the year ended 31 December 2006 based on the Offer terms. As TCCIH incurred a loss in 2006, there is no corresponding figure. As stated in TCCIH's 2006 annual report, its profitability was adversely impacted by the significant initial start up costs and higher units costs associated with the first few months of TCCIH's new Yingde plant operation. It also stated that without the effect of the Yingde plant and the impairment loss of the property, plant and equipment, TCCIH would have reported a profit attributable to TCCIH Shareholders of HK$45.9 million (the "TCCIH Adjusted Profit").

Applying the TCCIH Adjusted Profit to the various share price measures of TCCIH as set out in Table 4, TCCIH is valued between the range of 70.58 times the TCCIH Adjusted Profit (based on the 30 days average closing price prior to the Last Trading Date) and 84.97 times the TCCIH Adjusted Profit (based on the 10 days average closing price prior to the Last Trading Date). Based on this comparison, the Offer terms have reduced the PER difference between the two companies for all the price measures, except in the case of the 30 days average closing price, the PER difference is similar to that under the Offer terms.

PBR

Table 5

	Price to book ratio based on					
	Last Trading Date closing price	5 days average closing price	10 days average closing price	20 days average closing price	30 days average closing price	Offer terms
CHCGC	1.49	1.35	1.37	1.28	1.20	1.52
TCCIH	3.24	3.20	3.29	3.01	2.73	3.17
PBR difference	1.76	1.86	1.92	1.73	1.53	1.64

Based on Table 5, CHCGC has traded at a significantly lower PBR when compared with TCCIH. The Offer terms increased the PBR for CHCGC from the lowest point under review (1.20 times based on the 30 days average closing price) by approximately 26.7% to 1.52 times, reflecting the higher premium that the Offer terms ascribed to the value of CHCGC.

Based on the above analysis, it is clear that the terms of the Offer ascribe a higher relative value to CHCGC by reference to the respective market capitalization, PER and PBR values of CHCGC and TCCIH.

Peer group comparison

Summarized below are the valuation ratios and financial data of a population of listed companies comprising of (i) 5 companies listed on the Stock Exchange ; (ii) 4 companies listed on the Taiwan Stock Exchange and (iii) 19 companies listed either on the Shanghai Stock Exchange or the Shenzhen Stock Exchange as set out in the table below. To the best of our knowledge and findings, these companies represent a population of listed companies which we have identified and are listed companies engaged solely or principally in the production of cement related products and with production facilities located in the PRC and is listing on the above mentioned markets (together the "Peer Companies").

Table 6

Company Name	**Stock Exchange** *(Note 1)*	**Market Capitalisation as at 11/6/2007** *HK$ million*	**Revenue** *(Note 2)* *HK$ million*	**Earnings** *(Note 2)* *HK$ million*	**Historical PER** *(times)*	**Historical PBR** *(times)*	**Gearing Ratio** *(Note 3)*
Anhui Conch Cement Co. Ltd ("Anhui Cement")	HK	53,743	15,246	1,483	35.57	7.77	27.74%
TCCIH	HK	3,849	980	(18)	N/A	3.24	100.52%
Shanghai Allied Cement Limited	HK	1,539	384	7	413.73	5.12	38.00%
China National Building Materials ("CNBM")	HK	22,789	6,451	298	78.74	5.31	84.89%
CHCGC	**HK**	**2,526**	**992**	**51**	**49.69**	**1.49**	**24.86%**
TCC	TWE	23,633	15,651	1,658	13.99	1.46	76.74%
Asia Cement Corp.	TWE	23,098	7,629	1,737	13.53	1.61	48.12%
CHC Holding	TWE	3,288	2,508	659	3.92	0.92	26.22%
Universal Cement	TWE	1,564	1,752	153	17.96	0.67	35.13%
Hebei Taihang Cement Co Ltd	SSE	3,428	1,155	35	112.75	4.72	66.98%
Shaanxi Qinling Cement (Group) Co Ltd	SSE	4,037	793	(177)	N/A	8.15	163.19%
Gansu Qilianshan Cement Group Co Ltd	SSE	3,516	987	8	444.00	4.01	96.74%
Huazin Cement Co Ltd.	SSE	714	3,551	108	50.51	0.58	141.21%
Heilongjiang Province Mudanjiang New Materials Technology Co Ltd	SSE	3,393	178	9	174.37	7.90	82.57%
Fujian Cement Inc	SSE	2,642	1,046	16	175.40	4.06	91.42%
Xinjiang Qingsong Cement Co	SSE	1,618	508	44	36.76	3.03	73.45%
Xishui Strong Year Co Ltd	SSE	2,253	442	(123)	N/A	3.30	22.61%
Ningxia Saima Industry Co Ltd	SSE	1,379	604	36	44.84	2.27	28.56%

Company Name	Stock Exchange *(Note 1)*	Market Capitalisation as at 11/6/2007 *HK$ million*	Revenue *(Note 2)* *HK$ million*	Earnings *(Note 2)* *HK$ million*	Historical PER *(times)*	Historical PBR *(times)*	Gearing Ratio *(Note 3)*
Taiyuan Lionhead Cement Co Ltd	SSE	1,870	442	10	203.25	2.16	-26.85%
Sichun Golden Summit (Group) Joint-Stock Co Ltd	SSE	2,545	416	23	109.40	6.90	75.71%
Anhui Conch Cement Co Ltd	SSE	67,417	15,246	1,483	45.50	9.74	27.74%
Jilin Yatai (Group) Co Ltd	SSE	27,341	2,855	119	121.22	10.31	131.19%
Xinjiang Tianshan Cement Co Ltd	SZE	1,695	1,930	44	30.88	2.92	222.44%
Tianjin Cement Co Ltd	SZE	4,650	299	(69)	N/A	8.35	35.06%
Jiangxi Wannianqing Cement Co Ltd	SZE	3,075	802	12	252.23	5.37	148.33%
Sichuan Shuangma Cement Co Ltd	SZE	6,021	568	(49)	N/A	12.36	64.17%
Tangshan Jidong Cement Co Ltd	SZE	14,961	2,868	201	80.98	6.27	102.47%
Datong Cement Co Ltd	SZE	1,073	142	(43)	N/A	9.00	85.58%
				Maximum	444.00	12.36	222.44%
				Minimum	13.53	0.58	-26.85%
				Median	64.63	4.39	74.58%
				Average	114.06	4.96	74.44%

Note:

1. Stock Exchange: HK-Hong Kong; SSE: Shanghai Stock Exchange; SZE: Shenzhen Stock Exchange; TWE: Taiwan Stock Exchange

2. Exchange rate used: HK$1 to RMB$1; US$1 to HK$7.8; TW1=HK$0.241

3. Gearing ratio is calculated by dividing the differences between total debts of the company and its cash balances with the total equity of the company.

4. Except for the gearing ratio, all the data are directly extracted from Bloomberg as adjusted by the exchange rate as (2) above and any error found by us.

As shown in the PER and PBR data in the above table which are based on closing price of the shares on the Last Trading Date, the PER of CHCGC of approximately 49.69 times ranks number 13 of the 22 profitable companies under review, which placed CHCGC in the middle range of PER in the comparison. In terms of PBR, the PBR of CHCGC of 1.49 times lies within the lower half of the range (i.e. below 4.96 times) which comprise of 15 out of the 28 companies selected.

In view of the bullish investors confidence in the PRC which has resulted in the considerable increase in the share price and trading volume of many companies listed on the domestic stock exchanges in the PRC, we have also narrowed the comparison of the PER and PBR of CHCGC with those Peer Companies that are not listed on the PRC domestic exchanges, which comprise of a total of 9 companies (5 listed on the Hong Kong Stock Exchange and 4 listed on the Taiwan Exchange).

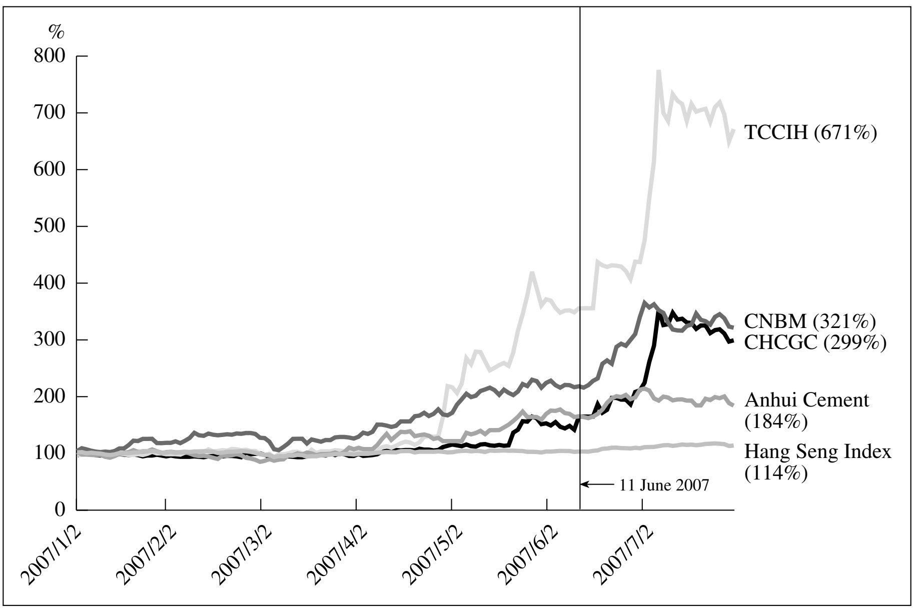
In this comparison, we note that CHCGC ranks as the third highest in the above-mentioned defined PER range (with the highest PER of 413.73 times recorded for Shanghai Allied Cement Limited, which was a turnaround situation and returned a small amount of profit of approximately HK$7.19 million for the year ended 31 December 2006 and with a median of 26.77 times). In respect of PBR comparison, CHCGC's PBR of 1.49 times ranks in the middle (5th) of the above-mentioned defined range with a median of 1.61 times.

In view of the above analysis, we consider that CHCGC's PER and PBR lies within the range of the Peer Companies and in the narrower defined group (excluding the PRC listed companies) holds a middle ranking in the PBR comparison and a top half ranking in the PER comparison.

Relative share price performance

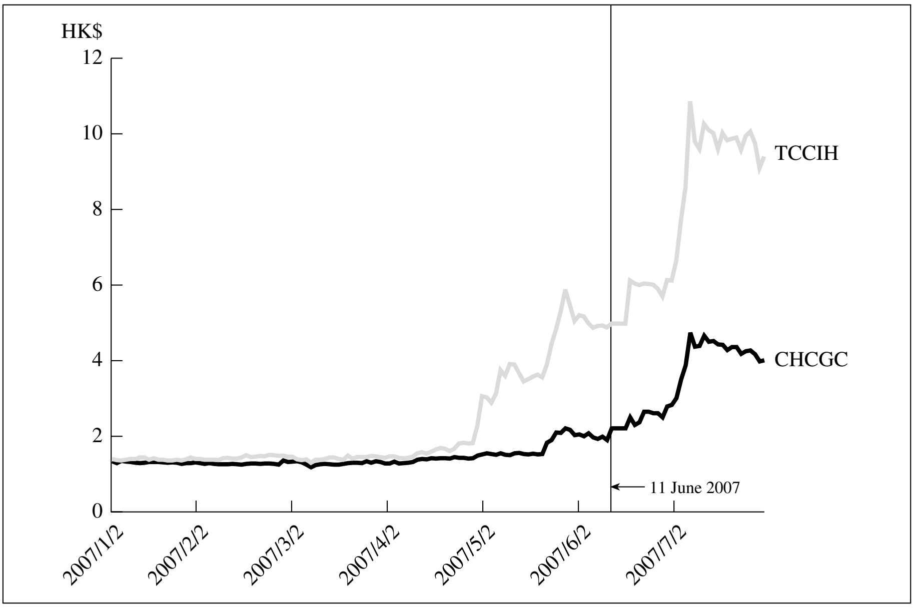
Set out below are (a) the relative share price performance of CHCGC, TCCIH, Anhui Cement and CNBM (which are listed companies on the Stock Exchange and major manufacturers of cement products in the PRC; (b) price graphs showing the share price movement of CHCGC and TCCIH since 2 January 2007 to the Latest Practisable Date.

Diagram A: Relative share price performance of CHCGC, TCCIH, Anhui Cement and CNBM



Source: Bloomberg

Diagram B: Relative share price movement of TCCIH and CHCGC



Source: Bloomberg

In light of the general improvement in the market environment and the recovery from its previous cyclical low phase in recent years, increasing consolidation and merger and acquisition activities in the sector, embarkation of the various State sponsored initiatives to encourage the positive development of the industry, and the expectation of sustainable high demand of cement products in the PRC, the market has been re-rating Chinese cement manufacturing industry as a whole. As a result, share prices of many cement counters have improved considerably in 2007. As shown in Diagram (A) above, the share prices of TCCIH, CNBM and Anhui Cement have all increased significantly (between approximately 184% and 671%), whereas CHCGC, has also recorded a gain of approximately 299%.

As shown in the Diagram B, the share price of TCCIH traded consistently above the level of CHCGC during the period under review. The share price of both companies began to rise after the issue of their respective 2006 financial results at the end of March 2007. The share price of TCCIH rose at a steeper rate since the last week of April and briefly retreated to the level of HK$5 around the time of the first week of June. Following the announcement of the Offer, TCCIH share price continued to rise to around HK$6 and closed at HK$9.4 as at the Latest Practicable Date. For CHCGC, the share price rose steadily since the announcement of the 2006 financial results to the level of HK$4.01 as at the Latest Practicable Date. For most part of the period under review, the share prices of CHCGC and TCCIH tracked reasonably close to HSI until in early April, when the share price of both companies trended upwards following the announcement of their respective financial results of 2006.

We have discussed with directors of CHCGC the recent re-rating of the shares of TCCIH and CHCGC. CHCGC also acknowledges that the general re-rating of the sector have also benefited the share price performance of CHCGC. The following factors, related more specifically to TCCIH and CHCGC, may have also been relevant in their relative performance:

– It is generally expected that the cement industry will be recovered from its cyclical low growth and the atmosphere of the industry will be continuously improved.

– General market expectation that both companies are well placed for merger and acquisition opportunities under the current environment of industry consolidation. In fact, both companies have indicated, in their respective 2006 annual report, the possibility to take advantage of the consolidation trend.

– The uncertainties with regard to the above-mentioned new regime of reduction in tax rebate, which is expected to impact on CHCGC's export business, which formed a substantial amount of its annual revenue. Whereas in the case of TCCIH, most of its sales are for the domestic China and Hong Kong market.

– CHCGC announced its first quarter unaudited financial figures on 26 April 2007, which disclosed lower gross profit margin and increase in the loss per share compared with the corresponding period in the previous year.

– Perceived improvement in financial performance of TCCIH in 2007 as its new plants (including the Yingde plant) becoming fully operational at their designed capacities in the current year.

– TCCIH has attained a higher compound average growth rate in revenue of approximately 28.96% since the year ended 31 December 2002, as compared with the corresponding growth rate for CHCGC of approximately 15.61%.

– As confirmed with TCCIH, TCCIH has an annual cement and slag powder production capacity of 7.4 million metric tonnes in the end of 2006. As disclosed in the 2006 annual report of TCCIH, it was expected that it can reach an aggregate annual production capacity of 13 million metric tonnes in the first half year of 2008. Therefore, TCCIH would have a good potential to produce a significant growth in sales revenue and profit.

Based on the above analysis, we consider that the increase in the share price of CHCGC and TCCIH are well in line with the market trend of positive re-rating of Chinese cement manufacturing companies, and the degree of improvement would vary in accordance with the relevant circumstances of the companies concerned and their respective fundamentals.

Given that both the share prices of CHCGC and TCCIH continued to improve after the announcement of the Offer and now trading at levels at a premium to their respective price at the Last Trading Date, we believe it would be fair to consider that the shareholders of CHCGC and TCCIH both perceived that the proposed combination of the two companies under the Offer as a positive development in respect of their investment.

As TCCIH is offering shares in exchange of CHCGC shares and consequently, any increase or decrease in the value of TCCIH shares would also affect the implied value to CHCGC. Based on the closing price of TCCIH and CHCGC of HK$9.4 and HK$4.01 respectively at the Latest Practicable Date, we note that the corresponding share exchange ratio is approximately 0.4266 TCCIH share to 1 CHCGC share, which is slightly lower than the share exchange ratio of 0.4545 under the terms of the Offer.

Effects on shareholding positions

The following table sets out the shareholding position of TCCIH both before and after the completion of the Offer. Assuming full acceptance of the Offer, shareholders of CHCGC is expected to own approximately 40.19% of the enlarged share capital of TCCIH (before the exercise of the option for 11,500,000 TCCIH Shares granted under TCCIH's share option scheme), with the existing shareholders of TCCIH owning the balance of 59.81% of the enlarged share capital of TCCIH.

Name	Prior to completion of the Offer		After completion of the Offer	
	No. of TCCIH Shares held	*Approx. %*	*No. of TCCIH Shares held*	*Approx. %*
CHPL and ICHC	0	0.00%	374,738,886	29.00%
TCCI	567,518,000	73.43%	567,518,000	43.91%
Koo Cheng-Yun Leslie	1,700,000	0.22%	1,700,000	0.13%
Wu Yih Chin	2,500,000	0.32%	2,500,000	0.19%
Public shareholders	201,204,000	26.03%	345,913,164	26.77%
Total	772,922,000	100.00%	1,292,370,050	100.00%

As shown in above, neither the existing majority shareholders in CHCGC and TCCIH will hold a majority shareholding in the enlarged share capital of TCCIH. Assuming full acceptance of the Offer, TCCI will own (which currently owns approximately 73.43% of TCCIH's existing issued share capital) approximately 43.91% of TCCIH after completion of the Offer and CHPL and ICHC (together currently own approximately 72.14% of CHCGC's existing issued share capital) will own approximately 29.0% of the enlarged share capital of TCCIH. The other shareholders of CHCGC which currently own approximately 27.86% of the share capital of CHCGC, will own approximately 11.2% of the enlarged share capital of TCCIH.

Shareholders should note that neither the existing majority shareholders of CHCGC nor TCCIH will retain an absolute majority in the shareholding of the Enlarged Group. As stated in the paragraph under the heading of "Compulsory acquisition and withdrawal of listing of CHCGC" in the Announcement, the Offeror intends to eventually integrate 100% of CHCGC's share capital within the Enlarged Group. It is therefore fair to consider that the intended shareholding effect of the Offer to be akin more to that of a full merger between the CHCGC and TCCIH. Notwithstanding the shareholding dilution effect on both the shareholders of TCCIH and CHCGC, the full implementation of the Offer should give rise to a larger entity with increased growth prospects and potential synergies.

Financial effects of the Offer

On the basis of the financial information of CHCGC and TCCIH and the pro forma information of the Enlarged Group as set out in Appendix II, III and IV of the Composite Document, the principal effects of the Offer on CHCGC are set out below. However, it should be noted that the pro forma financial information set out in Appendix IV assumes the Enlarged Group was merged on 31 December 2006 and based on a set of financial statements which relate to a period which is over 6 months ago.

Earnings

After implementation of the Offer, the results of CHCGC will be consolidated into the results of TCCIH. Based on TCCIH's consolidated losses attributed to shareholders of approximately HK$18.3 million in 2006 and CHCGC's consolidated profit attributed to shareholders of approximately HK$50.8 million, the pro forma combined earnings of the Enlarged Group attributable to Shareholders would be reduced to approximately HK$32.5 million.

In the context of each CHCGC Share, its attributable interest in the earnings per share of the Enlarged Group would be reduced from approximately HK$0.0445 per CHCGC Share to approximately HK$0.0114 per 0.4545 share of the Enlarged Group, representing a decrease of approximately 74.3%.

It should however be noted that the consolidated results of TCCIH for the year ended 31 December 2006 was adversely impacted by the significant initial start up costs and higher unit costs of the Yingde plant operation. TCCIH stated in its 2006 report that without the effect of the Yingde plant and the impairment loss of the property, plant and equipment, TCCIH would have reported a profit attributable to TCCIH Shareholders of HK$45.9 million, and the adjusted earning per 0.4545 Share of the Enlarged Group will be expected to be approximately HK$0.0340, representing a decrease of approximately 23.6%. Taking into account of the factors as set out under the heading "Outlook of the Enlarged Group", we consider that such decrease to be acceptable to the CHCGC Shareholders.

Net assets

After completion of the Offer, the assets and liabilities of CHCGC will be consolidated into the Enlarged Group. Based on the consolidated balance sheet of CHCGC compared with the pro forma net asset value of the Enlarged Group the net asset value of the Enlarged Group would be approximately HK$3,904.2 million. This represents a significant increase from the respective net asset position of either CHCGC or TCCIH standing alone.

In relation each CHCGC Share, its attributable interest in the net asset value per share of the Enlarged Group would be reduced from approximately HK$1.48 per CHCGC Share to approximately HK$1.37 per 0.4545 share of the Enlarged Group, representing a decrease of approximately 7.4%. Taking into account of the factors as set out under the heading "Outlook of the Enlarged Group", we consider that such decrease to be acceptable to the CHCGC Shareholders.

Cash flow and Gearing

After completion of the Offer, the cash flow of CHCGC will be consolidated into the Enlarged Group. Based on the consolidated cash flow statement for the year ended 31 December 2006 compared with the pro forma cash flow statement of the Enlarged Group for the same period, the cash flow from operations of the Enlarged Group would be approximately HK$289.8 million. This represents a significant increase from the respective cash flow position of either CHCGC or TCCIH standing alone.

In terms of gearing ratio (as measured by total borrowing minus cash/shareholders' funds), the gearing ratio of CHCGC would increase from approximately 24.9% based on its position as at 31 December 2006 to approximately 46.3% under the pro forma position of the Enlarged Group. If it is assumed that TCCIH's portfolio of investment held for resale would be liquidated at its book value for reduction of borrowings, the corresponding pro forma gearing ratio of the Enlarged Group would be reduced to approximately 32.0%. In either case, the pro forma gearing ratio is below the average of the gearing ratio of the Peer Companies as stated in Table 6 above.

Future Intention of the Offeror

As disclosed in the "Letter from the TCCIH Board", upon completion of the Offer, the Enlarged Group will become one of the leading producers of cement in the Yangzi River and Pearl River deltas in eastern and southern China, respectively. The Offeror intends to continue CHCGC's cement production in Jiangsu. The Offeror believes that the acquisition of CHCGC will strengthen the Enlarged Group by providing market share and presence in eastern China as well as a larger scale of operations through an increase of production capacity.

The Offeror intends to take measures, as is common in the ordinary course of its business, to improve the financial and operational performance of the Enlarged Group. The Offeror expects potential cost savings from the integration of procurement and supply chain management functions.

TCCIH and CHCGC intend to form an integration committee to address the issues of combining the businesses. Given the lack of overlap between the two businesses and the expanded footprint, substantial redeployment of assets is not currently envisaged. With respect to employment, TCCIH intends to integrate and consolidate the management teams of the TCCIH Group and the CHCGC Group with a view to utilize the senior management to an optimal capacity and realize synergies of the business plan of the combined businesses.

After the completion of the Offer, in the event that CHCGC is not privatized, TCCIH will give consideration to corporate governance issues relating to:

(i) the delineation of the businesses of the TCCIH Group and the CHCGC Group;

(ii) competition issues between the TCCIH Group and the CHCGC Group; and

(iii) the degree of managerial, operational and financial reliance of the CHCGC Group on the TCCIH Group.

Outlook of the Enlarged Group

The CHCGC Board believes that the Enlarged Group would be well positioned to be benefited from the expected continuing growth in demand for cement-related production across the PRC. The combined businesses of both companies is expected to strengthen its profitability and be benefited from increase economies of scale of operations, as well broadening market coverage and enhancing the overall efficiency of operations. More specifically, the CHCGC Board is encouraged by the following factors which underline the future outlook of the Enlarged Group.

- As announced in the Chairman's statement of the annual report of CHCGC, CHCGC was selected by the State as one of the 60 manufactures to receive support from the government in the growth and consolidation of the cement industry. The Board believes that the Enlarged Group, with its enhanced capacities and financial capabilities, would be in a stronger position to capitalized on the above-mentioned governmental support.

- Accordingly to the Eleventh Five-Year plan, the PRC will continue to invest substantially in infrastructure construction and upgrade in order to ease its infrastructure bottlenecks and address economic development constraints. This plan is expected to generate a new round of massive investment growth in key infrastructure sectors including construction, highway, aviation and urban transportation systems, and such growth in infrastructure investments would serve to compensate any risk for deceleration in growth of the real estate sector.

- Both CHCGC and TCCIH do not have any overlapping of geographical markets and production operations. This would position the Enlarged Group to extract maximum synergies and benefits in the business integration of the Enlarged Group.

- Having regard to (a) the relative longer history of presence of CHCGC's in China, (b) the potential of improvement of TCCIH's operation as its new capacities invested in recent years becoming operational in the future, (c) the logistic and storage capacities of CHCGC's berthing and jetty facilities to serve its markets, the Board of CHCGC considers that the relative strengths and different phases of business developments of both companies complement well on each other, and that the Enlarged Group would be better position to achieve better pricing power as well as in a better position to weather any cyclical downturns of the cement industry going forward.

As confirmed with CHCGC and TCCIH, the Enlarged Group will have a combined annual cement production capacity of 13 million metric tonnes (as compared to CHCGC's current capacity of 4.2 million metric tonnes) by the end of 2007, which would rank the Enlarged Group as one of the largest cement manufacturer in the PRC. TCCIH's massive investment in capacity in the last few years is expected to contribute to and enhance profitability as these facilities reaching their optimal utilization.

RECOMMENDATION

Having considered all of the above-mentioned principal factors, and particularly that the terms of the exchange ratio and the analysis thereof as outlined above, and the strategic rationale and the reasons and possible benefits under the Offer, we consider that the Offer is on normal commercial terms, fair and reasonable and in the interests of CHCGC and its shareholders as a whole. Accordingly, we recommend that the Independent CHCGC Shareholders to accept the Offer.

Shareholders should note that both CHPL and ICHC have given an irrevocable undertaking to the Offeror to accept the Offer in respect of all the CHCGC Shares held by them, representing in aggregate approximately 72.14% of the issued share capital of CHCGC. The irrevocable undertaking will be binding even if a higher offer is made for the CHCGC Shares.

Yours faithfully
For and on behalf of
ACCESS CAPITAL LIMITED

Ambrose Lam	**Jimmy Chung**
Chairman	*Director, Corporate Finance*

1. OFFER CONDITIONS

The Offer is conditional upon:

(a) the Offer and the allotment and issue by TCCIH of new TCCIH Shares to the CHCGC Shareholders who accept the Offer having been approved by the TCCIH Shareholders in general meeting in accordance with the Listing Rules;

(b) valid acceptances of the Offer having been received at or before 4:00 p.m. on the First Closing Date (or such other time as TCCIH may, subject to the Takeovers Code, decide) in respect of the CHCGC Shares which will result in TCCIH holding at least 90% of the Disinterested Shares;

(c) the Stock Exchange having granted its approval for the listing of, and permission to deal in, the new TCCIH Shares to be issued in consideration for the acquisition of the CHCGC Shares pursuant to the terms of the Offer;

(d) subject to Note 2 to Rule 30.1 of the Takeovers Code, no event having occurred which would make the Offer or the acquisition of any of the CHCGC Shares by the Offeror void, unenforceable, illegal or which would prohibit the implementation of the Offer or impose any additional material conditions or obligations with respect to the Offer or any part thereof or on the acquisition of any of the CHCGC Shares;

(e) any necessary consent or approval (including approval in principle) of any governmental or regulatory body in relation to the Offer having been obtained pursuant to the provisions of any laws or regulations in Hong Kong, the PRC, Taiwan and overseas;

(f) any necessary third party consents in relation to the Offer required pursuant to any agreement to which any member of the CHCGC Group is a party (where any failure to obtain a consent would have a material adverse effect on the business of the CHCGC Group taken as a whole) having been obtained or waived by the relevant party(ies);

(g) subject to Note 2 to Rule 30.1 of the Takeovers Code, since the date of the Announcement, there having been no material adverse change in the business, assets, financial or trading position or prospects of the CHCGC Group taken as a whole; and

(h) save in connection with the completion of the Offer, the listing of the CHCGC Shares on the Stock Exchange not having been withdrawn, and no indication being received from the SFC and/or the Stock Exchange to the effect that the listing of the CHCGC Shares on the Stock Exchange is or is likely to be withdrawn.

The Offeror reserves the right to waive all or any of the conditions (except for the conditions referred to in (a) and (c) above) in whole or in part. Condition (b) may be waived subject to the Offeror having received acceptances in respect of CHCGC Shares which would result in the Offeror holding more than 50% of the voting rights in CHCGC. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on Tuesday, 2 October 2007. Accordingly, unless the Offer has previously become or is declared unconditional as to acceptances, the Offer will lapse after 7:00 p.m. on Tuesday, 2 October 2007, unless extended with the consent of the Executive. **TCCIH Shareholders, CHCGC Shareholders and investors generally should exercise caution when dealing in TCCIH Shares and CHCGC Shares.**

The Offeror intends to exercise the right to compulsorily acquire those CHCGC Shares not acquired by the Offeror pursuant to the Offer under Section 88 of the Cayman Islands Companies Law if it acquires not less than 90% of the Disinterested Shares within four months of the posting of the Composite Document as required by Rule 2.11 of the Takeovers Code. For the purposes of Rule 2.11 of the Takeovers Code, the CHCGC Shares held by CHPL and ICHC, who together with CHC Holding are treated as parties acting in concert with TCCIH, TCC and TCCI in connection with the Offer, will not be treated as Disinterested Shares. The Offer may not remain open for acceptance for more than 4 months from the date of posting of the Composite Document, unless the Offeror has by that time become entitled to exercise those rights of compulsory acquisition. Section 88 of the Cayman Islands Companies Law requires the Offer to be accepted by the holders of not less than 90% of the issued CHCGC Shares. Should compulsory acquisition rights arise and be exercised in full, the Offeror intends to discontinue the listing of CHCGC, which will be a wholly-owned subsidiary of the Offeror at such time, and an application will be made for the withdrawal of the listing of the CHCGC Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

2. FURTHER TERMS OF THE OFFER

2.1 Procedures for Acceptance

(a) If you accept the Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your CHCGC Share(s) is/are in your name, and you wish to accept the Offer, you must send the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Receiving Agent.

(c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your CHCGC Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your CHCGC Shares, you must either:

(i) lodge your CHCGC Share certificate(s) and/or transfer receipts and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed and signed together with the relevant CHCGC Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Receiving Agent; or

(ii) arrange for the CHCGC Shares to be registered in your name by CHCGC through the Receiving Agent, and send the Form of Acceptance duly completed and signed together with the relevant CHCGC Share certificate (s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Receiving Agent; or

(iii) if your CHCGC Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, instruct your licensed securities dealer (or other registered dealer in securities)/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities)/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities)/custodian bank as required by them; or

(iv) if your CHCGC Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

(d) If you have lodged transfer(s) of any of your CHCGC Shares for registration in your name and have not yet received your CHCGC Share certificate(s), and you wish to accept the Offer in respect of your CHCGC Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Receiving Agent together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to the Offeror or their respective agent(s) to collect from CHCGC or the Receiving Agent on your behalf the relevant CHCGC Share certificate(s) when issued and to deliver such certificate(s) to the Receiving Agent as if it was/they were delivered to the Receiving Agent with the Form of Acceptance.

(e) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your CHCGC Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your CHCGC Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Receiving Agent together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Receiving Agent as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Receiving Agent for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Receiving Agent .

(f) Acceptance of the Offer will be treated as valid only if the completed and duly signed Form of Acceptance is received by the Receiving Agent by no later than 4:00 p.m. on Thursday, 13 September 2007 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and the Receiving Agent has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:

(i) accompanied by the relevant CHCGC Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those CHCGC Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant CHCGC Shares; or

(ii) from a registered CHCGC Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the CHCGC Shares which are not taken into account under this paragraph (f)); or

(iii) certified by the Receiving Agent or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered holder of the CHCGC Shares, appropriate documentary evidence of authority to the satisfaction of the Receiving Agent must be produced.

(g) No acknowledgement of receipt of any Form(s) of Acceptance, CHCGC Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2.2 Acceptance Period and Revisions

The Offer is made on Thursday, 2 August 2007, being the date of posting of this Composite Document, and is capable of acceptance on and from this date.

The Offeror reserves the right to extend the Offer in accordance with the relevant provisions of the Takeovers Code. Unless the Offer has previously been extended with the consent of the Executive, all acceptances must be received by 4:00 p.m. on Thursday, 13 September 2007, being the First Closing Date.

If in the course of the Offer, the Offeror revises its terms with the consent of the Executive, all CHCGC Shareholders whether or not they have already accepted the Offer, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

2.3 Announcements

By 6:00 p.m. (or such later time and/or date as the Executive agrees) on Thursday, 13 September 2007 which is the First Closing Date, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension, expiry or unconditionality of the Offer. The Offeror must publish an announcement through the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating whether the Offer has been revised or extended, has expired or has become or been declared unconditional (and, in such case, whether as to acceptances or in all respects). Such announcement must be republished in accordance with the requirements set out below on the next business day.

The announcement must state the following:

(i) the total number of the CHCGC Shares and rights over the CHCGC Shares for which acceptances of the Offer have been received;

(ii) the total number of CHCGC Shares and rights over the CHCGC Shares held, controlled or directed by the Offeror or parties acting in concert with it before the offer period; and

(iii) the total number of CHCGC Shares and rights over the CHCGC Shares acquired or agreed to be acquired during the offer period by the Offeror or parties acting in concert with it.

The announcement must also specify the percentages of the relevant classes of share capital of CHCGC and the percentages of voting rights represented by these numbers of CHCGC Shares.

2.4 Right of Withdrawal

(a) Acceptance of the Offer by the CHCGC Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below or in Rule 17 of the Takeovers Code which provides that an acceptor shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date if the Offer has not by then become unconditional as to acceptances. In such circumstances, an acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Receiving Agent.

(b) If the Offeror is unable to comply with the requirements set out in the section headed "Announcements'' in this Appendix, the Executive may require that the CHCGC Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that section are met.

2.5 Settlement of Consideration

The timing and procedures for settlement of the consideration to which the accepting shareholders will be entitled (if the Offer becomes, or is declared, unconditional in all respects) are set out in the Form of Acceptance and in the section headed "Settlement of Consideration" contained in the Morgan Stanley Letter in this Composite Document.

In the event the Offer lapses, any share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnifies in respect thereof) will be returned to CHCGC Shareholders in terms as set out in the Form of Acceptance and paragraphs 2.9(a) and 2.9(e) of this Appendix.

2.6 New TCCIH Shares

The New TCCIH Shares will be issued free from all liens, charges and encumbrances and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date of issue of the New TCCIH Shares and will rank pari passu with the existing TCCIH Shares. There will be no restrictions on the transfer of the New TCCIH Shares to be issued under the Offer. The New TCCIH Shares will also be issued subject to the terms of the memorandum and articles of association of TCCIH and, by accepting the Offer, the persons who become the holders of such shares in connection with the Offer will be bound by such memorandum and articles of association. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the New TCCIH Shares issued in connection with the Offer.

2.7 CHCGC Shares

Acceptance of the Offer by any CHCGC Shareholder will be deemed to constitute a warranty by such person that all the CHCGC Shares to be sold by such person under the Offer will be free from all liens, charges, options, claims, equities, adverse interests, rights of preemption and any other third party rights or encumbrances of any nature whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive in full dividends and other distributions declared, made or paid, if any, on or after the date of the Announcement.

2.8 Stamp Duty

Sellers' and buyers' ad valorem stamp duty for the CHCGC Shares on the Hong Kong branch share register arising in connection with the acceptances of the Offer, amounting to HK$1.00 for every HK$1,000 or part thereof of the consideration payable in respect of the relevant acceptances will be borne by TCCIH.

2.9 General

(a) All communications, notices, Forms of Acceptance, CHCGC Share certificates, transfer receipts, other documents of title or indemnities, cheques and New TCCIH Shares to be delivered by or sent to the CHCGC Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Offeror, Morgan Stanley, CHCGC, the Receiving Agent or any of their respective agents, or any other person involved in the Offer, accepts any liability for any loss in postage or any other liabilities that may arise as a result.

(b) Subject to the terms of the Takeovers Code, acceptance(s) of the Offer may, at the discretion of the Offeror, be treated as valid even if not accompanied by the relevant CHCGC Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof), but, in such cases, the New TCCIH Share certificates will not be despatched until the CHCGC Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) has/have been received by the Receiving Agent. However, such acceptances will not be counted towards fulfilling the acceptance condition unless Rule 30.2 of the Takeovers Code has been fully complied with.

(c) If no number of the CHCGC Shares is specified in the applicable Form of Acceptance or the number of the CHCGC Shares specified by the acceptor in the applicable Form of Acceptance is greater than the number of the CHCGC Shares registered in the name of the acceptor as holder, the acceptor shall be deemed to have accepted the Offer in respect of the entire holdings of the CHCGC Shares registered in the acceptor's name.

(d) Subject to paragraph (b) in this sub-section headed "General" of this Appendix, if the number of the CHCGC Shares specified by an acceptor in the applicable form for acceptance of the Offer is greater than the relevant CHCGC Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) that are forwarded by the acceptor to the Receiving Agent, the acceptor shall be deemed to have accepted the Offer only in respect of the number or face value represented by the relevant CHCGC Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) received by the Receiving Agent in good order before 4:00 p.m. on Thursday, 13 September 2007, or such later time and/or date as the Offeror may determine and announce with the consent of the Executive.

(e) If the Offer does not become unconditional in all respects within the time permitted by the Takeovers Code, the Form of Acceptance, the relevant CHCGC Share certificate(s), transfer receipt(s) and any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Offeror will be returned to the CHCGC Shareholders who have accepted the Offer by post or such documents will be made available by the Receiving Agent for collection, as soon as possible but in any event within 10 days after the Offer has lapsed.

(f) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.

(g) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.

(h) The Offer and all acceptances are governed by and will be construed in accordance with the laws of Hong Kong.

(i) Due execution of the Form of Acceptance will constitute an irrevocable authority to any TCCIH Director or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the CHCGC Shares in respect of which such person has accepted the Offer.

(j) Settlement of the consideration to which any CHCGC Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which TCCIH may otherwise be, or claim to be, entitled against such CHCGC Shareholder.

(k) References to the Offer in the Composite Document and in the Form of Acceptance shall include any revision and/or extension thereof and references to the Offer becoming unconditional shall include a reference to the Offer being declared unconditional.

(l) Acceptance of the Offer by persons with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Holders of CHCGC Shares who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of any person not resident in Hong Kong who wishes to accept the Offer to satisfy himself as to the full observance of all the applicable laws and regulations of any relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consent which may be required, complying with any other necessary formalities or legal requirements and paying any issue, transfer or other taxes due in respect of such jurisdiction. The Offeror, Morgan Stanley and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay.

(m) The English text of this Composite Document and of the Form of Acceptance shall prevail over the Chinese text for the purpose of interpretation.

(n) The Receiving Agent is situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

I. THREE YEAR FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated income statement of the TCCIH Group for each of the three years ended 31 December 2004, 2005 and 2006 and the consolidated balance sheet as at 31 December 2004, 2005 and 2006 of the TCCIH Group as extracted from the annual reports of the TCCIH Group for the years ended 31 December 2006 and 31 December 2005. Deloitte Touche Tohmatsu was TCCIH's auditor in respect of the financial information in the annual reports of the TCCIH Group for the years ended 31 December 2006 and 31 December 2005. The financial information for the year ended 31 December 2004 have been restated as a result of the application of the new and revised Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Summary Consolidated Income Statements

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
Turnover	980,418	418,002	315,385
Profit before tax	4,479	55,883	342,129
Income tax expense	(3,873)	(3,415)	(3,596)
Profit for the year	606	52,468	338,533
Attributable to			
Shareholders of the Company	(18,303)	50,002	328,132
Minority interests	18,909	2,466	10,401
	606	52,468	338,533
(Loss) earnings per share			
– Basic	HK(2.4) cents	HK6.5 cents	HK42.5 cents
– Diluted	N/A	N/A	N/A
Dividend	–	19,323	46,375
Dividend per share	–	HK2.5 cents	HK6.0 cents

Summary Consolidated Balance Sheets

	As at 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
Total Assets	3,177,328	2,645,948	1,923,726
Total Liabilities	(1,859,965)	(1,373,990)	(674,276)
Minority Interests	(131,166)	(95,967)	(100,648)
Net Assets	1,186,197	1,175,991	1,148,802

The audited accounts for each of the three years ended 31 December 2004, 2005 and 2006 for the TCCIH Group were not qualified.

There are no extraordinary or exceptional items for the three years ended 31 December 2006.

(Loss) Earnings per Share

The calculation of the basic (loss) earnings per share attributable to the shareholders of the Company is based on the following data:

(Loss) Earnings

	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
(Loss) Earnings for the purposes of basic (loss) earnings per share ((loss) profit for the year attributable to shareholders of the Company)	**(18,303)**	50,002	328,132

Number of shares

	2006	**2005**	**2004**
	'000	*'000*	*'000*
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**772,922**	772,922	772,922

No dilutive loss per share has been presented for the year ended 31 December 2006 because the exercise of share options would result in a decrease in the loss per share in 2006.

Diluted earnings per share have not been presented for the two years ended 31 December 2005 as the exercise price of the Company's share options was higher than the average market price for shares for 2005 and 2004.

II. AUDITED FINANCIAL INFORMATION

Set out below are the audited consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow statement of the TCCIH Group together with the relevant notes to the financial statements as extracted from the annual report of the TCCIH Group for the year ended 31 December 2006. Deloitte Touche Tohmatsu was TCCIH's auditor in respect of the financial information in the annual report of the TCCIH Group for year ended 31 December 2006.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Revenue	6 & 7	980,418	418,002
Cost of sales		(892,980)	(367,768)
Gross profit		87,438	50,234
Other income and gains	7	73,517	80,748
Selling and distribution expenses		(17,225)	(10,370)
General and administrative expenses		(69,866)	(48,300)
Other operating expenses		–	(632)
Impairment loss of property, plant and equipment	14	(8,388)	–
Finance costs	8	(71,996)	(29,798)
		(6,520)	41,882
Share of results of associates		10,999	14,001
Profit before tax	9	4,479	55,883
Income tax expense	11	(3,873)	(3,415)
Profit for the year		606	52,468
Attributable to:			
Shareholders of the Company		(18,303)	50,002
Minority interests		18,909	2,466
		606	52,468
(Loss) earnings per share	13		
– basic		HK(2.4) cents	HK6.5 cents
– diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
Non-current assets			
Property, plant and equipment	*14*	1,611,004	1,410,042
Prepaid lease payments	*15*	64,728	50,611
Intangible assets	*16*	18,602	10,811
Interests in associates	*17*	101,838	93,036
Loan to an associate	*17*	28,746	30,877
Long term deposits		1,756	1,943
Deposit for the acquisition of property, plant and equipment		157,715	–
Available-for-sale investments	*18*	71,564	77,741
Deferred tax asset	*26*	42	–
Loan receivable	*20*	–	7,690
		2,055,995	1,682,751
Current assets			
Inventories	*21*	103,268	28,401
Prepaid lease payments	*15*	1,424	1,110
Prepayments, deposits and other receivables		50,465	37,893
Loan receivable	*20*	7,921	–
Trade receivables	*22*	131,721	68,530
Held-for-trading investments	*18*	540,255	628,213
Pledged bank deposits	*19*	27,523	13,374
Time deposits		3,466	–
Cash and bank balances	*23*	255,290	185,676
		1,121,333	963,197

	Notes	2006 HK$'000	2005 HK$'000
Current liabilities			
Trade payables	24	139,135	78,132
Other payables and accrued liabilities		115,862	43,419
Tax payable		5,076	4,635
Short term portion of bank loans	25	638,065	574,964
Amount due to minority shareholders		17,567	8,946
		915,705	710,096
Net current assets		205,628	253,101
Total assets less current liabilities		2,261,623	1,935,852
Non-current liabilities			
Deferred tax liabilities	26	2,834	4,815
Long term portion of bank loans	25	941,426	659,079
		944,260	663,894
		1,317,363	1,271,958
Capital and reserves			
Share capital	27	77,292	77,292
Reserves	29	1,108,905	1,098,699
Equity attributed to shareholders of the Company		1,186,197	1,175,991
Minority interests		131,166	95,967
		1,317,363	1,271,958

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Attributable to shareholders of the Company													
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000 (note 29)	Capital reserve HK$'000	Capital redemption reserve HK$'000	Land and building revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserve fund HK$'000 (note 29)	Proposed dividend HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2005	77,292	1,054,328	–	208,263	2,076	3,678	19,589	(22,653)	129	30,917	(224,817)	1,148,802	100,648	1,249,450
Surplus on revaluation of property	–	–	–	–	–	–	5,218	–	–	–	–	5,218	–	5,218
Deferred tax liability arising on revaluation of property	–	–	–	–	–	–	(620)	–	–	–	–	(620)	–	(620)
Share of changes in equity of associates	–	–	–	–	–	–	–	–	821	–	–	821	882	1,703
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	14,279	–	–	–	14,279	2,737	17,016
Net income recognised directly in equity	–	–	–	–	–	–	4,598	14,279	821	–	–	19,698	3,619	23,317
Profit for the year	–	–	–	–	–	–	–	–	–	–	50,002	50,002	2,466	52,468
Total recognised income for the year	–	–	–	–	–	–	4,598	14,279	821	–	50,002	69,700	6,085	75,785
2004 final dividend paid	–	–	–	–	–	–	–	–	–	(30,917)	–	(30,917)	–	(30,917)
2005 interim dividend proposed	–	(11,594)	–	–	–	–	–	–	–	11,594	–	–	–	–
2005 interim dividend paid	–	–	–	–	–	–	–	–	–	(11,594)	–	(11,594)	–	(11,594)
2005 final dividend proposed	–	(7,729)	–	–	–	–	–	–	–	7,729	–	–	–	–
Dividend paid to minority interest shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(10,766)	(10,766)
Transfer to statutory reserve fund	–	–	–	–	–	–	–	–	778	–	(778)	–	–	–
At 31 December 2005	77,292	1,035,005	–	208,263	2,076	3,678	24,187	(8,374)	1,728	7,729	(175,593)	1,175,991	95,967	1,271,958
At 1 January 2006	77,292	1,035,005	–	208,263	2,076	3,678	24,187	(8,374)	1,728	7,729	(175,593)	1,175,991	95,967	1,271,958
Surplus on revaluation of property	–	–	–	–	–	–	2,318	–	–	–	–	2,318	–	2,318
Deferred tax liability arising on revaluation of property	–	–	–	–	–	–	(62)	–	–	–	–	(62)	–	(62)
Share of changes in equity of associates	–	–	–	–	–	–	–	(1,596)	6	–	–	(1,590)	–	(1,590)
Recognition of equity settled share-based payments expenses	–	–	3,400	–	–	–	–	–	–	–	–	3,400	–	3,400
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	32,172	–	–	–	32,172	2,878	35,050
Net income recognised directly in equity	–	–	3,400	–	–	–	2,256	30,576	6	–	–	36,238	2,878	39,116

	Attributable to shareholders of the Company													
	Share capital *HK$'000*	Share premium *HK$'000*	Share option reserve *HK$'000*	Contributed surplus *HK$'000* *(note 29)*	Capital reserve *HK$'000*	Capital redemption reserve *HK$'000*	Land and building revaluation reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Statutory reserve fund *HK$'000* *(note 29)*	Proposed dividend *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
Loss for the year	–	–	–	–	–	–	–	–	–	–	(18,303)	(18,303)	18,909	606
Total recognised income for the year	–	–	3,400	–	–	–	2,256	30,576	6	–	(18,303)	17,935	21,787	39,722
Capital contributed by a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	17,372	17,372
2005 final dividend paid	–	–	–	–	–	–	–	–	–	(7,729)	–	(7,729)	–	(7,729)
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(3,960)	(3,960)
Transfer to statutory reserve fund	–	–	–	–	–	–	–	–	396	–	(396)	–	–	–
At 31 December 2006	77,292	1,035,005	3,400	208,263	2,076	3,678	26,443	22,202	2,130	–	(194,292)	1,186,197	131,166	1,317,363

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	2006	2005
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit before taxation	4,479	55,883
Adjustments for:		
Depreciation	82,023	30,920
Interest expenses	71,996	29,798
Interest income	(3,285)	(2,195)
Dividend income from investments	(34,869)	(48,565)
Amortisation of mining rights	503	227
Amortisation of prepaid lease payments	1,271	1,080
Equity settled share-based payment expenses	3,400	–
Impairment loss of property, plant and equipment	8,388	–
Loss on disposal of property, plant and equipment	6	713
Change in fair value of held-for-trading investments	(12,605)	632
Realised gain on disposal of held-for-trading investments and available-for-sale investments	(1,896)	(14,411)
Written back of provision for amount due from an associate	(1,500)	–
Share of results of associates	(10,999)	(14,001)
Exchange adjustments	(3,960)	4,097
Operating cash inflows before movements in working capital	102,952	44,178
Decrease in long term deposits	187	–
(Increase) decrease in inventories	(74,867)	6,562
Increase in prepayments, deposits and other receivables	(6,395)	(25,697)
Decrease in held-for-trading investments	102,444	246,503
Increase in time deposits	(3,466)	–
Increase in trade receivables	(63,191)	(34,538)
Increase in trade payables	61,003	49,903
Increase (decrease) in other payables and accrued liabilities	34,322	(18,250)
Cash generated from operations	152,989	268,661
Income taxes paid	(5,517)	(6,590)
Net cash generated from operating activities	147,472	262,071

	2006	2005
	HK$'000	*HK$'000*
Cash flows from investing activities		
Interest received	3,285	2,195
Dividend received from investments	34,869	48,565
Dividend received from associated companies	3,518	1,575
Repayment of advance to associated companies	3,631	5
Purchase of property, plant and equipment	(200,187)	(922,591)
Purchase of mining right	(7,764)	–
Purchase of computer software	(206)	–
Increase in prepaid lease payments	(14,150)	(166)
Proceeds from disposal of property, plant and equipment	1,475	–
Proceeds from disposal of available-for-sale investments	–	22,466
Increase in deposit for the acquisition of property, plant and equipment	(157,715)	–
Capital contributed by minority shareholder of subsidiary	17,372	–
Increase in loan receivables	–	(7,690)
Increase in pledged bank deposits	(14,149)	(13,374)
Net cash used in investing activities	(330,021)	(869,015)
Cash flows from financing activities		
Interest paid	(80,819)	(29,798)
New bank loans raised	1,318,618	795,154
Repayment of bank loans	(982,568)	(136,753)
Dividends paid	(7,729)	(43,365)
Dividend paid to minority interest	(3,960)	(10,766)
Advance from minority shareholders	8,621	8,946
Net cash generated from financing activities	252,163	583,418
Net increase (decrease) in cash and cash equivalents for the year	69,614	(23,526)
Cash and cash equivalents at beginning of year	185,676	209,202
Cash and cash equivalents at end of year, represented by		
Cash and bank balances	255,290	185,676

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public listed company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group consisted of the import and distribution of cement in Hong Kong, the manufacture and distribution of cement and slag powder in other areas of the People's Republic of China ("Mainland China") and the provision of cement handling services in the Philippines. Through its associates, the Group is also engaged in the production and distribution of ready-mixed concrete in Hong Kong, Mainland China and Brunei. There were no significant changes in the nature of the Group's principal activities during the year.

The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the Annual Report.

The parent company of the Company is TCC International Limited (incorporated in the British Virgin Islands). In the opinion of the Directors, Taiwan Cement Corporation ("TCC"), a company incorporated and whose shares are listed in Taiwan, is the Company's ultimate holding company.

The financial statements are presented in Hong Kong dollars ("HKD") which is also the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The application of the new HKFRSs had no material effect on how the results and financial position 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 standard, amendment and 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.

HKAS 1 (Amendment)	Capital disclosures [1]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segment [2]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [3]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [4]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [5]
HK(IFRIC) – INT 10	Interim financial reporting and impairment [6]
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions [7]
HK(IFRIC) – INT 12	Service Concession Arrangement [8]

1 *Effective for annual periods beginning on or after 1 January 2007.*
2. *Effective for annual periods beginning on or after 1 January 2009.*
3 *Effective for annual periods beginning on or after 1 March 2006.*
4 *Effective for annual periods beginning on or after 1 May 2006.*
5 *Effective for annual periods beginning on or after 1 June 2006.*
6 *Effective for annual periods beginning on or after 1 November 2006.*
7 *Effective for annual periods beginning on or after 1 March 2007.*
8 *Effective for annual periods beginning on or after 1 January 2008.*

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the principal accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, returns and sales related taxes.

Sales of goods are recognised when goods are delivered and risks and rewards of ownership have passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Service revenue is recognised in the period in which such services are rendered.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the leasee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency, i.e. the currency of the primary economic environment in which the entity operates, at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (exchange fluctuation reserve). Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Leasehold land and office building held for use in production or for administrative purposes, are stated in the consolidated balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and amortisation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the land and building revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of such land and buildings is dealt with as an expense to the extent that it exceeds the balance, if any, held in the land and building revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the land and building revaluation reserve is transferred directly to retained earnings.

Other leasehold land is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. Cost includes professional fees and, for qualifying assets, borrowings costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Property, plant and equipment (other than the leasehold land and office building and construction in progress) are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or fair value of assets, over their estimated useful lives with a residual value of 1%, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The following rates are used for the depreciation of property, plant and equipment:

Cement plant and facilities	$3^1/_3\%$ – 4%
Leasehold land and office building	Over the unexpired term of lease
Plant and machinery	$6^2/_3\%$ – 20%
Furniture, fixtures and office equipment	20% – $33^1/_3\%$
Motor vehicles	20%
Lighters	10%

An items of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Intangible assets

Mining rights are stated at cost less accumulated amortisation and any recognised impairment loss. The cost of mining rights is amortised on a straight-line basis over their estimated useful lives of 50 years.

Computer software is stated at cost less accumulated amortisation and any recognised impairment loss. The cost of computer software is amortised on a straight-line basis over its estimated useful lives of 5 years.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the assets is derecognised.

Impairment of intangible assets

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated income statement.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets held-for-trading

At each balance sheet date subsequent to initial recognition, financial assets held-for-trading are measured at fair value, with changes in fair value recognised directly in consolidated income statement in the year in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, loan receivable, loan to an associate, bank balances and pledged bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, held-to-maturity investment and loans and receivables. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in consolidated income statement. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in consolidated income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowings costs.

Other financial liabilities

Other financial liabilities including amounts due to minority shareholders, trade and other payables and accrued liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire or the assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in accumulated losses.

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumption concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Inventories

Inventories are measured at the lower of cost or net realisable value. The management of the Group reviews the carrying amount of the inventories at each balance sheet date, and makes allowance for inventory items identified, if any, to be carried at lower recoverable value through estimation of the expected inventory prices under current market conditions.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity investments, held-for-trading investments, trade receivables, bank deposits and balances, trade payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2006 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade receivables. In order to minimise credit risk, the management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-standing.

The credit risk on turnover is concentrated on a few customers. Sales to the Group's largest customer and its five largest customers accounted for approximately 9.8% and 30.8% of the Group's total sales revenue, respectively. However, the Group mainly trades on terms based on prepayments and letters of credits in most of the transactions and as at 31 December 2006 the Group's account receivables spread over a number of counterparties. Thus, the management considers that the risk is adequately monitored.

Price risk

The Group's held-for-trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity and debt security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate borrowings (see Note 25 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group has not entered into any arrangements to hedge against cash flow interest rate risk but will consider implementing appropriate measures should the need arise.

Currency risk

Certain bank loans of the Group are denominated in foreign currencies (see note 25 for details). The Group currently does not have a foreign currency hedging policy in respect of foreign currency loan. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The carrying amounts of deposits and other receivables, cash and bank balances, other payables and accrued liabilities and amounts due to minority shareholders approximate their respective fair values due to the relatively short maturity of these financial instruments. The fair values of other classes of financial assets and financial liabilities are disclosed in the respective notes to consolidated financial statements.

6. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(i) the import, distribution and handling of cement segment mainly relates to housing development and infrastructure construction activities in Hong Kong and the provision of cement handling services in the Philippines;

(ii) the manufacture and distribution of cement mainly relates to construction activities in Mainland China and slag powder segment;

(iii) the production and distribution of ready-mixed concrete segment mainly relates to housing development and infrastructure construction activities in Hong Kong and Mainland China; and

(iv) the investment holding segment invests in listed and unlisted equity securities ranging from traditional businesses, such as banks and companies engaged in the manufacture and distribution of construction materials, to high-technology businesses, such as those providing broadband internet access and content services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

Income statement

	Import, distribution and handling of cement		Manufacture and distribution of cement and slag powder		Production and distribution of ready-mixed concrete		Investment holding		Consolidated	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue										
Sales and services to external customers	173,612	161,198	806,806	256,804	–	–	–	–	980,418	418,002
Other revenue	2,824	4,138	–	–	–	–	52,655	65,171	55,479	69,309
Total	176,436	165,336	806,806	256,804	–	–	52,655	65,171	1,035,897	487,311
Segment results	30,449	31,452	(21,533)	(27,399)	–	–	38,522	56,188	47,438	60,241
Unallocated other income									18,038	11,439
									65,476	71,680
Finance costs									(71,996)	(29,798)
Share of results of associates	–	–	–	–	10,999	14,001	–	–	10,999	14,001
Profit before tax									4,479	55,883
Income tax expense									(3,873)	(3,415)
Profit for the year									606	52,468

Balance sheet

	Import, distribution and handling of cement		Manufacture and distribution of cement and slag powder		Production and distribution of ready-mixed concrete		Investment holding		Others		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets														
Segment assets	676,080	709,430	2,066,326	1,504,950	–	–	3,394,557	3,503,662	–	–	(3,348,976)	(3,356,689)	2,787,987	2,361,353
Interests in associates	–	–	–	–	101,838	93,036	–	–	–	–	–	–	101,838	93,036
Loan to an associate	–	–	–	–	28,746	30,877	–	–	–	–	–	–	28,746	30,877
Unallocated assets													258,757	160,682
Consolidated total assets													3,177,328	2,645,948
Liabilities														
Segment liabilities	210,541	206,160	1,486,788	1,070,748	–	–	1,927,045	2,209,527	–	–	(3,348,976)	(3,356,689)	275,398	129,746
Unallocated liabilities													1,584,567	1,244,244
Consolidated total liabilities													1,859,965	1,373,990
Other segment information:														
Capital additions	359	217	260,069	922,540	–	–	–	–	–	–	–	–	260,428	922,757
Depreciation and amortisation	3,991	6,993	77,783	23,215	–	–	2,023	2,019	–	–	–	–	83,797	32,227
Impairment losses recognised in the income statement	–	–	8,388	–	–	–	–	–	–	–	–	–	8,388	–

(b) Geographical segments

The following table presents revenue, certain assets and other information for the Group's geographical segments by location of operations.

THE GROUP

	Hong Kong		Mainland China		Philippines		Taiwan		Eliminations		Consolidated	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:												
Sales and services to external customers	150,362	137,802	806,806	256,800	23,250	23,400	–	–	–	–	980,418	418,002
Other revenue	2,881	4,968	11,269	1,475	184	20	41,145	62,846	–	–	55,479	69,309
Total	153,243	142,770	818,075	258,275	23,434	23,420	41,145	62,846	–	–	1,035,897	487,311
Other segment information:												
Segment assets	2,704,756	2,707,925	2,080,950	1,584,633	285,815	258,771	594,254	691,656	(2,877,788)	(2,881,632)	2,787,987	2,361,353
Capital additions	359	39	260,069	922,540	–	178	–	–	–	–	260,428	922,757

7. REVENUE, OTHER INCOME AND GAINS

Revenue represents:

(i) invoiced amount of sales of cement, net of trade discounts, returns and sales related taxes; and

(ii) income from the rendering of services.

An analysis of revenue, other income and gains is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Revenue		
Sales of cement	957,168	394,602
Rendering of services	23,250	23,400
	980,418	418,002
Other income		
Handling charges	2,824	4,138
Dividend income from		
– listed investments	34,869	47,940
– an unlisted investment	–	625
Bank interest income	3,285	2,195
Exchange gain	10,310	8,492
Gain on held-for-trading investments:		
– unrealised	12,605	–
– realised	1,896	12,648
Written back of provision for amount due from an associate	1,500	–
Realised gain on disposal of available-for-sale investments	–	1,763
Others	6,228	2,947
	73,517	80,748

8. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on:		
Bank overdrafts and		
loans wholly repayable		
– within five years	53,734	29,798
– over five years	27,085	–
Total borrowing costs	80,819	29,798
Less: amounts capitalised		
in construction in progress	(8,823)	–
	71,996	29,798

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.72% per annum (2005: nil) to expenditure on qualifying assets.

9. PROFIT BEFORE TAX

	2006	**2005**
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Directors and key management personnel's remuneration *(note 10)*	4,216	4,075
Other staff cost		
Equity settled share-based payment expense	1,500	–
Salaries and other benefits	82,035	19,219
Other pension costs and mandatory provident fund contributions, excluding directors	674	666
Total staff costs	88,425	23,960
Cost of inventories recognised as expense	795,057	259,207
Cost of services rendered	3,477	4,601
Depreciation of property, plant and equipment	82,023	30,920
Amortisation of prepaid lease payments	1,271	1,080
Amortisation of mining rights	503	227
Auditors' remuneration	1,647	2,430
Unrealised loss on held-for-trading investments (included in other operating expenses)	–	632
Operating lease payments in respect of rented premises	3,595	4,073
Loss on disposal of property, plant and equipment	6	713
Share of tax of associates (included in share of results of associates)	3,813	3,553

The Group has no forfeited contributions to the retirement benefit scheme for both years.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 7 (2005: 6) directors are as follows. The other 3 (2005: 3) directors have no emoluments for the year.

	Koo, Cheng-Yun, Leslie	**Wu Yih Chin**	**Chih Ching Kang, Kenneth**	**Hui-Bon-Hoa Pierre, Khien Piau**	**Liao Poon Huai, Donald**	**Shan Weijian**	**Chung Kuohsien, David**	**Total 2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	200	–	67	100	200	200	167	934
Other emoluments								
Salaries and other benefits	–	1,282	–	–	–	–	–	1,282
Performance related incentive bonus	–	100	–	–	–	–	–	100
Equity settled share-based payment expense	1,460	440	–	–	–	–	–	1,900
Total emoluments	1,660	1,822	67	100	200	200	167	4,216

	Koo, Cheng-Yun, Leslie	**Wu Yih Chin**	**Hui-Bon-Hoa Pierre, Khien Piau**	**Liao Poon Huai, Donald**	**Shan Weijian**	**Chung Kuohsien, David**	**Total 2006**
	HK$'000	*HK$'000*	*K$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	200	–	200	200	200	200	1,000
Other emoluments							
Salaries and other benefits	–	1,305	–	–	–	–	1,305
Performance related incentive bonus	1,200	570	–	–	–	–	1,770
Total emoluments	1,400	1,875	200	200	200	200	4,075

The performance related incentive bonus is determined with reference to the results of the Group.

Employees' emoluments

During the year, the five highest paid individuals included two directors (2005: two directors), details of whose emoluments are set out above. The emoluments of the remaining highest paid individuals are as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	2,229	2,120
Retirement benefits scheme contributions	12	–
Performance related incentive bonus	221	–
Equity settled share-based payment expense	195	–
	2,657	2,120

Their emoluments were within the following bands:

	Number of employee	
	2006	2005
Up to HK$1,000,000	3	3

During the year, no remuneration was paid by the Group to the Directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and supervisors has waived any remuneration during the year.

11. INCOME TAX EXPENSE

	2006	2005
	HK$'000	*HK$'000*
Current tax		
Hong Kong	2,611	2,554
Other jurisdictions	3,420	1,238
Overprovision in prior periods	(73)	(2,420)
	5,958	1,372
Deferred tax (credit) charge (note 26)	(2,085)	2,043
Income tax expense for the year	3,873	3,415

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year.

Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2006	2005
	HK$'000	*HK$'000*
Profit before tax	4,479	55,883
Tax at the domestic income tax rate of 17.5%	784	9,779
Tax effect of share of profits of associates	(1,925)	(2,450)
Tax effect of expenses that are not deductible in determining taxable profit	8,204	6,366
Tax effect of income that are not taxable in determining taxable profit	(12,844)	(13,253)
Tax losses not recognised	15,982	12,152
Income tax on concessionary rate	(9,856)	–
Tax effect of utilisation of tax losses previously not recognised	(2,263)	–
Overprovision in prior years	(73)	(2,420)
Effect of different tax rates of subsidiaries operating in other jurisdictions	6,957	(6,973)
Others	(1,093)	214
Tax expense for the year	3,873	3,415

The Group's subsidiaries operating in the People's Republic of China (the "PRC") are eligible for certain tax holidays and concessions and were exempted from PRC income taxes for the year.

In addition to the income tax expense charged to profit or loss, a deferred tax charge of HK$62,000 (2005: HK$620,000) has been recognised in equity in the year.

12. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Dividends recognised as distributed during the year:		
Interim dividend for the period ended 30 June 2006: nil (2005: HK1.5 cents) per share	–	11,594
Final dividend for the year ended 31 December 2005: HK1 cent (2004: HK0.5 cent) per share	7,729	3,865
Special dividend for the year ended 31 December 2005: nil (2004: HK3.5 cents) per share	–	27,052
	7,729	42,511

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2006.

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the shareholders of the Company is based on the following data:

(Loss) earnings

	2006	**2005**
	HK$'000	*HK$'000*
(Loss) earnings for the purposes of basic (loss) earnings per share		
(Loss) profit for the year attributable to shareholders of the Company	(18,303)	50,002

Number of shares

	2006	**2005**
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	772,922	772,922

No dilutive loss per share has been presented for the year ended 31 December 2006 because the exercise of share options would result in a decrease in the loss per share in 2006.

Diluted earnings per share have not been presented for the year ended 31 December 2005 as the exercise price of the Company's share options was higher than the average market price for shares for 2005.

14. PROPERTY, PLANT AND EQUIPMENT

	Cement plant and facilities	Leasehold land and office building	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Lighters	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST OR VALUATION								
As at 1 January 2005	198,043	11,900	201,065	10,700	5,309	7,731	185,672	620,420
Exchange adjustments	2,268	–	3,077	146	116	–	5,296	10,903
Additions	2,136	–	5,479	4,038	1,226	–	909,712	922,591
Surplus on revaluation	–	3,200	–	–	–	–	–	3,200
Disposals	(746)	–	–	(59)	(5)	–	–	(810)
Transfers	96,349	–	92,642	3,258	–	–	(192,249)	–
At 31 December 2005	298,050	15,100	302,263	18,083	6,646	7,731	908,431	1,556,304
Exchange adjustments	9,856	–	9,747	156	164	–	27,253	47,176
Additions	5,367	–	12,307	1,430	484	–	227,543	247,131
Surplus on revaluation	–	300	–	–	–	–	–	300
Disposals	–	–	(10,550)	(786)	–	–	–	(11,336)
Transfers	318,189	–	712,546	–	–	–	(1,030,735)	–
At 31 December 2006	631,462	15,400	1,026,313	18,883	7,294	7,731	132,492	1,839,575
Comprising:								
At cost	631,462	–	1,026,313	18,883	7,294	7,731	132,492	1,824,175
At valuation	–	15,400	–	–	–	–	–	15,400
	631,462	15,400	1,026,313	18,883	7,294	7,731	132,492	1,839,575
ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT								
As at 1 January 2005	32,125	–	67,594	6,732	2,623	7,653	–	116,727
Exchange adjustments	273	–	370	47	40	–	–	730
Provided for the year	10,227	2,018	16,880	1,336	459	–	–	30,920
Elimination on revaluation	–	(2,018)	–	–	–	–	–	(2,018)
Elimination on disposals	(43)	–	–	(52)	(2)	–	–	(97)
At 31 December 2005	42,582	–	84,844	8,063	3,120	7,653	–	146,262
Exchange adjustments	1,326	–	2,204	183	58	–	–	3,771
Provided for the year	20,540	2,018	56,111	2,272	1,082	–	–	82,023
Impairment loss recognised in the income statement	8,388	–	–	–	–	–	–	8,388
Elimination on revaluation	–	(2,018)	–	–	–	–	–	(2,018)
Elimination on disposals	–	–	(9,080)	(775)	–	–	–	(9,855)
At 31 December 2006	72,836	–	134,079	9,743	4,260	7,653	–	228,571
CARRYING VALUES								
At 31 December 2006	558,626	15,400	892,234	9,140	3,034	78	132,492	1,611,004
At 31 December 2005	255,468	15,100	217,419	10,020	3,526	78	908,431	1,410,042

Included in construction in progress is interest capitalised of approximately HK$8,823,000 (2005: Nil).

During the year, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired, due to closure of one of the production lines. Accordingly, impairment losses of HK$8,388,000 have been recognised in respect of buildings, which are used in the manufacture and distribution of cement and slag powder segment.

The leasehold land and office building is situated in Hong Kong under long term leases and was revalued on 31 December 2006 at HK$15,400,000 (2005: HK$15,100,000) by Jones Lang LaSalle Limited, an independent firm of qualified professional valuers, at open market value on existing use basis. The resulting surplus arising from the revaluation at 31 December 2006 of HK$2,318,000 (2005: HK$5,218,000) was dealt with in the land and building revaluation reserve. Had there not been any revaluation of this property, its carrying amount at cost less accumulated depreciation and any impairment losses at 31 December 2006 would be HK$299,000 (2005: HK$300,000).

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2006	**2005**
	HK$'000	*HK$'000*
Leasehold land outside Hong Kong		
Medium-term lease	66,152	51,721
Analysed for reporting purposes as:		
Current portion	1,424	1,110
Non-current portion	64,728	50,611
	66,152	51,721

16. INTANGIBLE ASSETS

	Computer software *HK$'000*	Mining rights *HK$'000*	Total *HK$'000*
THE GROUP			
COST			
At 1 January 2005	–	10,732	10,732
Exchange adjustments	–	307	307
At 31 December 2005	–	11,039	11,039
Additions	206	7,764	7,970
Exchange adjustments	–	330	330
At 31 December 2006	206	19,133	19,339
AMORTISATION			
At 1 January 2005	–	–	–
Charge for the year	–	227	227
Exchange adjustments	–	1	1
At 31 December 2005	–	228	228
Charge for the year	–	503	503
Exchange adjustments	–	6	6
At 31 December 2006	–	737	737
NET BOOK VALUES			
At 31 December 2006	206	18,396	18,602
At 31 December 2005	–	10,811	10,811

17. INTERESTS IN ASSOCIATES AND LOAN TO AN ASSOCIATE

	2006	2005
	HK$'000	*HK$'000*
Cost of investments in associates		
Unlisted	55,343	55,343
Share of post-acquisition profit, net of dividends received	46,495	37,693
	101,838	93,036
Loan to an associate	28,746	30,877

The loan to an associate is interest-free, unsecured and will not be repaid within one year from the balance sheet date. The directors considered that the fair value of the loan at the balance sheet date is not significantly different from its carrying amount.

Details of the Group's associates at 31 December 2006 are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Quon Hing Concrete Company Limited ("Quon Hing")	Hong Kong	50%	50%	Production and distribution of ready-mixed concrete
Hong Kong Concrete Company Limited	Hong Kong	31.5%	31.5%	Production and distribution of ready-mixed concrete
Kenic Investment Holdings Limited	Hong Kong	40%	40%	Investment holding
Quick Flow Investment Limited	Hong Kong	35%	30%	Inactive

The financial statements of Quon Hing are made up to 30 June each year. This was the financial reporting date established when Quon Hing was incorporated.

Summarised financial information in respect of the Group's associates is set out below:

	2006	**2005**
	HK$'000	*HK$'000*
Total assets	566,844	742,567
Total liabilities	(322,470)	(516,723)
Net assets	244,374	225,844
Group's share of associates' net assets	101,838	93,036
Revenue	687,129	755,736
Profit for the year	25,060	32,694
Group's share of profit of associates for the year	10,999	14,001

18. INVESTMENTS

	2006	**2005**
	HK$'000	*HK$'000*
Available-for-sale investments		
Unlisted equity securities	71,564	77,741
Held-for-trading investments		
Listed securities		
Equity securities listed in Hong Kong, at market value	14,623	5,310
Equity securities listed elsewhere, at market value	509,465	523,555
	524,088	528,865
Unlisted equity investments, at fair value	16,167	99,348
	540,255	628,213

As at the balance sheet date, the Group held about 1.29% (2005: 1.34%) of the issued common stocks of Far EasTone Telecommunications Co., Ltd, a company incorporated in Taiwan, and is listed on the Taiwan Stock Exchange Corporation. The listed stocks are carried at market value and are included in held-for-trading investments as at the balance sheet date.

Available-for-sale investments

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in Hong Kong and Taiwan. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Held-for-trading investments

The fair value of the held-for-trading investments are determined based on the quoted market bid prices available on the relevant exchanges or prices provided by financial institution.

19. PLEDGED BANK DEPOSITS

Deposits amounting to HK$27,523,000 (2005: HK$5,990,000) and nil (2005: HK$7,384,000) have been pledged as a margin for the issuance of letter of credit for the purchase of plant and equipments and are therefore classified as current assets.

The fair value of bank deposits at 31 December 2006 approximate their corresponding carrying amount.

20. LOAN RECEIVABLE

	2006	2005
	HK$'000	*HK$'000*
A variable-rate loan receivable	7,921	7,690
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	7,921	–
Non-current assets (receivable after 12 months from the balance sheet date)	–	7,690
	7,921	7,690

The loan receivable refers to a RMB8,000,000 (equivalent to HK$7,921,000) variable rate loan maturing on 27 September 2007. The loan receivable has an effective interest rate of 5.76% (2005: 5.76%).

The fair value of the loan receivable at 31 December 2006 approximates its carrying amount.

21. INVENTORIES

	2006	2005
	HK$'000	*HK$'000*
Raw materials and consumables	63,421	14,856
Work in progress	14,091	2,053
Finished goods	25,756	11,492
	103,268	28,401

22. TRADE RECEIVABLES

	2006	**2005**
	HK$'000	*HK$'000*
The Group's trade receivables comprise:		
Trade receivables from outsiders	122,502	47,256
Trade receivables from associates	9,219	19,221
Trade receivables from related parties	–	2,053
	131,721	68,530

The Group's policy is to allow an average credit period of 90 days to its trade customers (including associates and related parties). The following is an aged analysis of trade receivables at the balance sheet date:

	2006	**2005**
	HK$'000	*HK$'000*
0 – 90 days	120,476	68,383
91 – 180 days	10,943	147
181 – 365 days	302	–
	131,721	68,530

The directors consider that the carrying amount of trade receivables approximates their fair value.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

23. CASH AND BANK BALANCES

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which carry at market interest rates. The directors consider the carrying amount of bank balances approximates its fair value.

Majority of the cash and bank balances were denominated in Renminbi ("RMB") which is not a freely convertible currency in the international market. The RMB exchange rate is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

24. TRADE PAYABLES

The Group's trade payables comprise:

	2006	**2005**
	HK$'000	*HK$'000*
Trade payables to outsiders	106,766	54,987
Trade payables to ultimate holding company	29,526	23,145
Trade payables to fellow subsidiaries	524	–
Trade payables to minority shareholders of a subsidiary	2,319	–
	139,135	78,132

The following is an aged analysis of trade payables at the balance sheet date:

	2006	**2005**
	HK$'000	*HK$'000*
0 – 90 days	135,072	77,628
91 – 180 days	1,725	98
181 – 365 days	1,357	16
Over 365 days	981	390
	139,135	78,132

The trade balances due to the ultimate holding company, fellow subsidiary and minority shareholders of subsidiary are unsecured, interest-free and repayable in accordance with normal trading terms.

The directors consider that the carrying amount of trade payables approximates their fair value.

25. BANK LOANS

	2006	2005
	HK$'000	*HK$'000*
Bank loans	1,579,491	1,234,043
Secured	1,519,491	1,202,693
Unsecured	60,000	31,350
	1,579,491	1,234,043

The loans are repayable as follows:

	2006	2005
On demand or within one year	638,065	574,964
In the second to fifth years	380,545	606,593
After fifth year	560,881	52,486
	1,579,491	1,234,043
Less: Amount due for settlement within one year (shown under current liabilities)	(638,065)	(574,964)
Amount due for settlement after one year	941,426	659,079

The Company's bank loan amounting to HK$615,770,000 (2005: HK$540,000,000) was secured by a corporate guarantee from certain subsidiaries. Apart from the above, certain of the Group's other bank loans amounting to HK$903,721,000 (2005: HK$662,693,000) were secured by a corporate guarantee from the Company.

The bank loans of the Group, which were borrowed by subsidiaries, that are denominated in currencies other than the functional currencies of the relevant subsidiaries are set out below:

	HK$	**US dollars**
	HK$'000	*HK$'000*
As at 31 December 2006	138,420	55,931
As at 31 December 2005	138,420	77,575

The bank loans of the Group are variable-rate loans which carry interest with reference to Hong Kong Interbank Offered Rate and benchmark loan rates of financial institutions set by The People's Bank of China.

The directors consider that the carrying amount of bank overdrafts and loans approximates their fair value.

26. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group and the movements thereon during the current and prior years.

	Accelerated tax depreciation	**Revaluation of land and building**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	(299)	(1,853)	–	(2,152)
Charge to income statement for the year *(Note 11)*	–	–	(2,043)	(2,043)
Charge directly to equity for the year	–	(620)	–	(620)
At 31 December 2005	(299)	(2,473)	(2,043)	(4,815)
Credit to income statement for the year *(Note 11)*	–	–	2,085	2,085
Charge to equity	–	(62)	–	(62)
At 31 December 2006	(299)	(2,535)	42	(2,792)

The Group has tax losses of approximately HK$138,747,000 (2005: HK$61,333,000) available for offset against future profits. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$87,384,000 (2005: HK$41,824,000) that will expire in the period from 2007 to 2011.

27. SHARE CAPITAL

	2006 & 2005
	HK$'000
Authorised:	
2,000,000,000 ordinary shares of HK$0.10 each	200,000
Issued and fully paid:	
772,922,000 ordinary shares of HK$0.10 each	77,292

28. SHARE BASED PAYMENT TRANSACTION

Equity settled share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include directors, independent non-executive directors, and employees of the Company and any of its subsidiaries and associates. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 5 October 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

As at 31 December 2006, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 11,500,000, representing 1.49% of the shares of the Company in issue at that date. Options may be exercised at any time from six months from the date of grant of the share option, that is, from 1 October 2006 to 30 March 2011.

Details of specific category of share options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
31 March 2006	6 months	1 October 2006 to 30 March 2011	HK$1.266

The following table discloses movements of the Company's share options held by the directors and certain employees during the year:

Name or category of participant	At 1 January 2005	Number of share options expired during the year	At 31 December 2005	Number of share options granted during the year	At 31 December 2006	Date of grant of share options	Exercise price of share options
Directors							
KOO Cheng Yun, Leslie	7,000,000	(7,000,000)	–	–	–	11 April 2000	1.6504
	–	–	–	5,000,000	5,000,000	31 March 2006	1.266
WU Yih Chin	4,500,000	(4,500,000)	–	–	–	11 April 2000	1.6504
	–	–	–	1,500,000	1,500,000	31 March 2006	1.266
CHIANG Cheng Hsiung	3,000,000	(3,000,000)	–	–	–	11 April 2000	1.6504
CHEN Chi Hsiung	2,500,000	(2,500,000)	–	–	–	11 April 2000	1.6504
	17,000,000	(17,000,000)	–	6,500,000	6,500,000		
Other employees	2,000,000	(2,000,000)	–	–	–	11 April 2000	1.6504
	–	–	–	5,000,000	5,000,000	31 March 2006	1.266
	2,000,000	(2,000,000)	–	5,000,000	5,000,000		
Total	19,000,000	(19,000,000)	–	11,500,000	11,500,000		

The estimated fair value of the options granted during the year under the Scheme was HK$3,400,000.

The fair value of options granted under the Scheme was calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

Weighted average share price	HK$1.24
Exercise price	HK$1.266
Expected volatility	25%
Expected life	5 years
Risk-free rate	4.468%
Expected dividend yield	1.96%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year.

Because the Black-Scholes pricing model requires the input of highly substantive assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

The Group recognised the total expense of HK$3,400,000 for the year ended 31 December 2006 (2005: nil) in relation to share options granted under the Scheme by the Company.

The Scheme was cancelled at the annual general meeting held on 23 May 2006 and a new share option scheme (the "New Share Option Scheme") was adopted by the Company at the annual general meeting held on 23 May 2006. No option was granted under the New Share Option Scheme for the period from its first adoption to 31 December 2006.

The purpose of the New Option Scheme is to enable the Directors to grant Options to selected Eligible Persons as incentives or rewards for their contribution or potential contribution to the Group. The basis of eligibility of any of the Eligible Persons to the grant of Options shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution or potential contribution to the development and growth of the Group. Eligible Persons means any person falling within one of the following classes:

(i) any Director or proposed Director (whether executive or non-executive, including any independent non-executive Director), employee or proposed employee of any member of the Group or any Controlling Shareholder or any company controlled by a Controlling Shareholder (a "Category A Eligible Person"); or

(ii) any holder of any securities issued by any member of the Group or any Controlling Shareholder or any company controlled by a Controlling Shareholder (a "Category B Eligible Person");

and, for the purposes of the New Share Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of persons;

The total number of shares in respect of which options may be granted under the New Share Option Scheme is not permitted to exceed 10% of the shares in issue as at the date of adoption of the New Share Option Scheme. The Company can grant share options to subscribe upto 77,292,200 shares of the Company under the New Share Option Scheme. The 10% limit may be refreshed with the approval of shareholders of the Company.

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Any Option to be granted to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Option).

If a grant of option to a substantial shareholders or independent non-executive Directors (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of options already granted and to be granted to such person under the New Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the Date of Grant representing in aggregate over 0.1 per cent. of the Shares in issue; and in excess of HK$5 million, such further grant of Options is required to be approved by Shareholders.

The option period commences on the Commencement Date (the date upon which the options are deemed to be granted and accepted) of such options and ends on the close of business on the day immediately preceding the tenth anniversary thereof.

The exercise price per share shall be determined by the Board, being at least the higher of (i) the closing price of the Shares on the date on which an option is offered to an Eligible Person, which must be a business day ("Offer Date"); (ii) the average closing price of the Shares for the five trading days immediately preceding the Offer Date, and (iii) the nominal value of one Share.

The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date of 23 May 2006.

29. RESERVES

The contributed surplus of the Group represents the difference between the fair value of the combined net assets value of the subsidiaries involved in the Group reorganisation in September 1997 and the assets, liabilities and undertakings which relate to the import and distribution of cement carried out by Hong Kong Cement Manufacturing Company Limited prior to the Group reorganisation (the "Relevant Business"), as if they were acquired by the Group when the subsidiaries and the Relevant Business commenced operations, and the nominal value of the Company's shares issued in exchange therefor.

In accordance with the relevant PRC regulations applicable to wholly foreign owned enterprises, one of the Company's PRC subsidiaries is required to appropriate an amount of not less than 10% of its annual after tax profit to the statutory reserve fund, which may be used to increase the paid-up capital of the PRC subsidiary.

30. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees of the Company's subsidiaries in the PRC are members of state-managed retirement benefit plans operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in the consolidated income statement of HK$674,000 (2005: HK$666,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

31. CAPITAL COMMITMENTS

	2006	**2005**
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	217,669	288,495

32. OPERATING LEASE COMMITMENTS

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

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	6,633	6,532
In the second to fifth years inclusive	24,129	25,445
Over five years	85,160	94,786
	115,922	126,763

Operating lease payments represent rentals payable by the Group for certain of its rented premises. Leases are negotiated for an average term of three years.

33. RELATED PARTIES TRANSACTIONS

In addition to the transactions and balances set out elsewhere in these financial statements, during the year, the Group entered into the following material related party transactions:

Transactions of a recurring nature

Transactions (i) to (iv) also constitute connected transactions as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

			2006	**2005**
		Notes	*HK$'000*	*HK$'000*
(i)	Purchases of cement from the ultimate holding company	*(a)*	87,685	76,668
(ii)	Rental expenses payable to a fellow subsidiary	*(a)*	4,320	4,320
(iii)	Rental expenses payable to a related company*	*(a)*	1,631	2,031
(iv)	Logistic and unloading services fee payable to a fellow subsidiary	*(a)*	5,365	2,823
(v)	Sales of cement to an associate	*(b)*	35,802	38,560

* *The related company is an associate of the ultimate holding company.*

The remuneration of key management personnel is disclosed in note 9.

Notes:

(a) The prices of these transactions were determined between the parties with reference to the agreements signed.

(b) The price of these transactions were determined between the parties with reference to market prices.

34. SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation and operation	Nominal value of issued ordinary shares/ registered capital	Proportion of ownership interest Directly	Proportion of ownership interest Indirectly	Principal activities
TCC Hong Kong Cement (BVI) Holdings Limited	British Virgin Islands ("BVI")/ Hong Kong	Ordinary US$1,000	100%	–	Investment holding
Ulexite Investments Limited	BVI/Hong Kong	Ordinary US$100	100%	–	Investment holding
TCC Hong Kong Cement (International) Limited	BVI	Ordinary US$100	–	100%	Investment holding
TCC Hong Kong Cement Development Limited	BVI/Hong Kong	Ordinary US$10 Deferred*** US$90	–	100%	Property holding
Dragon Pride International Limited	BVI/Philippines	Ordinary US$100	–	100%	Provision of cement handling services
Chiefolk Company Limited	Hong Kong	Ordinary HK$1,000,000	–	70%	Investment holding
Hong Kong Cement Company Limited	Hong Kong	Ordinary HK$10,000	–	100%	Import and distribution of cement
Koning Concrete Limited	Hong Kong	Ordinary HK$100	–	100%	Investment holding
TCC Cement Corporation	Philippines	Ordinary Peso 91,020,500	–	100%	Provision of cement handling services
Anhui King Bridge Cement Company Limited*	PRC/Mainland China	Registered capital US$15,000,000	–	60%	Manufacture and distribution of cement and slag powder
TCC Fuzhou Cement Company Limited#	PRC/Mainland China	Registered capital US$16,250,000	–	100%	Manufacture and distribution of cement
Ying Xin Yingde Cement Co. Ltd.#	PRC/Mainland China	Registered capital US$2,000,000	–	100%	Manufacture and distribution of cement
TCC Fuzhou Yangyu Port Company Limited#	PRC/Mainland China	Registered capital US$5,000,000	–	100%	Provision of port facility services
TCC Liuzhou Construction Materials Company Limited*	PRC/Mainland China	Registered capital US$13,500,000	–	42%**	Manufacture and distribution of cement and slag powder
TCC Yingde Cement Company Limited#	PRC/Mainland China	Registered capital US$135,400,000	–	100%	Manufacture and distribution of cement
HKC Investments Limited	Taiwan	Ordinary NT$695,000,000	–	100%	Investment holding

Registered as wholly foreign owned enterprise registered under the PRC law.

* *Registered as equity joint ventures registered under the PRC law.*

** *A subsidiary of a non wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.*

*** *The deferred shares of TCC Hong Kong Cement Development Limited are non-voting, carry no rights to dividends and are only entitled to a return of capital when the surplus exceeds US$1,000,000,000,000,000,000,000.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had in issue any debt securities at 31 December 2006.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2007.

I. THREE YEAR FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated income statement of the CHCGC Group for each of the three years ended 31 December 2004, 2005 and 2006 and the consolidated balance sheet as at 31 December 2004, 2005 and 2006 of the CHCGC Group as extracted from the annual reports of the CHCGC Group for the years ended 31 December 2006 and 31 December 2005. Deloitte Touche Tohmatsu was CHCGC's auditor in respect of the financial information in the annual reports of the CHCGC Group for the years ended 31 December 2006 and 31 December 2005.

Summary Consolidated Income Statement

	Year ended 31 December		
	2006	**2005**	**2004**
	US$'000	*US$'000*	*US$'000*
Turnover	127,229	91,485	81,944
Profit before tax	7,651	250	14,693
Income tax expense	(1,134)	(147)	–
Profit for the year	6,517	103	14,693
Earnings per share			
– Basic	US0.57 cents	US0.01 cents	US1.29 cents
– Diluted	N/A	N/A	N/A
Dividend	–	–	–

Summary Consolidated Balance Sheet

	As at 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Total Assets	336,586	311,993	319,019
Total Liabilities	(119,071)	(107,640)	(119,607)
Net Assets	217,515	204,353	199,412

The audited accounts for each of the three years ended 31 December 2004, 2005 and 2006 for the CHCGC Group were not qualified.

There were no extraordinary or exceptional items for the three years ended 31 December 2006.

II. AUDITED FINANCIAL INFORMATION

Set out below are the audited consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow statement of the CHCGC Group together with the relevant notes to the financial statements as extracted from the annual report of the CHCGC Group for the year ended 31 December 2006. Deloitte Touche Tohmatsu was CHCGC's auditor in respect of the financial information in the annual report of the CHCGC Group for the year ended 31 December 2006.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

		2006	2005
	NOTES	*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	*10*	–	–
Earnings per share			
– basic and diluted *(US cents)*	*11*	0.57	0.01

CONSOLIDATED BALANCE SHEET
For the year ended 31 December 2006

	NOTES	2006 US$'000	2005 US$'000
ASSETS			
CURRENT ASSETS			
Inventories	12	18,774	16,147
Trade receivables	13	14,004	13,913
Amounts due from fellow subsidiaries	14	3,336	3,553
Other receivables	15	3,455	3,631
Income tax recoverable		–	737
Pledged deposits		–	496
Bank balances and cash	16	52,390	42,098
		91,959	80,575
NON-CURRENT ASSETS			
Property, plant and equipment	17	226,944	213,828
Land use rights	18	17,683	17,590
		244,627	231,418
TOTAL ASSETS		336,586	311,993
EQUITY AND LIABILITY			
CAPITAL AND RESERVES			
Share capital	19	11,429	11,429
Share premium and reserves		206,086	192,924
		217,515	204,353
CURRENT LIABILITIES			
Trade payables	20	6,818	7,697
Amount due to a fellow subsidiary	21	–	248
Other payables	22	5,082	3,885
Income tax payables		700	–
Bank borrowings	24	23,601	21,900
		36,201	33,730
NON-CURRENT LIABILITY			
Bank borrowings	24	82,870	73,910
TOTAL LIABILITIES		119,071	107,640
TOTAL EQUITY AND LIABILITIES		336,586	311,993

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Share capital	Share premium	PRC statutory reserves *(note)*	Exchange translation reserve	Retained profits	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended 31 December 2005						
At 1 January 2005	11,429	164,342	3,260	(2,039)	22,420	199,412
Exchange gain arising on translation of foreign operations recognised directly in equity	–	–	–	4,838	–	4,838
Profit for the year	–	–	–	–	103	103
Total recognised income for the year	–	–	–	4,838	103	4,941
Transfer from retained profits	–	–	127	–	(127)	–
At 31 December 2005	11,429	164,342	3,387	2,799	22,396	204,353
For the year ended 31 December 2006						
At 1 January 2006	11,429	164,342	3,387	2,799	22,396	204,353
Exchange gain arising on translation of foreign operations recognised directly in equity	–	–	–	6,645	–	6,645
Profit for the year	–	–	–	–	6,517	6,517
Total recognised income for the year	–	–	–	6,645	6,517	13,162
Transfer from retained profits	–	–	768	–	(768)	–
At 31 December 2006	11,429	164,342	4,155	9,444	28,145	217,515

Note: Pursuant to the relevant PRC regulations applicable to the CHCGC Group's PRC subsidiaries, the subsidiaries have to provide for the PRC statutory reserves before declaring dividends to their shareholders as approved by the board. The reserves, which include reserve fund and enterprise expansion fund, are not distributable until the end of the operation period, at which time any remaining balance of the reserves can be distributed to shareholders upon liquidation of the subsidiaries. The reserve fund can be used to offset accumulated losses of the subsidiaries. The reserve fund and enterprise expansion fund can be used to increase capital upon approval from the PRC relevant authorities. The distributable profits of the subsidiaries are determined based on their retained profits calculated in accordance with the PRC accounting rules and regulations.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	2006	**2005**
	US$'000	*US$'000*
OPERATING ACTIVITIES		
Profit before tax	7,651	250
Adjustments for:		
Depreciation of property, plant and equipment	8,439	8,064
Amortisation of land use rights	488	473
Loss (profit) on disposal/write-off of property, plant and equipment	30	(178)
Interest income	(1,109)	(1,033)
Finance costs	6,256	4,787
Operating cash flows before movements in working capital	21,755	12,363
Increase in inventories	(2,627)	(2,809)
Increase in trade receivables	(91)	(539)
Decrease (increase) in amounts due from fellow subsidiaries	217	(980)
Decrease (increase) in other receivables	176	(878)
(Decrease) increase in trade payables	(879)	3,519
(Decrease) increase in amount due to a fellow subsidiary	(248)	248
Increase in other payables	846	292
Cash generated from operations	19,149	11,216
Income tax refund (paid)	303	(624)
Net cash from operating activities	19,452	10,592
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(14,344)	(7,561)
Proceeds on disposal of property, plant and equipment	252	600
Interest received	1,109	1,033
Decrease (increase) in pledged deposits	496	(254)
Net cash used in investing activities	(12,487)	(6,182)
FINANCING ACTIVITIES		
New bank loans raised	32,561	2,760
Repayments of bank borrowings	(21,900)	(18,706)
Interest paid	(6,139)	(4,787)
Net cash from (used in) financing activities	4,522	(20,733)
Net increase (decrease) in cash and cash equivalents	11,487	(16,323)
Cash and cash equivalents at beginning of the year	42,098	59,378
Effect of foreign exchange rate change	(1,195)	(957)
Cash and cash equivalents at end of the year, represented by bank balances and cash	52,390	42,098

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

1. GENERAL INFORMATION

CHCGC is an exempted company with limited liabilities incorporated in the Cayman Islands and its shares are listed on the Stock Exchange. The address of the registered office and principal place of business of CHCGC 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. CHCGC's immediate holding company and ultimate holding company are CHPL, a company incorporated in the Cayman Islands, and CHC Holding, a company registered in Taiwan, respectively.

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

CHCGC acts as an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 33.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the CHCGC 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 CHCGC Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The CHCGC Directors anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the CHCGC 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 CHCGC Directors 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 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 CHCGC and entities controlled by CHCGC (its subsidiaries). Control is achieved where CHCGC 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 CHCGC Group.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the CHCGC Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Trade receivables, amounts due from fellow subsidiaries, other receivables and pledged deposits

Trade receivables, amounts due from fellow subsidiaries, other receivables and pledged deposits are measured at initial recognition at fair value, and subsequently measured at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the CHCGC Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the CHCGC Group after deducting all of its liabilities.

Other financial liabilities

Other financial liabilities include trade payables, amount due to a fellow subsidiary and other payables and bank borrowings which are measured at initial recognition at fair value, and subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by CHCGC are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the CHCGC Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of the items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, as follows:

Buildings	Over the shorter of the lease term or 30 years
Quarry	Over the shorter of the excavation permit period of the quarry of 50 years or the operation period of the relevant company of 50 years
Plant and machinery	30 years
Office equipment	5 years
Motor vehicles	5 years

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Cost includes professional fees capitalised in accordance with the CHCGC Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the items is derecognised.

Land use rights

Land use rights represent prepaid lease payments made for leasehold land. Land use rights are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of land use rights are amortised on a straight-line basis over the shorter of the relevant land use right or the operation period of the relevant company.

Impairment

At each balance sheet date, the CHCGC Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the CHCGC Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset immediately in profit or loss in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the net amount receivable for goods and services provided in the normal course of business, less returns and allowances, net of value added tax.

Sales of goods are recognised when goods are delivered and title has been passed.

License fee income is recognised when the relevant goods of the licensee are sold.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Operating leases

The CHCGC Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The CHCGC Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the CHCGC Group's foreign operations are translated into the presentation currency of the consolidated financial statements (i.e. United States dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognised as a separate component of equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in the finance costs in consolidated income statement in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The CHCGC Group's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the CHCGC Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

4. REVENUE

	2006	**2005**
	US$'000	*US$'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 CHCGC 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 CHCGC Group by location of customers is presented below:

2006
Income statement

	PRC	United States	Japan	Europe	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000* *(Note)*	*US$'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	United States	Japan	Europe	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000* *(Note)*	*US$'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 CHCGC 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 CHCGC 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 CHCGC Directors consider that the CHCGC Group operates in a single business segment.

6. FINANCE COSTS

	2006	**2005**
	US$'000	*US$'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	**2005**
	US$'000	*US$'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 CHCGC's PRC subsidiaries for the year.

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

Pursuant to relevant laws and regulations in the PRC, CHCGC's subsidiary, 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 as Foreign Invested Advanced Technology Enterprise 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. Remuneration of Directors and Five Highest Paid Individuals

Directors

Details of emoluments paid by the CHCGC Group during the year to the CHCGC Directors are as follows:

2006

	Fees	**Salaries and other benefits**	**Total**
	US$'000	*US$'000*	*US$'000*
Executive Directors			
Mr. WANG Chien Kuo, Robert	19	101	120
Mr. LAN Jen Kuei, Konrad	19	38	57
Mr. CHANG Kang Lung, Jason	19	57	76
Ms. WANG Li Shin, Elizabeth	19	55	74
	76	251	327
Non-executive Directors			
Mr. CHANG Yung Ping, Johnny	13	–	13
Mr. CHANG An Ping, Nelson	13	–	13
	26	–	26
Independent non-executive Directors			
Mr. Davin A. MACKENZIE	18	–	18
Mr. ZHUGE Pei Zhi	13	–	13
Mr. WU Chun Ming	13	–	13
	44	–	44
	146	251	397

2005

	Fees	Salaries and other benefits	Total
	US$'000	*US$'000*	*US$'000*
Executive Directors			
Mr. WANG Chien Kuo, Robert	19	103	122
Mr. LAN Jen Kuei, Konrad	19	41	60
Mr. CHANG Kang Lung, Jason	19	58	77
Ms. WANG Li Shin, Elizabeth	19	56	75
	76	258	334
Non-executive Directors			
Mr. CHANG Yung Ping, Johnny	13	–	13
Mr. CHANG An Ping, Nelson	13	–	13
Mr. MAR Shaw Hsiang	3	–	3
	29	–	29
Independent non-executive Directors			
Mr. Davin A. MACKENZIE	10	–	10
Mr. ZHUGE Pei Zhi	10	–	10
Mr. WU Chun Ming	10	–	10
Ms. CHEN Meei Ling, Shelly	2	–	2
	32	–	32
	137	258	395

Note: Mr. MAR Shaw Hsiang and Ms. CHEN Meei Ling, Shelly resigned as the CHCGC Directors with effect from 15 March 2005.

No contributions to retirement benefits schemes, performance related incentive payments or incentive on joining were paid to the CHCGC Directors by the CHCGC Group for the two years ended 31 December 2006.

Five highest paid individuals

Details of the emoluments paid by the CHCGC Group to the five highest paid individuals (including the CHCGC Directors, details of whose emoluments are set out above) are as follows:

	2006	2005
	US$'000	*US$'000*
Directors' fees	57	57
Salaries and other benefits	348	356
	405	413

The emoluments of the five highest paid individuals were within the following band:

	2006	2005
	Number of individuals	*Number of individuals*
Nil – HK$1,000,000	5	5
Number of directors	3	3
Number of employees	2	2
	5	5

10. DIVIDEND

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

11. 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.

12. INVENTORIES

	2006	2005
	US$'000	*US$'000*
Raw materials	2,987	3,528
Work-in-progress	686	1,598
Finished goods	2,438	1,222
Consumables and ancillary materials	12,663	9,799
	18,774	16,147

13. TRADE RECEIVABLES

The age analysis of trade receivables is as follows:

	2006	2005
	US$'000	*US$'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.

14. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	2006	2005
	US$'000	*US$'000*
Name of fellow subsidiaries		
Shanghai Chia Hsin Ganghui Company Limited ("Ganghui")	1,128	1,025
Jiangsu Union Cement Co., Ltd. ("Union Cement")	2,208	2,522
Chia Hsin Business Consulting (Shanghai) Company Limited ("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 CHCGC 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.

15. OTHER RECEIVABLES

	2006	2005
	US$'000	*US$'000*
Deposits	149	160
Prepayments	696	520
Advances to suppliers	1,255	1,686
Other debtors	1,355	1,265
	3,455	3,631

16. BANK BALANCES AND CASH

Included in the bank balances and cash are bank deposits with an original maturity of three months or less of approximately US$1,328,000 (2005: US$861,000) and US$42,410,000 (2005: US$31,528,000) which are held by CHCGC's PRC subsidiaries in United States dollars and Renminbi, respectively. The remittance of these bank deposits outside of the PRC is subject to approval of relevant local authorities.

Bank balances carry interest at market rates which range from 1% to 7% per annum.

17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress US$'000	Buildings US$'000	Quarry US$'000	Plant and machinery US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
COST							
At 1 January 2005	1,246	67,942	5,264	179,312	3,428	1,472	258,664
Additions	6,966	–	–	188	250	77	7,481
Transfer	(4,650)	1,514	–	3,120	16	–	–
Disposals/write-offs	–	(433)	–	–	(15)	(59)	(507)
Exchange differences	66	1,753	135	4,633	91	38	6,716
At 31 December 2005 and 1 January 2006	3,628	70,776	5,399	187,253	3,770	1,528	272,354
Additions	13,283	1	–	973	249	72	14,578
Transfer	(16,053)	13,244	–	2,808	1	–	–
Disposals/write-offs	–	(287)	–	–	–	(79)	(366)
Exchange differences	75	2,587	181	6,334	130	51	9,358
At 31 December 2006	933	86,321	5,580	197,368	4,150	1,572	295,924
DEPRECIATION							
At 1 January 2005	–	12,472	728	32,452	2,606	913	49,171
Charge for the year	–	2,060	279	5,443	155	127	8,064
Eliminated on disposals/write-offs	–	(19)	–	–	(13)	(53)	(85)
Exchange differences	–	350	23	911	68	24	1,376
At 31 December 2005 and 1 January 2006	–	14,863	1,030	38,806	2,816	1,011	58,526
Charge for the year	–	2,162	288	5,700	193	96	8,439
Eliminated on disposals/write-offs	–	(14)	–	–	–	(70)	(84)
Exchange differences	–	533	40	1,395	98	33	2,099
At 31 December 2006	–	17,544	1,358	45,901	3,107	1,070	68,980
CARRYING VALUES							
At 31 December 2006	933	68,777	4,222	151,467	1,043	502	226,944
At 31 December 2005	3,628	55,913	4,369	148,447	954	517	213,828

The buildings are situated in the PRC and on land with land use rights under medium-term leases.

18. LAND USE RIGHTS

Land use rights represent prepaid lease payments made for land situated in the PRC with lease period of fifty years. Analysis of the carrying amount of land use rights are as follows:

	2006	**2005**
	US$'000	*US$'000*
Land use rights	18,179	18,070
Less: Portion to be charged to income statement in next year included as prepayments under current assets	(496)	(480)
Non-current portion	17,683	17,590

At 31 December 2006, land use rights with an aggregate carrying amount of approximately US$16,614,000 (2005: US$16,515,000) have been pledged as collateral for certain bank borrowings of the CHCGC Group.

19. SHARE CAPITAL

	At 31 December	
	2006	**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

20. TRADE PAYABLES

The aged analysis of the trade payable is as follows:

	2006	2005
	US$'000	*US$'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

21. 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.

22. OTHER PAYABLES

	2006	2005
	US$'000	*US$'000*
Interest payable	842	725
Accrued expenses	651	606
Deposits from customers	1,271	1,004
Tax (other than income tax) payable	1,295	611
Construction cost payable	357	123
Others	666	816
	5,082	3,885

23. FINANCIAL ASSETS AND LIABILITIES

Financial assets

Trade receivables comprise mainly amounts receivable for the sales of goods.

The CHCGC Group allows credit period of 0-180 days to its trade customers. An allowance of approximately US$332,000 (2005: US$321,000) has been made for estimated irrecoverable amounts from the sales of goods which has been determined based on objective evidence that the amount is impaired, and is measured as the difference between the amount's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The CHCGC Directors consider that the carrying amounts of trade receivables approximate their fair values.

Amounts due from fellow subsidiaries comprise trading balances with and deposit paid to the fellow subsidiaries. The CHCGC Directors consider that the carrying amount of amounts due from fellow subsidiaries approximate their fair value.

Other receivables comprise deposits, advances to suppliers and value added tax recoverable. An allowance of approximately US$130,000 (2005: US$126,000) has been made for estimated irrecoverable receivables which has been determined based on objective evidence that the amount is impaired, and is measured as the difference between the amount's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The CHCGC Directors consider that the carrying amounts of other receivables approximate their fair values.

Bank balances and cash comprise cash and short-term deposits with an original maturity of three months or less. The carrying amounts of these assets and pledged deposits approximate to their fair values.

Financial liabilities

Trade and other payables comprise amounts outstanding for the purchases and ongoing costs.

Amount due to a fellow subsidiary represents trade balance.

The CHCGC Directors consider that the carrying amounts of trade and other payables and amount due to a fellow subsidiary approximate their fair values.

Financial risk management objective and policies

Credit risk

The CHCGC Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amounts of these assets as stated in the consolidated balance sheet.

The CHCGC Group's credit risk is primarily attributable to its trade receivables, amounts due from fellow subsidiaries and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the CHCGC Group's management based on objective evidence that the amount is impaired, and is measured as the difference between the amount's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

The CHCGC Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Currency risk

Certain trade receivables and bank loans of the CHCGC Group are denominated in foreign currencies. The CHCGC Group does not have a foreign currency hedging policy in respect of foreign currency assets/debts. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Cash flow and fair value interest rate risk

The CHCGC Group is exposed to cash flow and fair value interest rate risk on variable-rate and fixed-rate bank borrowings respectively. Management monitors the related cash flow interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise.

24. Bank Borrowings

	2006	2005
	US$'000	*US$'000*
Secured:		
Loan from Industrial and Commercial Bank of China ("ICBC") *(note i)*	46,980	62,640
Loan from China Construction Bank ("CCB") *(note ii)*	26,930	32,310
Loan from Shanghai Commercial Bank ("SCB") *(note iii)*	30,000	–
	103,910	94,950
Unsecured:		
Short-term bank loans denominated in USD *(note iv)*	–	860
Short-term bank loans denominated in RMB *(note v)*	2,561	–
	106,471	95,810

The maturity of the bank borrowings is as follows:

	2006	2005
Within one year	23,601	21,900
In the second year	26,040	21,040
In the third to fifth years inclusive	56,830	47,460
Over five years	–	5,410
	106,471	95,810
Less: Amount due for settlement within one year (shown under current liabilities)	(23,601)	(21,900)
Amount due for settlement over one year	82,870	73,910

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 London Inter Banks Offer Rate ("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 0.9%.

(iv) The unsecured short-term bank loans denominated in United States dollars carry an average fixed interest rate of 5.97% (2005: 4.31%) 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 approximately of 5% per annum.

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

25. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

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

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

26. SUMMARISED BALANCE SHEET INFORMATION OF CHCGC

	2006	2005
	US$'000	*US$'000*
ASSETS		
Current assets	7,563	8,717
Non-currents assets	178,404	170,981
TOTAL ASSETS	185,967	179,698
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	11,429	11,429
Share premium and reserves	174,328	168,137
	185,757	179,566
Current liabilities	210	132
TOTAL EQUITY AND LIABILITIES	185,967	179,698

Under the Cayman Islands Companies Law, the reserves of CHCGC are available for distributions subject to the provision of the Memorandum or Articles of Association and provided that immediately following the distributions CHCGC is able to pay its debts as they fall due in the ordinary course of business.

In the opinion of the CHCGC Directors, as at 31 December 2006, CHCGC's reserves available for distribution amounted to approximately US$174,328,000 (2005: US$168,137,000), representing the aggregate of the share premium and special reserve and accumulated profits of approximately US$164,342,000 (2005: US$164,342,000), US$6,446,000 (2005: US$6,446,000) and US$3,540,000 (2005: accumulated losses of US$2,651,000) respectively.

27. CAPITAL COMMITMENTS

	2006	2005
	US$'000	*US$'000*
(i) Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided for in the financial statements	494	5,957

(ii) On 26 November 2003, CHCGC entered into an option agreement (the "Option Agreement") with CHC Holding and CHPL pursuant to which an option was granted to CHCGC by CHPL to purchase all of CHPL's interest in Yonica Pte Ltd ("Yonica (Singapore)") at a fair market value negotiated on arm's length basis between CHPL and CHCGC with reference to an independent valuation of Yonica (Singapore). Yonica (Singapore), which is a wholly owned subsidiary of CHPL, holds 80% equity interest in Union Cement.

The exercise period for the Option Agreement is a period of 24 months commencing when Union Cement has reached a production capacity of clinker which equals or exceeds 30% of the aggregate production capacity of clinker of the CHCGC Group (the "Pre-requisite") and such Pre-requisite was met on 14 September 2005.

On 31 August 2006, Yonica (Singapore) entered into agreements with Yonica (BVI) Pte. Ltd. ("Yonica (BVI)"), another wholly owned subsidiary of CHPL, involving the transfer of Yonica (Singapore)'s 80% equity interest in Union Cement and the assignment of shareholder's loan of amount of US$11,400,000 to Yonica (BVI). Upon completion of the transaction, Yonica (BVI) will be interested in the 80% equity interest in Union Cement and the shareholder's loan.

For the purpose of exercising the Option Agreement, on 12 September 2006, CHCGC entered into a conditional acquisition agreement (the "Acquisition Agreement") whereby CHCGC as the purchaser would purchase from CHPL as vendor all of CHPL's interest in Yonica (BVI) at a total consideration of approximately US$43,022,000, which would be satisfied as to approximately US$32,267,000 by issuance of 263,496,000 shares of US$0.01 each of CHCGC at an issue price of HK$0.95 per share and the balance of approximately US$10,755,000 in cash to be financed by a fund raising exercise involving, among other things, issue of equity securities of CHCGC.

The Acquisition Agreement was approved by the independent shareholders in the extraordinary general meeting held on 26 October 2006. As there are still other conditions not yet satisfied up to the report date, the transaction is not yet completed.

Details of the transactions are set out in a circular of the CHCGC Group dated 10 October 2006.

28. PLEDGE OF ASSETS

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

	2006	**2005**
	US$'000	*US$'000*
Property, plant and equipment	162,851	137,195
Land use rights	16,614	16,515
Bank deposits	–	496
	179,465	154,206

29. OPERATING LEASE ARRANGEMENTS

The CHCGC Group as lessee

At the balance sheet date, the CHCGC Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2006	**2005**
	US$'000	*US$'000*
Within one year	116	133
In the second to third year inclusive	6	99
	122	232

Operating lease payments represent rentals payable by the CHCGC 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.

The CHCGC Group as lessor

At the balance sheet date, the CHCGC Group had contracted with tenants for the following future minimum lease payments:

	2006	**2005**
	US$'000	*US$'000*
Within one year	29	–
In the second year	12	–
	41	–

Operating lease payments represent rental receivable by the CHCGC Group for renting out certain equipment. The rental income earned during the year was approximately US$102,000 (2005: nil).

30. SHARE OPTION SCHEME

CHCGC's share option scheme (the "Scheme") was adopted pursuant to a written resolution of the sole shareholder of CHCGC passed on 26 November 2003 for the purpose of enabling CHCGC to grant options to employees and directors of CHCGC or any of its subsidiaries and outside third parties who, in the sole direction of the CHCGC Board, will contribute to CHCGC and/or any of its subsidiaries.

The maximum number of shares which options may be issued upon exercises of all options to be granted under the Scheme must not exceed 10% of the shares of CHCGC in issue immediately prior to the commencement of trading of the CHCGC Shares on the Stock Exchange, without prior approval from the CHCGC Shareholders. The total number of shares issued and which may be issued upon exercise of the options granted under the Scheme to any individual in any 12-month period up to the date of grant shall not exceed 1% of the shares of CHCGC in issue at the date of grant, without prior approval from the CHCGC Shareholders.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the CHCGC Board is empowered to impose its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the CHCGC Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted, upon payment of HK$1 per option. The exercise price is determined by the CHCGC Directors, and will not be less than the highest of (a) the closing price of the CHCGC Shares on the date of grant; (b) the average closing price of the shares for five business days immediately preceding the date of grant; and (c) the nominal value of a share in CHCGC.

During the period from the adoption of the Scheme to 31 December 2006, no option was granted, exercised or cancelled by CHCGC.

31. RETIREMENT BENEFITS

The CHCGC Group has established a Mandatory Provident Fund Scheme for its Hong Kong employees. Mandatory contributions to the scheme are made by both the employer and employees at 5% of the employee's monthly relevant income capped at HK$20,000. At 31 December 2006 and 31 December 2005, there were no forfeited contributions available to reduce future obligations.

The employees of CHCGC's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the local government. The CHCGC Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the CHCGC Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the consolidated income statement of approximately US$306,000 (2005: US$291,000) represents contributions payable to the schemes by the CHCGC Group at rate specified in the rules of the schemes.

32. RELATED PARTY TRANSACTIONS

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

Nature of transaction	Name of related company	2006	2005
		US$'000	*US$'000*
Sales of goods	Ganghui	2,955	6,253
Purchase of goods	Union Cement	20,251	12,225
Consultancy fee paid	Business Consulting	252	244
Licence fee income	Ganghui	23	41
Vehicle rentals paid	Business Consulting	94	92

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

Ganghui, Union Cement and Business Consulting are fellow subsidiaries of CHCGC.

Moreover, during the year, the CHCGC Group paid remunerations of short-term benefit to the CHCGC Directors and other members of key management amounting to approximately US$635,000 (2005: US$674,000).

33. SUBSIDIARIES

Particulars of CHCGC's subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	Place of Incorporation (or establishment) and operation	Issued and fully paid share/ registered capital	Proportion of issued share/ registered capital held by CHCGC Directly	Indirectly	Principal activities
Jingyang Industrial Limited	Hong Kong	HK$24,000,000	100%	–	Investment holding
Jingyang Cement *(note i)*	PRC	US$173,000,000	–	100%	Mining of limestone and production and sales of cement and cement products
Zhenjiang City Dantu District Gaozi Clay Company Limited *(note ii)*	PRC	RMB3,000,000	–	93.3%	Mining of clay
Jurong Jingda Clay Company Limited *(note ii)*	PRC	RMB3,000,000	–	93.3%	Mining of clay

Notes:

(i) The subsidiary is a wholly foreign owned enterprise in the PRC.

(ii) The subsidiaries are limited liability companies incorporated in the PRC.

Set out below are the audited consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow statement of the CHCGC Group together with the relevant notes to the financial statements as extracted from the annual report of the CHCGC Group for the year ended 31 December 2005.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	NOTES	**2005** *US$'000*	**2004** *US$'000*
Revenue	*5*	91,485	81,944
Cost of sales		(77,731)	(53,916)
Gross profit		13,754	28,028
Interest income		1,033	749
Other income		3,716	672
Distribution costs		(9,403)	(7,059)
Administrative expenses		(3,877)	(3,832)
Finance costs	*7*	(4,787)	(3,142)
Other expenses		(186)	(723)
Profit before tax	*8*	250	14,693
Income tax expense	*10*	(147)	–
Profit for the year		103	14,693
Dividend	*11*	–	–
Earnings per share			
– basic and diluted *(US cents)*	*12*	0.01	1.29

CONSOLIDATED BALANCE SHEET

At 31 December 2005

	NOTES	**2005** *US$'000*	**2004** *US$'000*
ASSETS			
CURRENT ASSETS			
Inventories	*13*	16,147	13,338
Trade receivables	*14*	13,913	13,374
Amounts due from fellow subsidiaries	*15*	3,553	2,573
Other receivables	*16*	3,631	2,747
Income tax recoverable		737	260
Pledged deposits		496	242
Bank balances and cash	*17*	42,098	59,378
		80,575	91,912
NON-CURRENT ASSETS			
Property, plant and equipment	*18*	213,828	209,493
Land use rights	*19*	17,590	17,614
		231,418	227,107
TOTAL ASSETS		311,993	319,019
EQUITY AND LIABILITY			
CAPITAL AND RESERVES			
Share capital	*20*	11,429	11,429
Share premium and reserves		192,924	187,983
		204,353	199,412
CURRENT LIABILITIES			
Trade payables	*21*	7,697	4,178
Amount due to a fellow subsidiary	*22*	248	–
Other payables	*23*	3,885	3,673
Bank borrowings	*25*	21,900	16,806
		33,730	24,657
NON-CURRENT LIABILITY			
Bank borrowings	*25*	73,910	94,950
TOTAL LIABILITIES		107,640	119,607
TOTAL EQUITY AND LIABILITIES		311,993	319,019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

	Share capital	Share premium	PRC statutory reserves *(note)*	Exchange translation reserve	Retained profits	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended 31 December 2004						
At 1 January 2004	11,429	164,119	1,676	(2,045)	9,311	184,490
Exchange gain arising on translation of foreign operations	–	–	–	6	–	6
Profit for the year	–	–	–	–	14,693	14,693
Total recognised income for the year	–	–	–	6	14,693	14,699
Adjustment to share issue expenses	–	223	–	–	–	223
Transfer from retained profits	–	–	1,584	–	(1,584)	–
At 31 December 2004	11,429	164,342	3,260	(2,039)	22,420	199,412
For the year ended 31 December 2005						
At 1 January 2005	11,429	164,342	3,260	(2,039)	22,420	199,412
Exchange gain arising on translation of foreign operations	–	–	–	4,838	–	4,838
Profit for the year	–	–	–	–	103	103
Total recognised income for the year	–	–	–	4,838	103	4,941
Transfer from retained profits	–	–	127	–	(127)	–
At 31 December 2005	11,429	164,342	3,387	2,799	22,396	204,353

Note: Pursuant to the relevant PRC regulations applicable to the CHCGC Group's PRC subsidiaries, the subsidiaries have to provide for the PRC statutory reserves before declaring dividends to their shareholders as approved by the board of directors. The reserves, which include reserve fund and enterprise expansion fund, are not distributable until the end of the operation period, at which time any remaining balance of the reserves can be distributed to shareholders upon liquidation of the subsidiaries. The reserve fund can be used to offset accumulated losses of the subsidiaries. The reserve fund and enterprise expansion fund can be used to increase capital upon approval from the PRC relevant authorities. The distributable profits of the subsidiaries are determined based on their retained profits calculated in accordance with the PRC accounting rules and regulations.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005

	2005	2004
	US$'000	*US$'000*
OPERATING ACTIVITIES		
Profit before tax	250	14,693
Adjustments for:		
Depreciation of property, plant and equipment	8,064	7,679
Amortisation of land use rights	473	673
(Profit) loss on disposal/write-off of property, plant and equipment	(178)	21
Interest income	(1,033)	(749)
Interest expenses	4,787	3,142
Operating cash flows before movements in working capital	12,363	25,459
Increase in inventories	(2,809)	(2,999)
Increase in trade receivables	(539)	(4,845)
(Increase) decreased in amounts due from fellow subsidiaries	(980)	524
Increase in other receivables	(878)	(411)
Increase in trade payables	3,519	704
Increase in amount due to a fellow subsidiary	248	–
Increase (decrease) in other payables	292	(2,891)
Cash generated from operations	11,216	15,541
Income tax paid	(624)	–
Net cash from operating activities	10,592	15,541
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,561)	(8,442)
Increase in land use rights	–	(91)
Proceeds on disposal of property, plant and equipment	600	–
Interest received	1,033	749
Increase in pledged deposits	(254)	–
Net cash used in investing activities	(6,182)	(7,784)

	2005	2004
	US$'000	*US$'000*
FINANCING ACTIVITIES		
Proceeds from bank borrowings	2,760	8,500
Repayment of bank borrowings	(18,706)	(18,130)
Repayment of long-term payables	–	(724)
Interest paid	(4,787)	(3,018)
Net cash used in financing activities	(20,733)	(13,372)
Net decrease in cash and cash equivalents	(16,323)	(5,615)
Cash and cash equivalents at beginning of the year	59,378	64,992
Effect of foreign exchange rate change	(957)	1
Cash and cash equivalents at end of the year, represented by bank balances and cash	42,098	59,378

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

1. GENERAL INFORMATION

CHCGC is an exempted company with limited liabilities incorporated in the Cayman Islands and its shares are listed on the Stock Exchange. The address of the registered office and principal place of business of CHCGC 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 CHCGC's immediate holding company and ultimate holding company are CHPL, a company incorporated in the Cayman Islands, and CHC Holding, a company registered in Taiwan, respectively.

CHCGC acts as an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 34.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the CHCGC Group adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretation Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised Standards and Interpretations has no material effect on how the results for the current or prior accounting periods are prepared and presented.

At the date of authorisation of these financial statements, the following standards, interpretations and amendments were in issue but not yet effective:

International Accounting Standards ("IAS")

IAS 1 (Amendment)	Capital Disclosures [1]
IAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures [2]
IAS 21 (Amendment)	Net Investment in a Foreign Operation [2]
IAS 39 (Amendment)	Cash Flow Hedges of Forecast Intragroup Transactions [2]
IAS 39 (Amendment)	The Fair Value Option [2]
IAS 39 and IFRS 4 (Amendments)	Financial Guarantee Contracts [2]

International Financial Reporting Standards ("IFRS")

IFRS 6	Exploration for the Evaluation of Mineral Resources[2]
IFRS 7	Financial Instruments: Disclosures [1]

International Financial Reporting Interpretations Committee ("IFRIC")

IFRIC 4	Determining whether an Arrangement Contains a Lease [2]
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds [2]
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment [3]
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies [4]
IFRIC 8	Scope of IFRS 2 [5]

[1] *Effective for annual periods beginning on or after 1 January 2007*
[2] *Effective for annual periods beginning on or after 1 January 2006*
[3] *Effective for annual periods beginning on or after 1 December 2005*
[4] *Effective for annual periods beginning on or after 1 March 2006*
[5] *Effective for annual periods beginning on or after 1 May 2006*

The CHCGC Group has not early adopted these new and revised Standards and Interpretations in the current year financial statements. The CHCGC Group is in the process of determining whether these new and revised Standards and Interpretations will have any material impact on the financial statements of the CHCGC Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with IFRS. There are no material differences in the financial statements for the year ended 31 December 2005 in the events the financial statements were prepared under the Hong Kong Financial Reporting Standards ("HKFRS") as compared to the one being prepared under the IFRS. Accordingly, the CHCGC Directors considered that it is not necessary to disclose and explain differences of accounting practice between IFRS and HKFRS or to compile a statement of financial effect of any such material differences in the financial statements. In addition, the financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis and the principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of CHCGC and its subsidiaries. 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 CHCGC Group.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the CHCGC Group becomes a party to the contractual provisions of the instrument.

Trade receivables, amounts due from fellow subsidiaries, other receivables and pledged deposits

Trade receivables, amounts due from fellow subsidiaries, other receivables and pledged deposits are measured at initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the CHCGC Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the CHCGC Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised costs recorded at the proceeds received, net of direct issue costs. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the CHCGC Group's accounting policy for borrowing costs.

Other financial liabilities

Other financial liabilities includes trade payables, amount due to a fellow subsidiary and other payables which are measured at initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method.

Equity Instruments

Equity instruments issued by CHCGC are recorded at the proceeds received, net of direct issue costs.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and any accumulated impairment loss.

Depreciation is charged so as to write off the cost of the assets, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, as follows:

Buildings	Over the shorter of the lease term or 30 years or the operation period of the relevant company of 50 years
Quarry	Over the shorter of the excavation permit period of the quarry of 50 years or the operation period of the relevant company of 50 years
Plant and machinery	30 years
Office equipment	5 years
Motor vehicles	5 years

Construction in progress is stated at cost, less any accumulated impairment loss. Cost includes professional fees capitalised in accordance with the CHCGC Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Land use rights

Land use rights represent prepaid lease payments made for leasehold land. Land use rights are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of land use rights are amortised on a straight-line basis over the shorter of the relevant land use right or the operation period of the relevant company.

Impairment

At each balance sheet date, the CHCGC Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the CHCGC Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset immediately in profit or loss in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the net amount receivable for goods and services provided in the normal course of business, less returns and allowances, net of value added tax.

Sales of goods are recognised when goods are delivered and title has been passed.

Consultancy fee income is recognised when relevant services are provided.

License fee income is recognised when the relevant goods of the licensee are sold.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in United States dollars, which is the functional currency of CHCGC, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency of that entity (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the CHCGC Group's foreign operations are translated in United States dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, which approximate the exchange rates at the dates of transactions. Exchange differences arising are classified as equity and recognised as exchange translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The CHCGC Group's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statement and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the CHCGC Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the CHCGC Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of property, plant and equipment and land use rights

The CHCGC Group assesses annually whether property, plant and equipment and land use rights have any indication of impairment, in accordance with the relevant accounting policies. The recoverable amounts of property, plant and equipment and land use rights have been determined based on value-in-use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted.

Estimated allowance for doubtful debts

The CHCGC Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed.

Estimated allowance for inventories

The CHCGC Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories.

5. REVENUE

	2005	**2004**
	US$'000	*US$'000*
Revenue comprises the following:		
Sales of cement	84,288	80,604
Sales of clinker	7,197	1,340
	91,485	81,944

6. GEOGRAPHICAL AND BUSINESS SEGMENTS

Geographical segments

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

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

2005

Income statement

	PRC	United States	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue	65,030	15,729	10,726	91,485
Segment result	8,264	2,670	2,575	13,509
Other income				3,464
Unallocated expenses				(12,969)
Interest income				1,033
Finance costs				(4,787)
Profit before tax				250
Income tax expense				(147)
Profit for the year				103
Balance sheet				
Assets				
Segment assets	13,682	1,215	–	14,897
Unallocated assets				297,096
				311,993
Liabilities				
Unallocated liabilities				107,640
Other information				
Allowance for doubtful debts written back	116	–	–	116

2004
Income statement

	PRC	United States	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue	80,948	996	–	81,944
Segment result	27,961	420	–	28,381
Other income				310
Unallocated expenses				(11,605)
Interest income				749
Finance costs				(3,142)
Profit before tax				14,693
Income tax expense				–
Profit for the year				14,693
Balance sheet				
Assets				
Segment assets	15,947	–	–	15,947
Unallocated assets				303,072
				319,019
Liabilities				
Unallocated liabilities				119,607
Other information				
Allowance for doubtful debts written back	428	–	–	428

More than 90% of the CHCGC Group's total assets at 31 December 2005 and 2004 and the capital additions made during the two years ended 31 December 2005 are located in the PRC.

Business segment

The CHCGC 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 CHCGC Directors consider that the CHCGC Group operates in a single business segment.

7. FINANCE COSTS

	2005	2004
	US$'000	*US$'000*
Interest on bank borrowings:		
– wholly repayable within five years	3,349	2,282
– not wholly repayable within five years	1,438	860
	4,787	3,142

8. PROFIT BEFORE TAX

	2005	2004
	US$'000	*US$'000*
Profit before tax has been arrived at after charging:		
Amortisation of land use rights	473	673
Auditors' remuneration	148	109
Depreciation of property, plant and equipment	8,064	7,679
Loss on disposal/write-off of property, plant and equipment	–	21
Net foreign exchange loss	–	721
Operating lease rentals in respect of		
rented premises	156	189
motor vehicles	92	91
Repairs and maintenance	4,336	5,440
Staff costs	3,940	3,948
and after crediting:		
Allowance for doubtful debts written back	116	428
Net foreign exchange gain	2,474	–
Profit on disposal of property, plant and equipment	178	–

9. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors

Details of emoluments paid by the CHCGC Group during the year to the CHCGC Directors are as follows:

2005

	Fees	**Salaries and other benefits**	**Total**
	US$'000	*US$'000*	*US$'000*
Executive Directors			
Mr. WANG Chien Kuo, Robert	19	103	122
Mr. LAN Jen Kuei, Konrad	19	41	60
Mr. CHANG Kang Lung, Jason	19	58	77
Ms. WANG Li Shin, Elizabeth	19	56	75
	76	258	334
Non-executive Directors			
Mr. CHANG Yung Ping, Johnny	13	–	13
Mr. CHANG An Ping, Nelson	13	–	13
Mr. MAR Shaw Hsiang (note)	3	–	3
	29	–	29
Independent non-executive Directors			
Mr. Davin A. MACKENZIE	10	–	10
Mr. ZHUGE Pei Zhi	10	–	10
Mr. WU Chun Ming	10	–	10
Ms. CHEN Meei Ling, Shelly *(note)*	2	–	2
	32	–	32
	137	258	395

Note: Mr. MAR Shaw Hsiang and Ms. CHEN Meei Ling, Shelly resigned as CHCGC Directors with effective from 15 March 2005.

2004

	Fees	Salaries and other benefits	Total
Executive Directors			
Mr. WANG Chien Kuo, Robert	19	100	119
Mr. LAN Jen Kuei, Konrad	19	38	57
Mr. CHANG Kang Lung, Jason	19	56	75
Ms. WANG Li Shin, Elizabeth	19	55	74
	76	249	325
Non-executive Directors			
Mr. CHANG Yung Ping, Johnny	13	–	13
Mr. CHANG An Ping, Nelson	13	–	13
Mr. MAR Shaw Hsiang	13	–	13
	39	–	39
Independent non-executive Directors			
Mr. Davin A. MACKENZIE	10	–	10
Mr. ZHUGE Pei Zhi	10	–	10
Mr. WU Chun Ming	10	–	10
Ms. CHEN Meei Ling, Shelly	10	–	10
	40	–	40
	155	249	404

No contributions to retirement benefits schemes, performance related incentive payments or incentive on joining were paid to the CHCGC Directors by the CHCGC Group for the two years ended 31 December 2005.

Five highest paid individuals

Details of the emoluments paid by the CHCGC Group to the five highest paid individuals (including the CHCGC Directors, details of whose emoluments are set out above) are as follows:

	2005	**2004**
	US$'000	*US$'000*
Directors' fees	57	76
Salaries and other benefits	356	309
	413	385

The emoluments of the five highest paid individuals were within the following band:

	2005	**2004**
	Number of individuals	*Number of individuals*
Nil – HK$1,000,000	5	5
Number of directors	3	4
Number of employees	2	1
	5	5

10. INCOME TAX EXPENSE

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

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

Pursuant to relevant laws and regulations in the PRC, CHCGC's subsidiary, 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 江蘇省對外經濟貿易合作廳 (Administration of Foreign Trade and Economic Co-operation of Jiangsu Province) as 外商投資先進技術企業 (Foreign Invested Advanced Technology Enterprise) 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.

No provision for PRC enterprise income tax was made in the financial statements of Jingyang Cement for the year ended 31 December 2004 as Jingyang Cement remained in the tax exemption period. For the other two subsidiaries of CHCGC established in the PRC, no PRC enterprise income tax was made in their financial statements for the year ended 31 December 2004 as they had no assessable profits.

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

	2005	**2004**
	US$'000	*US$'000*
Profit before tax	250	14,693
Tax at the PRC income tax rate of 27% (2004: 27%)	68	3,967
Tax effect of expenses not deductible for tax purpose	292	396
Tax effect of income not taxable for tax purpose	(17)	(36)
Effect of tax relief	(190)	(4,327)
Others	(6)	–
Income tax expense	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.

11. DIVIDEND

No dividends have been paid or declared by CHCGC for both years presented.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of approximately US$103,000 (2004: US$14,693,000) and on 1,142,900,000 ordinary shares in issue throughout both years presented.

There were no potential dilutive shares in both years presented.

13. INVENTORIES

	2005	**2004**
	US$'000	*US$'000*
Raw materials	3,528	2,767
Work-in-progress	1,598	970
Finished goods	1,222	1,136
Consumables and ancillary materials	9,799	8,465
	16,147	13,338

All inventories were stated at cost at the balance sheet dates.

14. TRADE RECEIVABLES

The aged analysis of trade receivables is as follows:

	2005	**2004**
	US$'000	*US$'000*
Within 90 days	10,391	9,429
91 – 180 days	3,497	3,935
181 – 365 days	15	10
Over 365 days	10	–
	13,913	13,374

No interest is charged on overdue trade receivables.

15. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	2005	**2004**
	US$'000	*US$'000*
Name of related company		
Ganghui	1,025	1,524
Jiangsu Union Cement Co., Ltd. ("Union Cement")	2,522	1,049
Chia Hsin Business Consulting (Shanghai) Company Limited ("Business Consulting")	6	–
	3,553	2,573

The aged analysis of the amounts due from fellow subsidiaries is as follows:

	2005	**2004**
	US$'000	*US$'000*
Within 90 days	3,553	2,321
91 – 180 days	–	252
	3,553	2,573

The amounts due from fellow subsidiaries are unsecured and interest free. Included in the amounts due from fellow subsidiaries are trading balances of US$984,000 (2004: US$2,573,000) which are repayable in accordance with relevant trading terms. The amount due from Union Cement at 31 December 2005 represents purchase deposit paid by the CHCGC 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.

16. OTHER RECEIVABLES

	2005	2004
	US$'000	*US$'000*
Deposits	160	756
Prepayments	520	478
Advances to suppliers	1,686	1,144
Other debtors	1,265	369
	3,631	2,747

17. BANK BALANCES AND CASH

Included in the bank balances and cash are bank deposits of approximately US$861,000 (2004: US$5,087,000) and US$31,528,000 (2004: US$43,776,000) which are held by the CHCGC's PRC subsidiaries in United States dollars and Renminbi, respectively. The remittance of these bank deposits outside of the PRC is subject to approval of relevant local authorities.

18. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Quarry	Plant and machinery	Office equipment	Motor vehicles	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST							
At 1 January 2004	1,896	67,074	5,264	171,653	3,131	1,280	250,298
Additions	6,311	–	–	1,560	314	257	8,442
Transfer	(6,961)	866	–	6,095	–	–	–
Disposals/write-offs	–	–	–	–	(17)	(65)	(82)
Exchange differences	–	2	–	4	–	–	6
At 31 December 2004 and 1 January 2005	1,246	67,942	5,264	179,312	3,428	1,472	258,664
Additions	6,966	–	–	188	250	77	7,481
Transfer	(4,650)	1,514	–	3,120	16	–	–
Disposals/write-offs	–	(433)	–	–	(15)	(59)	(507)
Exchange differences	66	1,753	135	4,633	91	38	6,716
At 31 December 2005	3,628	70,776	5,399	187,253	3,770	1,528	272,354
DEPRECIATION							
At 1 January 2004	–	10,453	452	27,303	2,507	837	41,552
Charge for the year	–	2,019	276	5,148	114	122	7,679
Eliminated on disposals/write-offs	–	–	–	–	(15)	(46)	(61)
Exchange differences	–	–	–	1	–	–	1
At 31 December 2004 and 1 January 2005	–	12,472	728	32,452	2,606	913	49,171
Charge for the year	–	2,060	279	5,443	155	127	8,064
Eliminated on disposals	–	(19)	–	–	(13)	(53)	(85)
Exchange differences	–	350	23	911	68	24	1,376
At 31 December 2005	–	14,863	1,030	38,806	2,816	1,011	58,526
NET BOOK VALUES							
At 31 December 2005	3,628	55,913	4,369	148,447	954	517	213,828
At 31 December 2004	1,246	55,470	4,536	146,860	822	559	209,493

The buildings are situated in the PRC and on land use rights under medium-term leases.

19. LAND USE RIGHTS

Land use rights represent prepaid lease payments made for land situated in the PRC with lease period of fifty years. Analysis of the carrying amount of land use rights are as follows:

	2005	**2004**
	US$'000	*US$'000*
Land use rights	18,070	18,088
Less: Portion to be charged to income statement in next year included as prepayments under current assets	(480)	(474)
Amount due after one year	17,590	17,614

At 31 December 2005, land use rights with an aggregate carrying amount of approximately US$16,515,000 (2004: US$16,532,000) have been pledged as collateral for certain bank borrowings of the CHCGC Group.

20. SHARE CAPITAL

	At 31 December	
	2005	**2004**
	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 CHCGC during the two years ended 31 December 2005.

21. TRADE PAYABLES

The aged analysis of the trade payable is as follows:

	2005	2004
	US$'000	*US$'000*
Within 90 days	6,486	3,806
91 – 180 days	430	237
181 – 365 days	94	21
Over 365 days	687	114
	7,697	4,178

22. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount represents trade balance due to Business Consulting of US$248,000 (2004: nil) which is unsecured, interest free and repayable on demand.

23. OTHER PAYABLES

	2005	2004
	US$'000	*US$'000*
Interest payable	725	470
Accrued expenses	606	853
Deposits from customers	1,004	698
Tax (other than income tax) payable	611	1,037
Construction cost payable	123	203
Others	816	412
	3,885	3,673

24. FINANCIAL ASSETS AND LIABILITIES

Financial assets

Trade receivables comprise mainly amounts receivable for the sales of goods.

The CHCGC Group allows credit period of 0-180 days to its trade customers. An allowance of approximately US$321,000 (2004: US$428,000) has been made for estimated irrecoverable amounts from the sales of goods which has been determined by reference to past default experience.

The CHCGC Directors consider that the carrying amounts of trade receivables approximate their fair values.

Amounts due from fellow subsidiaries comprise trading balances with and deposit paid to the fellow subsidiaries. The CHCGC Directors consider that the carrying amount of amounts due from fellow subsidiaries approximate their fair value.

Other receivables comprise deposits, advances to suppliers and value added tax recoverable. An allowance of approximately US$126,000 (2004: US$123,000) has been made for estimated irrecoverable receivables which has been determined by reference to past default experience.

The CHCGC Directors consider that the carrying amounts of other receivables approximate their fair values.

Bank balances and cash comprise cash and short-term deposits with an original maturity of three months or less. The carrying amounts of these assets and pledged deposits approximate to their fair values.

Financial liabilities

Trade and other payables comprise amounts outstanding for the purchases and ongoing costs.

Amount due to a fellow subsidiary represents trade balance.

The CHCGC Directors consider that the carrying amounts of trade and other payables and amount due to a fellow subsidiary approximate their fair values.

Financial risk management objective and policies

Credit risk

The CHCGC Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2005 in relation to each class of recognised financial assets is the carrying amounts of these assets as stated in the consolidated balance sheet.

The CHCGC Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the CHCGC Group's management based on prior experience and the current economic environment.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

The CHCGC Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Currency risk

Certain trade receivables and bank loans of the CHCGC Group are denominated in foreign currencies. The CHCGC Group does not have a foreign currency hedging policy in respect of foreign currency assets/debts. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Cash flow interest rate risk

The CHCGC Group is exposed to cash flow interest rate risk on variable-rate bank borrowings. Management monitors the related cash flow interest rate risk exposure closely and will consider hedging significant cash flow interest rate risk exposure should the need arise.

25. BANK BORROWINGS

	2005	2004
	US$'000	*US$'000*
Secured:		
Loans from Industrial and Commercial Bank of China ("ICBC") *(note i)*	62,640	74,340
Loans from China Construction Bank ("CCB") *(note ii)*	32,310	35,000
	94,950	109,340
Unsecured:		
Short-term bank loans denominated in USD *(note iii)*	860	–
Short-term bank loans denominated in RMB *(note iv)*	–	2,416
	95,810	111,756

The maturity of the bank borrowings is as follows:

	2005	2004
Within one year	21,900	16,806
In the second year	21,040	21,040
In the third to fifth years inclusive	47,460	63,120
Over five years	5,410	10,790
	95,810	111,756
Less: Amount due for settlement within one year (shown under current liabilities)	(21,900)	(16,806)
Amount due for settlement over one year	73,910	94,950

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 London Inter Banks Offer Rate ("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 short-term bank loans denominated in United States dollars carry an average interest rate of 4.31% per annum.

(iv) The short-term bank loans denominated in Renminbi carry an average interest rate of 4.70% per annum.

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

26. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The CHCGC Group's total assets less current liabilities at 31 December 2005 amounted to approximately US$278,263,000 (2004: US$294,362,000).

The CHCGC Group's net current assets at 31 December 2005 amounted to approximately US$46,845,000 (2004: US$67,255,000).

27. SUMMARISED BALANCE SHEET INFORMATION OF CHCGC

	2005	**2004**
	US$'000	*US$'000*
ASSETS		
Current assets	8,717	9,719
Non-currents assets	170,981	170,983
TOTAL ASSETS	179,698	180,702
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	11,429	11,429
Share premium and reserves	168,137	169,173
	179,566	180,602
Current liabilities	132	100
TOTAL EQUITY AND LIABILITIES	179,698	180,702

Under the Cayman Islands Companies Law, the reserves of CHCGC are available for distributions subject to the provision of the CHCGC's Memorandum and Articles of Association and provided that immediately following the distributions CHCGC is able to pay its debts as they fall due in the ordinary course of business.

In the opinion of the CHCGC Directors, as at 31 December 2005, CHCGC's reserves available for distribution amounted to approximately US$168,137,000 (2004: US$169,173,000), representing the aggregate of the share premium, special reserve and accumulated losses of approximately US$164,342,000 (2004: US$164,342,000), US$6,446,000 (2004: US$6,446,000) and US$2,651,000 (2004: US$1,615,000) respectively.

28. CAPITAL COMMITMENTS

	2005	**2004**
	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	5,957	790

29. PLEDGE OF ASSETS

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

	2005	**2004**
	US$'000	*US$'000*
Property, plant and equipment	137,195	139,099
Land use rights	16,515	16,532
Bank deposits	496	242
	154,206	155,873

30. OPERATING LEASE ARRANGEMENTS

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

	2005	**2004**
	US$'000	*US$'000*
Within one year	133	94
In the second to fifth years inclusive	99	21
	232	115

Operating lease payments represents rentals payable by the CHCGC 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.

31. SHARE OPTION SCHEME

CHCGC's share option scheme (the "Scheme") was adopted pursuant to a written resolution of the sole shareholder of CHCGC passed on 26 November 2003 for the purpose of enabling CHCGC to grant options to employees and directors of CHCGC or any of its subsidiaries and outside third parties who, in the sole direction of the CHCGC Board, will contribute to CHCGC and/or any of its subsidiaries.

The maximum number of shares which options may be issued upon exercises of all options to be granted under the Scheme must not exceed 10% of the shares of CHCGC in issue immediately prior to the commencement of trading of the CHCGC Shares on the Stock Exchange, without prior approval from the CHCGC Shareholders. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to any individual in any 12-month period up to the date of grant shall not exceed 1% of the shares of CHCGC in issue at the date of grant, without prior approval from the CHCGC Shareholders.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the CHCGC Board is empowered to impose its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the CHCGC Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted, upon payment of HK$1 per option. The exercise price is determined by the CHCGC Directors, and will not be less than the highest of (a) the closing price of the CHCGC Shares on the date of grant; (b) the average closing price of the shares for five business days immediately preceding the date of grant; and (c) the nominal value of a share in CHCGC.

During the period from the adoption of the Scheme to 31 December 2005, no option was granted, exercised or cancelled by CHCGC.

32. RETIREMENT BENEFITS

The aggregate number of employees of the CHCGC Group at 31 December 2005 was 641 (2004: 705).

The CHCGC Group has established a Mandatory Provident Fund Scheme for its Hong Kong employees. Mandatory contributions to the scheme are made by both the employer and employees at 5% of the employee's monthly relevant income capped at HK$20,000. At 31 December 2005 and 31 December 2004, there were no forfeited contributions available to reduce future obligations.

The employees of CHCGC's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the local government. The CHCGC Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the CHCGC Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the consolidated income statement of approximately US$291,000 (2004: US$220,000) represents contributions payable to the schemes by the CHCGC Group at rate specified in the rules of the schemes.

33. RELATED PARTY TRANSACTIONS

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

Nature of transaction	Name of related company	2005	2004
		US$'000	*US$'000*
Sales of goods *(note i)*	Ganghui	6,253	8,897
	Union Cement	–	596
		6,253	9,493
Purchase of goods *(note ii)*	Union Cement	12,225	–
Consultancy fee income *(note ii)*	Union Cement	–	362
Consultancy fee paid *(note ii)*	Business Consulting	244	242
Licence fee income *(note ii)*	Ganghui	41	38
Vehicle rentals paid *(note ii)*	Business Consulting	92	91

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

Ganghui, Union Cement and Business Consulting are fellow subsidiaries of CHCGC.

Notes:

(i) Sales transactions were carried out at cost plus a percentage of profit market-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 year, the CHCGC Group paid remunerations of short-term benefit to the CHCGC Directors and other members of key management amounting to approximately US$674,000 (2004: US$686,000).

34. SUBSIDIARIES

Name of subsidiary	Place of Incorporation (or establishment) and operation	Issued and fully paid share/ registered capital	Proportion of issued share/ registered capital held by CHCGC Directly	Indirectly	Principal activities
Jingyang Industrial Limited	Hong Kong	HK$24,000,000	100%	–	Investment holding
Jingyang Cement *(note i)*	PRC	US$173,000,000	–	100%	Mining of limestone and production and sales of cement and cement products
Zhenjiang City Dantu District Gaozi Clay Company Limited *(note ii)*	PRC	RMB3,000,000	–	93.3%	Mining of clay
Jurong Jingda Clay Company Limited *(note ii)*	PRC	RMB3,000,000	–	93.3%	Mining of clay

Notes:

(i) The subsidiary is a wholly foreign owned enterprise in the PRC.

(ii) The subsidiaries are limited liability companies incorporated in the PRC.

I. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed Offer to issue 519,448,050 New TCCIH Shares and the acquisition of the entire equity interest of CHCGC.

1. Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2006

This unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Offer and the Very Substantial Acquisition as if they had taken place on 31 December 2006.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is based on the audited consolidated balance sheets as at 31 December 2006 of the TCCIH Group and CHCGC Group after making pro forma adjustments relating to the Offer and the Very Substantial Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable. Accordingly, the unaudited consolidated balance sheet of the Enlarged Group is prepared for illustrative purposes only and because of its nature, may not give a true picture of the financial position of the Enlarged Group as at 31 December 2006 or any future date.

	TCCIH Group	CHCGC Group		Pro forma adjustments		Pro forma Enlarged Group
	HK$'000	*US$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited				Unaudited
	Note 1	*Note 2*		*Note 3*	*Note 4*	
	A	B	C=B*7.8	D	E	F=A+C +D+E
NON-CURRENT ASSETS						
Property, plant & equipment	1,611,004	226,944	1,770,163	–	–	3,381,167
Prepaid lease payments	64,728	17,683	137,928	–	–	202,656
Intangible assets	18,602	–	–	–	–	18,602
Goodwill	–	–	–	–	890,234	890,234
Investment in subsidiaries	–	–	–	2,586,851	(2,586,851)	–
Interests in associates	101,838	–	–	–	–	101,838
Loans to an associate	28,746	–	–	–	–	28,746
Long term deposits	1,756	–	–	–	–	1,756
Deposit for the acquisition of property, plant & equipment	157,715	–	–	–	–	157,715
Available-for-sale investments	71,564	–	–	–	–	71,564
Deferred tax asset	42	–	–	–	–	42
	2,055,995	244,627	1,908,091	2,586,851	(1,696,617)	4,854,320

	TCCIH Group	CHCGC Group		Pro forma adjustments		Pro forma Enlarged Group
	HK$'000	*US$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited				Unaudited
	Note 1	*Note 2*		*Note 3*	*Note 4*	
	A	B	C=B*7.8	D	E	F=A+C +D+E
CURRENT ASSETS						
Inventories	103,268	18,774	146,437			249,705
Prepaid lease payments	1,424	–	–			1,424
Prepayments, deposits and other receivables	50,465	3,455	26,949			77,414
Loan receivable	7,921	–	–			7,921
Trade receivables	131,721	14,004	109,231			240,952
Amounts due from fellow subsidiaries	–	3,336	26,021			26,021
Held-for-trading investments	540,255	–	–			540,255
Pledged bank deposits	27,523	–	–			27,523
Time deposits	3,466	–	–			3,466
Cash and bank balances	255,290	52,390	408,642			663,932
	1,121,333	91,959	717,280	–	–	1,838,613
CURRENT LIABILITIES						
Trade payables	139,135	6,818	53,180			192,315
Other payables and accrued liabilities	115,862	5,082	39,640			155,502
Tax payable	5,076	700	5,460			10,536
Short term portion of bank loans	638,065	23,601	184,088			822,153
Amount due to minority shareholders	17,567	–	–			17,567
	915,705	36,201	282,368	–	–	1,198,073
Net current assets	205,628	55,758	434,912	–	–	640,540
Total assets less current liabilities	2,261,623	300,385	2,343,003	2,586,851	(1,696,617)	5,494,860
NON-CURRENT LIABILITIES						
Deferred tax liabilities	2,834	–	–			2,834
Long term portion of bank loans	941,426	82,870	646,386			1,587,812
	944,260	82,870	646,386	–	–	1,590,646
	1,317,363	217,515	1,696,617	2,586,851	(1,696,617)	3,904,214
CAPITAL AND RESERVES						
Share Capital	77,292	11,429	89,146	51,945	(89,146)	129,237
Reserves	1,108,905	206,086	1,607,471	2,534,906	(1,607,471)	3,643,811
Equity attributed to shareholders of the Company	1,186,197	217,515	1,696,617	2,586,851	(1,696,617)	3,773,048
Minority interests	131,166	–	–	–	–	131,166
	1,317,363	217,515	1,696,617	2,586,851	(1,696,617)	3,904,214

Notes:

1. Column A is extracted from the audited consolidated balance sheet of the TCCIH Group as at 31 December 2006 as set out in Appendix II to this Composite Document.

2. Column B is extracted from the audited consolidated balance sheet of the CHCGC Group as at 31 December 2006 as set out in Appendix III to this Composite Document.

3. The adjustment represents total consideration in connection with the Offer of 519,448,050 New TCCIH Shares in exchange for the entire share capital of CHCGC. The consideration of approximately HK$2,586,851,000 represents the market value of 519,448,050 New TCCIH Shares to be issued as consideration for the Acquisition based on the closing market price of TCCIH share of HK$4.98, as quoted on the Stock Exchange on the Last Trading Day before the suspension of the Trading of the TCCIH Group on 11 June 2007.

4. The adjustment represents the elimination of the issued capital and pre-acquisition reserves of the CHCGC Group amounting to approximately HK$89,146,000 and HK$1,607,471,000 respectively; and the Goodwill of HK$890,234,000 arising from the Offer and Very Substantial Acquisition with reference to the net assets value of the CHCGC Group of approximately HK$1,696,617,000 as if the Offer and Very Substantial Acquisition were completed on 31 December 2006. Goodwill is estimated on the assumption that fair value of the identified assets, liabilities and contingent liabilities of the CHCGC Group is the same as the carrying amount of their net tangible assets as at 31 December 2006. The actual amount of goodwill to be recorded will depend on the market price of the TCCIH shares as at completion date, direct expenditures attributable to the Acquisition and the fair value of the identified assets, liabilities and contingent liabilities of the CHCGC Group to be determined on the date when the Offer becomes unconditional. In the directors' opinion, the expenses attributable to the Acquisition have not been accounted for in the preparation of the unaudited Pro Forma Financial Information as such costs cannot be accurately determined at this stage.

2. Unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 31 December 2006

This unaudited pro forma consolidated income statement of the Enlarged Group is prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Offer and the Very Substantial Acquisition assuming they had been completed as of 1 January 2006, the beginning of the financial year of the TCCIH Group.

The unaudited pro forma consolidated income statement of the Enlarged Group is based on the audited consolidated income statements of the TCCIH Group and CHCGC Group for the year ended 31 December 2006. Accordingly, the unaudited consolidated income statement of the Enlarged Group is prepared for illustrative purposes only and because of its nature, may not give a true picture of the results of the Enlarged Group for the year ended 31 December 2006 or any future period.

	TCCIH Group	CHCGC Group		Pro forma Enlarged Group
	HK$'000	*US$'000*	*HK$'000*	*HK$'000*
	Audited	Audited		Unaudited
	Note 1	*Note 2*		
	A	B	C=B*7.8	D=A+C
Revenue	980,418	127,229	992,386	1,972,804
Cost of sales	(892,980)	(104,294)	(813,493)	(1,706,473)
Gross profit	87,438	22,935	178,893	266,331
Other income and gains	73,517	5,061	39,475	112,992
Selling and distribution expenses	(17,225)	(8,518)	(66,440)	(83,665)
General and administrative expenses	(69,866)	(5,218)	(40,700)	(110,566)
Other expenses	–	(353)	(2,753)	(2,753)
Impairment loss of property, plant and equipment	(8,388)	–	–	(8,388)
Finance costs	(71,996)	(6,256)	(48,797)	(120,793)
	(6,520)	7,651	59,678	53,158
Share of results of associates	10,999	–	–	10,999
Profit before tax	4,479	7,651	59,678	64,157
Income tax expense	(3,873)	(1,134)	(8,845)	(12,718)
Profit for the year	606	6,517	50,833	51,439
Attributable to:				
Shareholders of the Company	(18,303)	6,517	50,833	32,530
Minority interests	18,909	–	–	18,909
	606	6,517	50,833	51,439

Notes:

1. Column A is extracted from the audited consolidated income statement of the TCCIH Group for the year ended 31 December 2006 as set out in Appendix II to this Composite Document.

2. Column B is extracted from the audited consolidated balance sheet of the CHCGC Group for the year ended 31 December 2006 as set out in Appendix III to this Composite Document.

3. The direct issue cost of the New TCCIH Shares will be netted off against share premium and the expenses attributable to the Acquisition will be taken into account in the determination of goodwill arising from the Acquisition. Accordingly, such costs and expenses would not impact the pro forma results of the Enlarged Group.

3. Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2006

This unaudited pro forma consolidated cash flow statement of the Enlarged Group is prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Offer and the Very Substantial Acquisition assuming they had been completed as of 1 January 2006, the beginning of the financial year of the TCCIH Group.

The unaudited pro forma consolidated cash flow statement of the Enlarged Group is prepared based on the audited consolidated cash flow statements of the TCCIH Group and CHCGC Group for the year ended 31 December 2006 with adjustments to reflect the effect of the Offer and the Very Substantial Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable. Accordingly, the unaudited consolidated cash flow statement of the Enlarged Group is prepared for illustrative purposes only and because of its nature, may not give a true picture of the results of the Enlarged Group for the year ended 31 December 2006 or any future period.

	TCCIH Group	CHCGC Group		Pro forma adjustment	Pro forma Enlarged Group
	HK$'000	*US$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited			Unaudited
	Note 1	*Note 2*		*Note 3*	
	A	B	C=B*7.8	D	E=A+C+D
Cash flows from operating activities					
Profit before taxation	4,479	7,651	59,678	–	64,157
Adjustments for:					
Depreciation of property, plant and equipment	82,023	8,439	65,824	–	147,847
Interest expenses	71,996	6,256	48,797	–	120,793
Interest income	(3,285)	(1,109)	(8,650)	–	(11,935)
Dividend income from investments	(34,869)	–	–	–	(34,869)
Amortisation of mining rights	503	–	–	–	503
Amortisation of prepaid lease payments	1,271	488	3,806	–	5,077
Equity-settled share-based payment expense	3,400	–	–	–	3,400
Impairment loss of property, plant and equipment	8,388	–	–	–	8,388
Loss on disposal of property, plant and equipment	6	30	234	–	240
Change in fair value of held-for-trading investments	(12,605)	–	–	–	(12,605)
Realised gain on disposal of held-for-trading investments	(1,896)	–	–	–	(1,896)
Written back of provision for amount due from an associate	(1,500)	–	–	–	(1,500)
Share of results of associates	(10,999)	–	–	–	(10,999)
Exchange adjustments	(3,960)	(1,195)	(9,321)	–	(13,281)

	TCCIH Group	CHCGC Group		Pro forma adjustment	Pro forma Enlarged Group
	HK$'000	*US$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited			Unaudited
	Note 1	*Note 2*		*Note 3*	
	A	B	C=B*7.8	D	E=A+C+D
Operating cash inflows before movements in working capital	102,952	20,560	160,368	–	263,320
Decrease in long term deposits	187	–	–	–	187
Increase in inventories	(74,867)	(2,627)	(20,491)	–	(95,358)
(Increase) Decrease in prepayment, deposits, loan and other receivables	(6,395)	176	1,373	–	(5,022)
Decrease in held-for-trading investments	102,444	–	–	–	102,444
Increase in time deposits	(3,466)	–	–	–	(3,466)
Increase in trade receivables	(63,191)	(91)	(710)	–	(63,901)
Decrease in amounts due from fellow subsidiaries	–	217	1,692	–	1,692
Increase (Decrease) in trade payables	61,003	(879)	(6,856)	–	54,147
Decrease in amount due to a fellow subsidiary	–	(248)	(1,934)	–	(1,934)
Increase in other payables and accrued liabilities	34,322	846	6,599	–	40,921
Cash generated from operations	152,989	17,954	140,041	–	293,030
Income taxes (paid) refunded	(5,517)	303	2,364	–	(3,153)
Net cash generated from operating activities	147,472	18,257	142,405	–	289,877
Cash flows from investing activities					
Interest received	3,285	1,109	8,650	–	11,935
Dividend received from investments	34,869	–	–	–	34,869
Dividend received from associates	3,518	–	–	–	3,518
Repayment of advance to associates	3,631	–	–	–	3,631
Purchase of property, plant and equipment	(200,187)	(14,344)	(111,883)	–	(312,070)
Purchase of mining right	(7,764)	–	–	–	(7,764)
Purchase of computer software	(206)	–	–	–	(206)
Increase in prepaid lease payments	(14,150)	–	–	–	(14,150)
Proceeds from disposal of property, plant and equipment	1,475	252	1,965	–	3,440
Increase in deposit for the acquisition of property, plant and equipment	(157,715)	–	–	–	(157,715)
Capital contributed by minority shareholders of a subsidiary	17,372	–	–	–	17,372
(Increase) Decrease in pledged bank deposits	(14,149)	496	3,869	–	(10,280)
Acquisition of subsidiary	–	–	–	328,364	328,364
Net cash used in investing activities	(330,021)	(12,487)	(97,399)	328,364	(49,056)

	TCCIH Group	CHCGC Group		Pro forma adjustment	Pro forma Enlarged Group
	HK$'000	*US$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited			Unaudited
	Note 1	*Note 2*		*Note 3*	
	A	B	C=B*7.8	D	E=A+C+D
Cash flows from financing activities					
Interest paid	(80,819)	(6,139)	(47,884)	–	(128,703)
New bank loans raised	1,318,618	32,561	253,976	–	1,572,594
Repayment of bank loans	(982,568)	(21,900)	(170,820)	–	(1,153,388)
Dividends paid	(7,729)	–	–	–	(7,729)
Dividend paid to minority interest	(3,960)	–	–	–	(3,960)
Advance from minority shareholders	8,621	–	–	–	8,621
Net cash used in financing activities	252,163	4,522	35,272	–	287,435
Net increase in cash and cash equivalents for the year	69,614	10,292	80,278	328,364	478,256
Cash and cash equivalents at beginning of the year	185,676	42,098	328,364	(328,364)	185,676
Cash and cash equivalents at end of the year, represented by Cash and bank balances	255,290	52,390	408,642	–	663,932

Notes:

1. Column A is extracted from the audited consolidated cash flow statement of the TCCIH Group for the year ended 31 December 2006 as set out in Appendix II of this Composite Document.

2. Column B is extracted from the audited consolidated cash flow statement of the CHCGC Group for the year ended 31 December 2006 as set out in Appendix III of this Composite Document.

3. The adjustment reflects the cash effect on the acquisition of CHCGC Group as if the Acquisition had taken place on 1 January 2006.

II. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of an accountants' report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for inclusion in this Composite Document, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this Appendix IV.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF TCC INTERNATIONAL HOLDINGS LIMITED

We report on the Unaudited Pro Forma Financial Information of TCC International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "TCCIH Group") and Chia Hsin Cement Greater China Holding Corporation ("CHCGC") and its subsidiaries (together with the TCCIH Group hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of CHCGC shares might have affected the financial information presented, for inclusion in Appendix III to the circular dated 2 August 2007 (the "Circular") issued by the Company and in Appendix IV to the composite document dated 2 August 2007 (the "Composite Document") jointly issued by the Company and CHCGC. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix III to the Circular and in Appendix IV to the Composite Document.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the TCCIH Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 December 2006 or at any future date; and

- the results and cash flows of the Enlarged Group for the year ended 31 December 2006 or any future period.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the TCCIH Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
2 August 2007

III. LETTER FROM MORGAN STANLEY ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a letter from Morgan Stanley, for inclusion in this Composite Document, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this Appendix IV.

Morgan Stanley

Morgan Stanley Asia Limited
30th Floor, Three Exchange Square
Central
Hong Kong
2 August 2007

The Directors
TCC International Holdings Limited

Dear Sirs,

We refer to the unaudited pro forma financial information of TCC International Holdings Limited ("TCCIH") and its subsidiaries and Chia Hsin Cement Greater China Holding Corporation ("CHCGC") and its subsidiaries (the "Pro Forma Financial Information") contained in the section headed "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix IV to the offer and response document (the "Composite Document") dated 2 August 2007 jointly issued by TCCIH and CHCGC and also the section headed "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix III to the circular (the "Circular") dated 2 August 2007 issued by TCCIH in relation to the voluntary conditional offer made by us on behalf of TCCIH to acquire all the issued shares in the share capital of CHCGC, both of which this letter forms part.

We have discussed with you the bases and assumptions upon which the Pro Forma Financial Information has been prepared. We have also considered the report dated 2 August 2007 addressed to yourselves from Deloitte Touche Tohmatsu set out on pages IV-8 to IV-10 of the Composite Document and pages III-8 to III-10 of the Circular regarding the accounting policies and calculations upon which the Pro Forma Financial Information has been prepared.

On the basis of the foregoing, the information comprising the Pro Forma Financial Information and the accounting policies and calculations adopted by you and reported on by Deloitte Touche Tohmatsu, we are of the opinion that the Pro Forma Financial Information, for which the directors of TCCIH are solely responsible, have been prepared with due care and consideration.

Yours faithfully
for and on behalf of
MORGAN STANLEY ASIA LIMITED

Che-Ning Liu
Managing Director

The following is the text of a letter from Vigers, an independent property valuer, in connection with their valuation as at 30 June 2007 of the interests of the CHCGC Group in the properties described below for inclusion in this Composite Document.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor
The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

2 August 2007

The Directors
Chia Hsin Cement Greater China Holding Corporation
Room 1907, 19th Floor
9 Queen's Road
Central
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Chia Hsin Cement Greater China Holding Corporation (the "Company") or its subsidiaries (collectively referred to as the "Group"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30 June 2007 (the "date of valuation") for incorporating into the Composite Document.

Our valuation is our opinion of the market value of the property interest which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

We have been provided with certain extracts of title documents relating to the property interests. We have not caused title search to be made at the relevant government bureau in the People's Republic of China (the "PRC") nor inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation of the properties, we have relied on the legal opinions provided by the Group's legal adviser Guantao Law Firm (Shanghai).

In valuing the property interests (except Property 4) in Group I, due to the lack of identifiable market transaction on properties of similar nature of the buildings and structure, we have adopted a combination of the market and depreciated replacement cost approaches in assessing the land portions of the properties and the buildings and structures standing on the land respectively. The sum of the two results represents the market value of the properties as a whole. In the valuation of the land portions, reference has been made to the standard land prices in the relevant cities and the sales evidences in the locality as available to us. For Property 4, we have valued the property interest via adopting the direct comparison approach by making reference to comparable sales transactions or offerings as available in the relevant market.

The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes a reliable indication of value for property in the absence of a known market based on comparable sales. It is subject to adequate potential profitability of the business or of the whole entity.

The property interests in Group II have been ascribed no commercial value due to the short-term nature of their tenancies, their prohibition against assignment or sub-letting, or otherwise the lack of substantial profit rent.

In valuing the property, we have assumed that the property owner has free and uninterrupted rights to use the property and is entitled to transfer, lease or mortgage the property to any third party with the residual term without payment of any further premium or onerous fee to the government or any third party. All land use rights premium and other relevant costs and fees on utility provisions are assumed to have been fully settled.

Our valuation has been made on the assumption that the owners sell the property interests on the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation. Unless otherwise stated, the valuation represents the value of the entire property interest described in the valuation certificate and not the value of a share of it. Other assumptions in respect of each property, if any, have been set out in the footnotes of the valuation certificate for the respective property.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, occupation, lettings, site and floor areas, development plans, construction costs, identification of the properties and other relevant matters. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

We have had no reason to doubt the true and accuracy of the information provided to us by the Group, and have no reason to suspect that any material information has been withheld. We considered that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out investigations on site to determine the suitability of ground conditions and services etc. for any future development, nor have we undertaken any ecological or environmental surveys. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

For reference purpose and according to the Company, the tax liabilities would comprise sale tax, stamp duty, land appreciation tax and enterprise profit tax (if any) should the property interests be disposed of in the PRC. However, the Company has advised that the property interests are held for production or staff quarters purposes and there is no intention for it to sell or transfer the title of them. Our valuations have made no allowance for any charges, mortgages or amounts owing on any of the properties valued nor for any such or other expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors ("HKIS").

Unless otherwise stated, the exchange rate used in valuing the property interests in the PRC as at the date of valuation is RMB1 = HK$1.028. There has been no significant fluctuation in the exchange rate between that date and the date of this letter.

We enclosed herewith a summary of our valuation and the valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc (e-com)
Executive Director

Note: *Raymond K.K. Ho, Chartered Surveyor, MRICS, MHKIS has over nineteen years' experience in undertaking valuations of properties in Hong Kong and Macau, and has over twelve years' experience in the valuation of properties in the PRC. Mr. Ho has been working with Vigers Group since 1989.*

SUMMARY OF VALUATION

	Property	Capital Value in existing state as at 30 June 2007
	Group I – Property interests held and occupied by the Group in the PRC	
1.	A cement factory complex located at Xiashu Qiaotou Town, Jurong City, Jiangsu Province, the PRC	RMB619,000,000 (equivalent to HK$636,330,000)
2.	A mining complex located at Dazhuoxiang, Jurong City, Jiangsu Province, The PRC	RMB484,000,000 (equivalent to HK$497,552,000)
3.	Five strips of land located at Xiashuqiaotou Town and Dazhuo Xiang, Jurong City, Jiangsu Province, the PRC	RMB49,000,000 (equivalent to HK$50,372,000)
4.	Land and buildings located at No.6 Sanmaogong, Xincuyiou, Zhenjiang, Jiangsu Province, the PRC	RMB29,000,000 (equivalent to HK$29,812,000)

	Property		Capital Value in existing state as at 30 June 2007
5.	Land and building located at Chengfeng Village, Gaozi Town, Dantu County, Jurong City, Jiangsu Province, the PRC		RMB230,000 (equivalent to HK$236,440)
6.	Land and buildings located at Youzha Cu, Xiashu Town, Jurong City, Jiangsu Province, the PRC		RMB230,000 (equivalent to HK$236,440)
		Sub-total:	RMB1,181,460,000 (equivalent to HK$1,214,538,880)

Property	Capital Value in existing state as at 30 June 2007
Group II – Property interests rented and occupied by the Group in the PRC	
7. Flat F, 15th Level, Huacheng Building, No.107 Shigu Road, Nanjing City, Jiangsu Province, the PRC	No commercial value
8. Unit 306, Puyang Building, No.83 Daqiaobei Road, Nanjing City, Jiangsu Province, the PRC	No commercial value
9. Unit 107 – 207, Block 4, No.16 Huangshannan Road, Zhenjiang City, Jiangsu Province, the PRC	No commercial value
10. No.11-28, Yongning Garden, Beihuan Road, Changzhou City, Jiangsu Province, the PRC	No commercial value
11. No.7 Jiangyangdong Road, Yangzhou City, Jiangsu Province, the PRC	No commercial value

Property	Capital Value in existing state as at 30 June 2007
12. Unit 302, Block 5, No.84 Yuqi Street, Yangzhou City, Jiangsu Province, the PRC	No commercial value
13. Unit 404, Block 15, Lianhua Yuan, Nantong City, Jiangsu Province, the PRC	No commercial value
14. Unit 201, Block 43, Jingxiujiangnan Area, Chunshenhuzhong Road, Xiangcheng District, Suzhou, the PRC	No commercial value
15. Unit 401, Block 32, Jingxiujiangnan Area, Chunshenhuzhong Road, Xiangcheng District, Suzhou, the PRC	No commercial value
16. No.1015 Mingzhou Road, Beilun District, Ningbo City, Zhejiang Province, the PRC	No commercial value

Property	Capital Value in existing state as at 30 June 2007
17. Unit 208, Block 1, Furong Jiayuan, Xingan Town, Beilun District, Ningbo City, Zhejiang Province, the PRC	No commercial value
18. Unit 1704, Block B, Junyue Building, Jiaojiang District, Taizhou City, Zhejiang Province, the PRC	No commercial value
19. Room 1401, Unit 2, Block 5, Dajing Chengshizhiguang, Jiaojiang District, Taizhou City, Zhejiang Province, the PRC	No commercial value
20. No.109-1-2, Block K, Jianshe Garden, Wenzhou City, Zhejiang Province, the PRC	No commercial value
21. Unit G6-902, Daziran Garden, Shifu Road, Wenzhou City, Zhejiang Province, the PRC	No commercial value

Property	Capital Value in existing state as at 30 June 2007
22. Unit 104-1, Block 21, Section 9, Shangtumen, Wenzhou City, Zhejiang Province, the PRC	No commercial value
23. Nanan Village Saiqi Development, Fuan City, Fujian Province, the PRC	No commercial value
24. No.14, Block B, No. 2 Zhongxing Road, Saiqi District, Fuan City, Fujian Province, the PRC	No commercial value
Sub-total:	Nil
Grand-total:	**RMB1,181,460,000 (equivalent to HK$1,214,538,880)**

VALUATION CERTIFICATES

Group I – Property interests held and occupied by the Group in the PRC

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
1.	A cement factory complex located at Xiashu Qiaotou Town, Jurong City, Jiangsu Province, the PRC	The property comprises 2 parcels of land having a total site area of approximately 614,421 sq.m. together with the buildings and associated structures erected thereon. The buildings have a total gross floor area of approximately 86,597 sq.m. completed in between 1998 and 2003 The buildings and structures mainly include cement production facilities, administrative building, warehouse, dormitories, staff canteens, together with associated structures including roadwork, pier, silos, tanks and fencing wall. The 2 parcels of land are respectively held with land use rights for the year terms expiring on 10 May 2045 and 2 December 2052.	The property is occupied by the Group as a cement production factory.	RMB619,000,000 (equivalent to HK$636,330,000)

Notes:

i. According to the State-owned Land Use Rights Certificate Gou Yong Guo Yong (2002) No.204, the land use rights of the property having a total site area of approximately 602,501.7 sq.m. have been granted to 嘉新京陽水泥有限公司(Chia Hsin Jingyang Cement Company Limited) for industrial uses for a term expiring on 10 May 2045.

   According to the State-owned Land Use Rights Certificate Gou Yong Guo Yong (2004) No.03577, the land use rights of the property having a total site area of approximately 11,918.8 sq.m. have been granted to 嘉新京陽水泥有限公司(Chia Hsin Jingyang Cement Company Limited) for industrial uses for a term expiring on 2 December 2052.

ii. According to 14 Building Ownership Certificates Gou Fang Quan Zheng Xia Shu Zhen Nos. 219700047 to 219700059 and Gou Fang Quan Zheng Hua Yang Zhen No. 219700073, the title of the buildings having a total gross floor area of approximately 86,597.14 sq.m. is vested in 嘉新京陽水泥有限公司(Chia Hsin Jingyang Cement Company Limited).

iii. There are 2 additional buildings comprising a warehouse and an office building having a total gross floor area of about 9,850 sq.m on the site without building ownership certificate issued for them. We have ascribed no commercial value to the buildings due to their absence of title certificate. For indicative purpose, the capital value of them in existing state, as at the date of valuation, is in the region of RMB7,390,000. According to the Company, the application for the issuance of a building ownership certificate for the office building is in progress.

iv. The PRC legal opinion states, inter alia, the follows:

   1. Chia Hsin Jingyang Cement Company Limited has acquired the land use rights of the property via assignment and obtained the land use rights certificates for the property. The company has fully settled the premium for the land use rights.

   2. The land held under the State-owned Land Use Rights Certificate Gou Yong Guo Yong (2002) No.204 and the buildings held under Building Ownership Certificates Gou Fang Quan Zheng Xia Shu Zhen Nos. 219700047 to 219700059 are subject to a mortgage in favour of Jurong City Branch of Industrial and Commercial Bank of China.

   3. Chia Hsin Jingyang Cement Company Limited legally owns the land use rights and those buildings held under building ownership certificates. There is no dispute on the title of the property. Save for those subject to mortgage, there is no restriction on the enjoyment of the land use rights and the buildings by the company. Further, no guarantee or other loan agreement in relation to the land use rights and the buildings has been found. Except for those mortgaged to which their disposal is subject to the consent from the mortgagee, Chia Hsin Jingyang Cement Company Limited may lease, mortgage, assign or disposed of the land use rights and the buildings in accordance with the laws.

v. According to the Company, Chia Hsin Jingyang Cement Company Limited is an indirectly wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
2.	A mining complex located at Dazhuoxiang, Jurong City, Jiangsu Province, the PRC	The property comprises two parcels of land having a total site area of approximately 3,011,082 sq. m. together with the buildings and associated structures erected thereon. The buildings have a total gross floor area of approximately 6,268 sq.m. completed in between 1998 and 2003. The buildings and structures mainly include quarry extraction facilities, administrative building, warehouse, dormitories, together with associated structures including roadwork and fencing wall. The 2 parcels of land are respectively held with land use rights for the year terms expiring on 12 July 2045 and 28 August 2047.	The property is occupied by the Group as a cement mining complex.	RMB484,000,000 (equivalent to HK$497,552,000)

Notes:

i. According to the State-owned Land Use Rights Certificate Gou Tu Guo Yong (2002) No.00255, the land use rights of the property having a total site area of approximately 3,006,048.67 sq.m. have been granted to 嘉新京陽水泥有限公司(Chia Hsin Jingyang Cement Company Limited) for industrial uses for a term expiring on 12 July 2045.

According to the State-owned Land Use Rights Certificate Gou Tu Guo Yong (2002) No.00303, the land use rights of the property having a total site area of approximately 5,033.5 sq.m. have been granted to 嘉新京陽水泥有限公司(Chia Hsin Jingyang Cement Company Limited) for industrial uses for a term expiring on 28 August 2047.

ii. According to 4 Building Ownership Certificates Gou Fang Quan Zheng Da Zhou Zhen Zi Nos.19970022 to 19970024 and 19970026, the title of the buildings having a total gross floor area of approximately 6,267.54 sq.m. is vested in 嘉新京陽水泥有限公司(Chia Hsin Jingyang Cement Company Limited).

iii. The PRC legal opinion states, inter alia, the follows:

1. Chia Hsin Jingyang Cement Company Limited has acquired the land use rights of the property via assignment and obtained the land use rights certificates for the property. The company has fully settled the premium for the land use rights.

2. The land held under the State-owned Land Use Rights Certificates Gou Yong Guo Yong (2002) Nos.00255 and 00303 is subject to a mortgage in favour of Jurong City Branch of Industrial and Commercial Bank of China.

3. Chia Hsin Jingyang Cement Company Limited legally owns the land use rights and those buildings held under building ownership certificates. There is no dispute on the title of the property. Save for those subject to mortgage, there is no restriction on the enjoyment of the land use rights and the buildings by the company. Further, no guarantee or other loan agreement in relation to the land use rights and the buildings has been found. Except for those mortgaged to which their disposal is subject to the consent from the mortgagee, Chia Hsin Jingyang Cement Company Limited may lease, mortgage, assign or dispose of the land use rights and the buildings in accordance with the laws.

iv. According to the Company, Chia Hsin Jingyang Cement Company Limited is an indirectly wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
3.	Five strips of land located at Xiashuqiaotou Town and Dazhuo Xiang, Jurong City, Jiangsu Province, the PRC	The property comprises 5 strips of land having a total site area of approximately 349,268 sq. m. For the 5 strips of land, 4 of which are held with land use rights for the year term expiring on 26 June 2046 and the remaining one is held with land use rights for the year term expiring on 26 March 2048.	The property is occupied by the Group as belt strip of land for mining transport purpose.	RMB49,000,000 (equivalent to HK$50,372,000)

Notes:

i. According to 5 State-owned Land Use Rights Certificates, the land use rights of the property having a total site area of approximately 349,267.68 have been granted to 嘉新京陽水泥有限公司(Chia Hsin Jingyang Cement Company Limited). Further details are as follow:

Certificate No.	Site Area *(in sq.m.)*	Uses	Year Term
Tu Guo Yong (2002) 0000096	68,136.70	Conveying corridor and road	26 June 2046
Tu Guo Yong (2002) 0000097	49,426.7	Road	26 March 2048
Gou Tu Guo Yong (2002) 00267	219,639	Industrial	26 June 2046
Gou Tu Guo Yong (2002) 00268	2,250	Industrial	26 June 2046
Gou Tu Guo Yong (2002) 00269	9,815.28	Industrial	26 June 2046

ii. The PRC legal opinion states, inter alia, the follows:

1. Chia Hsin Jingyang Cement Company Limited has acquired the land use rights of the property via assignment and obtained the land use rights certificates for the property. The company has fully settled the premium for the land use rights.

2. The land held under the State-owned Land Use Rights Certificate Gou Tu Guo Yong (2002) Nos. 00267, 00268 and 0029 is subject to a mortgage in favour of a bank conglomerate comprising Pudong Branch of Bank of Shanghai, The Shanghai Commercial & Saving Bank and Shenzhen Branch of Shanghai Commercial Bank.

3. Chia Hsin Jingyang Cement Company Limited legally owns the land use rights and those buildings held under building ownership certificates. There is no dispute on the title of the property. Save for those subject to mortgage, there is no restriction on the enjoyment of the land use rights and the buildings by the company. Further, no guarantee or other loan agreement in relation to the land use rights and the buildings has been found. Except for those mortgaged to which their disposal is subject to the consent from the mortgagee, Chia Hsin Jingyang Cement Company Limited may lease, mortgage, assign or disposed of the land use rights and the buildings in accordance with the laws.

iii. According to the Company, Chia Hsin Jingyang Cement Company Limited is an indirectly wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
4.	Land and buildings located at No.6 Sanmaogong, Xincuyiou, Zhenjiang, Jiangsu Province, the PRC	The property comprises a parcel of land having a site area of approximately 6,613.6 sq. m. together with the 2 dormitory buildings and associated structures erected thereon. The buildings have a total gross floor area of approximately 11,748.8 sq.m. completed in about 2000. The property is held with land use rights for a year term expiring on 2 July 2056.	The property is occupied by the Group as staff dormitories.	RMB29,000,000 (equivalent to HK$29,812,000)

Notes:

i. According to the State-owned Land Use Rights Certificate Zhen Guo Yong (Run 2002) No.10113, the land use rights of the property having a total site area of approximately 6,613.6 sq.m. have been granted to 嘉新京陽水泥有限公司(Chia Hsin Jingyang Cement Company Limited) for residential uses for a term expiring on 2 July 2056.

ii. According to the Building Ownership Certificate Zhen Fang Quan Run Zi No.24750258, the title of the buildings having a total gross floor area of approximately 11,748.80 sq.m. is vested in 嘉新京陽水泥有限公司(Chia Hsin Jingyang Cement Company Limited).

iii. The PRC legal opinion states, inter alia, the follows:

1. Chia Hsin Jingyang Cement Company Limited has acquired the property from 鎮江市潤州區房地產開發總公司and obtained the land use rights certificate and building ownership certificate for the property.

2. Chia Hsin Jingyang Cement Company Limited legally owns the land use rights and the buildings held under building ownership certificate. There is no dispute on the title of the property. There is no restriction on the enjoyment of the property by the company. Further, no guarantee or other loan agreement in relation to the land use rights and the buildings has been found. Chia Hsin Jingyang Cement Company Limited may lease, mortgage, assign or dispose of the property in accordance with the laws.

iv. According to the Company, Chia Hsin Jingyang Cement Company Limited is an indirectly wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
5.	Land and building located at Chengfeng Village, Gaozi Town, Dantu County, Jurong City, Jiangsu Province, the PRC	The property comprises a parcel of land having a site area of approximately 1,667 sq. m. together with a building erected thereon. The building has a total gross floor area of approximately 180 sq.m. completed in about 1999. The property is held with land use rights for a year term expiring on 7 January 2047.	The property is occupied by the Group as office.	RMB230,000 (equivalent to HK$236,440)

Notes:

i. According to the State-owned Land Use Rights Certificate Tu Guo Yong (2003) 051, the land use rights of the property having a total site area of approximately 1,666.67 sq.m. have been granted to 鎮江市丹徒區高資粘土有限責任公司(Zhenjiang City Dantu District Gaozi Clay Company Limited) for industrial uses for a term expiring on 7 January 2047.

ii. According to the Building Ownership Certificate Zhen Fang Quan Zheng Tu Zi No.74000306, the title of the building having a total gross floor area of approximately 179.99 sq.m. is vested in 鎮江市丹徒區高資粘土有限責任公司(Zhenjiang City Dantu District Gaozi Clay Company Limited).

iii. The PRC legal opinion states, inter alia, the follows:

1. Zhenjiang City Dantu District Gaozi Clay Company Limited has acquired the land use rights of the property via assignment from Chia Hsin Jingyang Cement Company Limited and obtained the land use rights certificate for the property.

2. Zhenjiang City Dantu District Gaozi Clay Company Limited legally owns the land use rights and the building held under building ownership certificate. There is no dispute on the title of the property. There is no restriction on the enjoyment of the land use rights and the building by the company. Further, no guarantee or other loan agreement in relation to the land use rights and the building has been found. Zhenjiang City Dantu District Gaozi Clay Company Limited may lease, mortgage, assign or disposed of the land use rights and the building in accordance with the laws.

iv. According to the Company, Zhenjiang City Dantu District Gaozi Clay Company Limited is a 93.3% owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
6.	Land and building located at Youzha Cu, Xiashu Town, Jurong City, Jiangsu Province, the PRC	The property comprises a parcel of land having a site area of approximately 1,659 sq.m. together with the buildings and associated structures erected thereon. The building has a total gross floor area of approximately 237 sq.m. completed in about 1998. The property is held with land use rights for a year term expiring on 31 December 2046.	The property is occupied by the Group as office.	RMB230,000 (equivalent to HK$236,440)

Notes:

i. According to the State-owned Land Use Rights Certificate Gou Tu GuoYong Zi 00394, the land use rights of the property having a total site area of approximately 1,659 sq.m. have been granted to 句容京達粘土有限公司(Jurong Jingda Clay Company Limited) for industrial uses for a term expiring on 31 December 2046.

ii. According to the Building Ownership Certificate Xia Shu Zhen Zi No.219600072, the title of the building having a total gross floor area of approximately 237.33 sq.m. is vested in 句容京達粘土有限公司(Jurong Jingda Clay Company Limited).

iii. The PRC legal opinion states, inter alia, the follows:

1. Jurong Jingda Clay Company Limited has acquired the land use rights of the property via assignment and obtained the land use rights certificate for the property. The company has fully settled the premium for the land use rights.

2. Jurong Jingda Clay Company Limited legally owns the land use rights and the building held under building ownership certificate. There is no dispute on the title of the property. There is no restriction on the enjoyment of the land use rights and the building by the company. Further, no guarantee or other loan agreement in relation to the land use rights and the building has been found. Jurong Jingda Clay Company Limited may lease, mortgage, assign or disposed of the land use rights and the building in accordance with the laws.

iv. According to the Company, Jurong Jingda Clay Company Limited is a 93.3% owned subsidiary of the Company.

Group II – Property interests rented and occupied by the Group in the PRC

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
7.	Flat F, 15th Level, Huawei Building, No.107 Shigu Road, Nanjing City, Jiangsu Province, the PRC	The property comprises an office unit on the 15th level of a 30-storey office building completed in about 2004. The property has a gross floor area of approximately 161.	The property is leased from 司惠民, an independent third party, to the Group for a term of 3 years from 1 January 2005, at a yearly rent of RMB99,000, exclusive of management fees and services charges. The property is occupied by the Group as office.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
8.	Unit 306, Puyang Building, No.83 Daqiaobei Road, Nanjing City, Jiangsu Province, the PRC	The property comprises an office unit on the third level of a 7-storey office building completed in about 2001. The property has a gross floor area of approximately 77 sq.m.	The property is leased from 南京維禧科技有限責任公司, an independent third party, to the Group for a term of 3 years from 1 July 2005 at a yearly rent of RMB29,600, exclusive of management fees and services charges. The property is occupied by the Group as office.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
9.	Unit 107 – 207, Block 4, No.16 Huangshannan Road, Zhenjiang City, Jiangsu Province, the PRC	The property comprises a commercial unit on the first and second levels of a 6-storey office building completed in about 2003. The property has a gross floor area of approximately 68.18 sq.m.	The property is leased from 冷國宏, an independent third party, to the Group for a term of 2 years from 15 April 2006 at a yearly rent of RMB36,000, exclusive of management fees and services charges. The property is occupied by the Group as office.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
10.	No.11-28, Yongning Garden, Beihuan Road, Changzhou City, Jiangsu Province, the PRC	The property comprises a commercial unit on the first and second levels of a 2-storey commercial building completed in about 2003. The property has a gross floor area of approximately 71.79 sq.m.	The property is leased from 黃培興, an independent third party, to the Group for a term of a year from 24 June 2007 at a yearly rent of RMB39,000, exclusive of management fees and services charges. The property is occupied by the Group as office.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
11.	No.7 Jiangyangdong Road, Yangzhou City, Jiangsu Province, the PRC	The property comprises an office unit on the first to third levels of a 3-storey office building completed in about 1995. The property has a gross floor area of approximately 125.12 sq.m.	The property is leased from 王安飛, an independent third party, to the Group, for a term of 3 years from 20 August 2005 at a yearly rent of RMB32,000, exclusive of management fees and services charges. The property is occupied by the Group as office.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable. There is no information on the issuance of the relevant building ownership certificate or the registration of the lease agreement made available to the PRC lawyer. If the lessor has not yet obtained the ownership certificate of the property nor registered the lease agreement with the authority, the relevant legal risks and responsibility should lie on the lessor. The Company will not take any extra legal liability in the absence of them.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
12.	Unit 302, Block 5, No.84 Yuqi Street, Yangzhou City, Jiangsu Province, the PRC	The property comprises a residential unit on the 3rd-level of a 5-storey residential building completed in about 1995. The property has a gross floor area of approximately 82.58 sq.m.	The property is leased from 張從海, an independent third party, to the Group for a term of 3 years from 20 August 2005 at a yearly rent of RMB16,000, exclusive of management fees and services charges. The property is occupied by the Group as staff quarters.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable. There is no information on the issuance of the relevant building ownership certificate or the registration of the lease agreement made available to the PRC lawyer. If the lessor has not yet obtained the ownership certificate of the property nor registered the lease agreement with the authority, the relevant legal risks and responsibility should lie on the lessor. The Company will not take any extra legal liability in the absence of them.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
13.	Unit 404, Block 15, Lianhua Yuan, Nantong City, Jiangsu Province, the PRC	The property comprises a residential unit on the 4th level of a 6-storey residential building completed in about 2001. The property has a gross floor area of approximately 128 sq.m.	The property is leased from 張志如, an independent third party, to the Group for a term of a year from 20 October 2006 at a monthly rent of RMB2,100, exclusive of management fees and services charges. The property is occupied by the Group as staff quarters/office.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable. There is no information on the issuance of the relevant building ownership certificate or the registration of the lease agreement made available to the PRC lawyer. If the lessor has not yet obtained the ownership certificate of the property nor registered the lease agreement with the authority, the relevant legal risks and responsibility should lie on the lessor. The Company will not take any extra legal liability in the absence of them.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
14.	Unit 204, Block 43, Jingxiujiangnan Area, Xiangcheng District, Suzhou, the PRC	The property comprises a unit on the 2nd level of a 12-storey composite building completed in about 2005. The property has a gross floor area of approximately 110 sq.m.	The property is leased from 童和安, an independent third party, to the Group for a term of a year from 26 March 2007 at a monthly rent of RMB1,060, exclusive of management fees and services charges. The property is occupied by the Group as office.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable. There is no information on the issuance of the relevant building ownership certificate or the registration of the lease agreement made available to the PRC lawyer. If the lessor has not yet obtained the ownership certificate of the property nor registered the lease agreement with the authority, the relevant legal risks and responsibility should lie on the lessor. The Company will not take any extra legal liability in the absence of them.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
15.	Unit 401, Block 32, Jingxiujiangnan Area, Xiangcheng District, Suzhou, the PRC	The property comprises a unit on the 4th level of a 7-storey composite building completed in about 2005. The property has a gross floor area of approximately 94 sq.m.	The property is leased from 沈琪, an independent third party, to the Group for a term of a year from 1 June 2007 at a monthly rent of RMB1,790, exclusive of management fees and services charges. The property is occupied by the Group as staff quarters.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable. There is no information on the issuance of the relevant building ownership certificate or the registration of the lease agreement made available to the PRC lawyer. If the lessor has not yet obtained the ownership certificate of the property nor registered the lease agreement with the authority, the relevant legal risks and responsibility should lie on the lessor. The Company will not take any extra legal liability in the absence of them.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
16.	No.1015 Mingzhou Road, Beilun District, Ningbo City, Zhejiang Province, the PRC	The property comprises a commercial unit on the first and second levels of a 5-storey office building completed in about 2003. The property has a gross floor area of approximately 108 sq.m.	The property is leased from 胡成珠, an independent third party, to the Group for a term of a year from 1 September 2006 at a yearly rent of RMB16,000, exclusive of management fees and services charges. The property is occupied by the Group as office.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
17.	Unit 208, Block 1, Furong Jiayuan, Xingan Town, Ningbo City, Zhejiang Province, the PRC	The property comprises a residential unit on the 2nd level of 5-storey residential building completed in about 2003. The property has a gross floor area of approximately 126 sq.m.	The property is leased from 顧德康, an independent third party, to the Group for a term of a year from 1 September 2006 at a yearly rent of RMB1,710, exclusive of management fees and services charges. The property is occupied by the Group as staff quarters.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
18.	Unit 1704, Block B, Junyue Building, Jiaojiang District, Taizhou City, Zhejiang Province, the PRC	The property comprises an office unit on the 17th level of a 25-storey office building completed in about 2003. The property has a gross floor area of approximately 58 sq.m.	The property is leased from 李靈飛, an independent third party, to the Group for a term of a year from 1 April 2007 at a yearly rent of RMB8,320, exclusive of management fees and services charges. The property is occupied by the Group as office.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
19.	Room 1401, Unit 2, Block 5, Dajing Chengshizhiguang, Jiaojiang District, Taizhou City, Zhejiang Province, the PRC	The property comprises a residential unit on the 14th level of a 25-storey residential building completed in about 2006. The property has a gross floor area of approximately 189 sq.m.	The property is leased from 鄭萬根, an independent third party, to the Group for a term of a year from 21 March 2007 at a yearly rent of RMB15,635.47, exclusive of management fees and services charges. The property is occupied by the Group as staff quarters.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
20.	No.109-1-2, Block K, Jianshe Garden, Wenzhou City, Zhejiang Province, the PRC	The property comprises a commercial unit on the first level of a 7-storey composite building completed in about 2003. The property has a gross floor area of approximately 82 sq.m.	The property is leased from 林詩健, an independent third party, to the Group for a term of a year from 1 November 2006 at a yearly rent of RMB54,300, exclusive of management fees and services charges. The property is occupied by the Group as office.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable. There is no information on the issuance of the relevant building ownership certificate or the registration of the lease agreement made available to the PRC lawyer. If the lessor has not yet obtained the ownership certificate of the property nor registered the lease agreement with the authority, the relevant legal risks and responsibility should lie on the lessor. The Company will not take any extra legal liability in the absence of them.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
21.	Unit G6-902, Daziran Garden, Shifu Road, Wenzhou City, Zhejiang Province, the PRC	The property comprises a residential unit on the 9th level of a 13-storey residential building completed in about 2004. The property has a gross floor area of approximately 137 sq.m.	The property is leased from 林青蘭, an independent third party, to the Group for a term of a year from 25 June 2007 at a yearly rent of RMB33,000, exclusive of management fees and services charges. The property is to be occupied by the Group as staff quarters.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable. There is no information on the issuance of the relevant building ownership certificate or the registration of the lease agreement made available to the PRC lawyer. If the lessor has not yet obtained the ownership certificate of the property nor registered the lease agreement with the authority, the relevant legal risks and responsibility should lie on the lessor. The Company will not take any extra legal liability in the absence of them.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
22.	Unit 104-1, Block 21, Section 9, Shangtumen, Wenzhou City, Zhejiang Province, the PRC	The property comprises a residential unit on the third level of a 6-storey residential building completed in about 1995. The property has a gross floor area of approximately 33 sq.m.	The property is leased from 孫焊生, an independent third party, to the Group for a term of a year from 15 November 2006 at a yearly rent of RMB8,800, exclusive of management fees and services charges. The property is occupied by the Group as staff quarters.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable. There is no information on the issuance of the relevant building ownership certificate or the registration of the lease agreement made available to the PRC lawyer. If the lessor has not yet obtained the ownership certificate of the property nor registered the lease agreement with the authority, the relevant legal risks and responsibility should lie on the lessor. The Company will not take any extra legal liability in the absence of them.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
23.	Nanan Village Saiqi Development, Fuan City, Fujian Province, the PRC	The property comprises a commercial unit on the first level of a 3-storey office building completed in about 2003. The property has a gross floor area of approximately 75 sq.m.	The property is leased from 福建正豐建材實業有限公司, an independent third party, to the Group for a term of a year from 1 September 2006 at a monthly rent of RMB602.5, exclusive of services charges. The property is occupied by the Group as office.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable. There is no information on the issuance of the relevant building ownership certificate or the registration of the lease agreement made available to the PRC lawyer. If the lessor has not yet obtained the ownership certificate of the property nor registered the lease agreement with the authority, the relevant legal risks and responsibility should lie on the lessor. The Company will not take any extra legal liability in the absence of them.

	Property	Description and Tenure	Particulars of occupancy	Capital Value in existing state as at 30 June 2007
24.	No.14, Block B, No. 2 Zhongxing Road, Saiqi District, Fuan City, Fujian Province, the PRC	The property comprises a residential unit on the first level of a 6-storey residential building completed in about 2005. The property has a gross floor area of approximately 120 sq.m.	The property is leased from 繆壇增, an independent third party, to the Group for a term of a year from 1 March 2007 at a monthly rent of RMB1,000, exclusive of management fees and services charges. The property is to be occupied by the Group as staff quarters.	No commercial value

Note:

According to the PRC legal opinion, the lease agreement is effective and legally enforceable.

1. RESPONSIBILITY

This Composite Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to TCCIH and the Offer.

The TCCIH Directors jointly and severally accept full responsibility for the accuracy of the information stated in this Composite Document (other than in relation to CHCGC, CHC Holding, CHPL, ICHC and the CHCGC Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained herein misleading.

2. SHARE CAPITAL

2.1 The TCCIH Shares are listed and traded on the Stock Exchange. No part of the TCCIH Shares are listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the TCCIH Shares being, or proposed to be sought, on any other stock exchange. As at the Latest Practicable Date, the authorised and issued share capital of TCCIH is as follows:

Authorised:		*HK$*
2,000,000,000	TCCIH Shares	200,000,000
Issued and fully paid or credited as fully paid:		
772,922,000	TCCIH Shares	77,292,200

TCC, a company incorporated in Taiwan and the securities of which are listed on the Taiwan Stock Exchange, is the ultimate parent company of TCCIH. TCC's wholly-owned subsidiary, TCCI, holds 567,518,000 TCCIH Shares representing approximately 73.43% of the issued share capital of TCCIH.

As at 31 December 2006, options for 11,500,000 TCCIH Shares were granted and outstanding pursuant to a former share option scheme. These options represent 1.49% of the total TCCIH Shares outstanding and may be exercised at any time through 30 March 2011. There is also a share option scheme adopted by TCCIH on 23 May 2006. No options under this new scheme have been granted. Other than the options granted pursuant to the aforesaid share option schemes, there are no other options, warrants and conversion rights affecting TCCIH Shares.

There has been no re-organisation of capital during the two financial years preceding the date of the Announcement.

All the TCCIH Shares rank pari passu in all respects as regards rights to dividends, voting and capital.

No TCCIH Shares have been issued or repurchased since 31 December 2006, being the end of the last financial year of TCCIH.

2.2 Assuming all CHCGC Shareholders validly elect to accept the Offer and on the basis that the number of CHCGC Shares in issue at the Latest Practicable Date is 1,142,900,000, a total of 519,448,050 New TCCIH Shares will be issued. The shareholding structure of TCCIH, both before and after the completion of the Offer, assuming the maximum number of New TCCIH Shares are issued, is as follows:

Name of Shareholder	**Prior to Completion of the Offer**		**After Completion of the Offer**	
	No. of TCCIH Shares held	*Approximate %*	*No. of TCCIH Shares held*	*Approximate %*
CHPL and ICHC	0	0.00%	374,738,886	29.00%
TCCI	567,518,000	73.43%	567,518,000	43.91%
Koo, Cheng-Yun Leslie	1,700,000	0.22%	1,700,000	0.13%
Wu Yih Chin	2,500,000	0.32%	2,500,000	0.19%
Public shareholders	201,204,000	26.03%	345,913,164	26.77%
Total	772,922,000	100.00%	1,292,370,050	100.00%

3. MARKET PRICES

3.1 TCCIH Shares

The table below shows the closing market prices for the TCCIH Shares as quoted on the Stock Exchange: (i) on the Latest Practicable Date; (ii) on the Last Trading Date; and (iii) at the end of each of the calendar months during the period commencing six months preceding the date of the Announcement and ending on the Latest Practicable Date.

Date	**TCCIH Share Price** *(HK$)*
29 December 2006	1.40
31 January 2007	1.38
28 February 2007	1.39
30 March 2007	1.43
30 April 2007	3.06
31 May 2007	5.20
Last Trading Date (11 June 2007)	4.98
29 June 2007	6.12
Latest Practicable Date (30 July 2007)	9.40

The highest and lowest closing market prices for the TCCIH Shares as quoted on the Stock Exchange for the period between 15 December 2006 (being the commencement of the six month period preceding the date of the Announcement) and the Latest Practicable Date were HK$10.86 recorded on 6 July 2007, and HK$1.30 recorded on 5 March 2007, respectively.

4. DISCLOSURE OF SHAREHOLDINGS IN CHCGC AND THE OFFEROR

CHCGC Shares

(a) As at the Latest Practicable Date, TCCIH does not own or control any CHCGC Shares.

(b) Save as disclosed in this paragraph 4(b), no TCCIH Directors or a party acting in concert with TCCIH owned or controlled, directly or indirectly, any CHCGC Shares as at the Latest Practicable Date:

Shareholder	Number of CHCGC Shares Held	Approximate Percentage of CHCGC Issued Share Capital
CHPL	814,000,000	71.22%
Chang Kang Lung, Jason(1)	7,140,000	0.62%
Chang Yung Ping, Johnny(2)	15,598,000	1.37%
Fu Ching Chuan(1)	372,000	0.03%
ICHC	10,508,000	0.92%

Notes:

(1) A director of CHC Holding.

(2) A director of CHC Holding and CHPL, an executive supervisor of TCC (acting on behalf of Tong Yang Chia Hsin International Corporation, a subsidiary of CHC Holding) and the father of Chang Kang Lung, Jason.

(c) Save as disclosed in this paragraph 4(c), there are no other persons who held CHCGC Shares and who, prior to the posting of this Composite Document, irrevocably committed themselves to accept or reject the Offer:

Shareholder	Number of CHCGC Shares Held	Approximate Percentage of CHCGC Issued Share Capital
CHPL	814,000,000	71.22%
ICHC	10,508,000	0.92%
Total	824,508,000	72.14%

TCCIH Shares

(d) Save as disclosed in this paragraph 4(d), no TCCIH Directors or a party acting in concert with TCCIH owned or controlled, directly or indirectly, any TCCIH Shares as at the Latest Practicable Date:

Shareholder	Number of TCCIH Shares held	Approximate percentage of TCCIH issued share capital
TCCI	567,518,000	73.43%
Koo, Cheng-Yun, Leslie	1,700,000	0.22%
Wu Yih Chin	2,500,000	0.32%

(e) Save as disclosed in paragraph 5(a) of this Appendix V, none of the TCCIH Directors (including their respective spouses, children under the age of 18, related trusts and companies controlled by any of them) was beneficially interested (as described in Part XV of the SFO) in, directly or indirectly, any TCCIH Shares as at the Latest Practicable Date.

(f) None of the persons who, prior to the posting of this Composite Document, have irrevocably committed themselves to accept or reject the Offer, owned or controlled, directly or indirectly, any TCCIH Shares as at the Latest Practicable Date.

5. FURTHER DISCLOSURE OF INTERESTS IN THE OFFEROR

(a) As at the Latest Practicable Date, the TCCIH Directors and the chief executive of TCCIH and their respective associates held the following interests and short positions in the shares, underlying shares and debentures of TCCIH and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to TCCIH and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to TCCIH and the Stock Exchange:

(i) Long Positions in TCCIH Shares

Name of TCCIH Director	Capacity and Nature of Interest	Number of TCCIH Shares Held	Approximate Percentage of Shareholding
Koo, Cheng-Yun, Leslie	Directly beneficially owned	1,700,000	0.22%
Wu Yih Chin	Directly beneficially owned	2,500,000	0.32%
Total		4,200,000	0.54%

(ii) Long Position in Shares and Underlying Shares of Associated Corporations

TCC [(1)]

Name of Director	Number of Shares Held, Capacity and Nature of Interest: Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	Approximate Percentage of Shareholding
Koo, Cheng-Yun, Leslie	31,326,286	91[(2)]	63,127,084[(3)]	94,453,461	2.945%
Wu Yih Chin	240,828	–	–	240,828	0.008%
Liao Poon Huai, Donald	11,274	705,198[(2)]	–	716,472	0.022%

Notes:

(1) TCC is the ultimate holding company of TCCIH.

(2) The shares in TCC are held by the respective TCCIH Directors' spouse as the registered and beneficial shareholders.

(3) Koo, Cheng-Yun, Leslie, together with his spouse, hold approximately 44% of the issued capital of a company which holds 63,127,084 shares of TCC.

(iii) Directors' Interest in Share Options Granted by TCCIH

Pursuant to a share option scheme adopted by TCCIH on 5 October 1997 (the "Scheme"), TCCIH had, on 31 March 2006, granted to certain TCCIH Directors the rights to subscribe for TCCIH Shares at an exercise price of HK$1.266 per TCCIH Share exercisable during the period from 1 October 2006 to 30 March 2011 (both days inclusive).

The following table discloses the details of the above grant of share options to TCCIH Directors under the Scheme:

Name of Directors	Date of Grant	Exercise Price *(HK$)*	Exercise Period[1]	Outstanding at Beginning of Year and Up to the Latest Practicable Date	Approximate Percentage of Shareholding
Koo, Cheng-Yun, Leslie	31 March 2006	1.266	1 October 2006 to 30 March 2011	5,000,000	0.65%
Wu Yih Chin	31 March 2006	1.266	1 October 2006 to 30 March 2011	1,500,000	0.19%
Total				6,500,000	0.84%

Note:

(1) The exercisable period commences on the date falling six months after the date of grant of an option and expiring at the close of business on the day falling immediately prior to the fifth anniversary of the date of grant in respect of such option.

(b) Save as disclosed in paragraph 4 and 5 of this Appendix, as at the Latest Practicable Date:

(i) none of the TCCIH Directors and the chief executive of TCCIH and their respective associates held any interests or short positions in the shares, underlying shares and debentures of TCCIH or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to TCCIH and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to TCCIH and the Stock Exchange;

(ii) there are no existing or proposed service contracts between any of the TCCIH Directors or proposed TCCIH Directors and TCCIH, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation);

(iii) none of the TCCIH Directors and their respective associates had an interest in any business which competes or is likely to compete, either directly or indirectly, with the principal businesses of the TCCIH Group;

(iv) none of the TCCIH Directors has any interest, direct or indirect, in any assets which have, since 31 December 2006, being the date to which the latest published audited accounts of the TCCIH Group were made up, been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(v) none of the TCCIH Directors was materially interested in any contract which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group taken as a whole.

(c) As at the Latest Practicable Date, according to the register kept by TCCIH pursuant to Section 336 of the SFO and, so far as was known to the directors or chief executive of TCCIH, the persons or entities, other than a director or chief executive of TCCIH, who had an interest or a short position in the shares or the underlying shares of TCCIH which would fall to be disclosed to TCCIH under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of TCCIH, or of any other company which is a subsidiary of TCCIH, or in any options in respect of such share capital were as follows:

(i) Substantial Shareholders' Interest in TCCIH Shares

Name of Shareholder	Capacity and Nature of Interest	Number of TCCIH Shares Held	Approximate Percentage of Shareholding
TCCI	Directly beneficially owned	567,518,000	73.43%
TCC[1]	Through a controlled corporation	567,518,000	73.43%

Notes:

(1) TCC is interested in the TCCIH Shares by virtue of its beneficial ownership of the entire issued share capital of TCCI.

(2) All the interests stated above represent long positions.

(ii) Substantial Shareholders' Interest in Shares of Subsidiaries of TCCIH

(a) Anhui King Bridge Cement Co., Ltd.

Name of Equity Holder	Equity Interest Held	Approximate Percentage of Equity Holding
Anhui Conch Cement Company Limited	US$6,000,000	40%

(b) TCC Liuzhou

Name of Equity Holder	Equity Interest Held	Approximate Percentage of Equity Holding
Guangxi Liuzhou Steel (Group) Corporation	US$5,400,000	40%

(c) Chiefolk Company Limited

Name of Equity Holder	Equity Interest Held	Approximate Percentage of Equity Holding
Top Form Construction Limited	HK$300,000	30%

Save as disclosed in paragraph 5 of this Appendix, so far as is known to the directors or chief executive of TCCIH, as at the Latest Practicable Date, no person (not being a director or chief executive of TCCIH) had an interest or a short position in the shares or the underlying shares of TCCIH which would fall to be disclosed to TCCIH under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of TCCIH, or of any other company which is a subsidiary of TCCIH, or in any options in respect of such share capital.

6. DEALINGS IN TCCIH SHARES

6.1 Save as disclosed in paragraph 6.3 below, neither (i) TCCIH nor any party acting in concert with TCCIH and (ii) none of the TCCIH Directors (including their respective spouses, children under the age of 18, related trusts and companies controlled by any of them) has dealt for value in any TCCIH Shares, options, warrants, derivatives or any securities convertible into TCCIH Shares during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

6.2 No persons who, prior to the posting of this Composite Document, have irrevocably committed themselves to accept or reject the Offer has dealt for value in any TCCIH Shares, options, warrants, derivatives or any securities convertible into TCCIH Shares during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

6.3 The following are the dealings in TCCIH Shares during the period beginning 6 months prior to the date of the Announcement and ending on the Latest Practicable Date conducted by Morgan Stanley (other than exempt fund managers), but excluding dealings on an agency or non-discretionary basis and certain dealings by Morgan Stanley during the period commencing on the date of the Announcement which the Executive has permitted to be continued but subject to private disclosure during such period under the Takeovers Code:

Dealings in Shares

Parties	**Trade Date**	**Number of TCCIH Shares Bought**	**Number of TCCIH Shares Sold**	**Dealing Price per Share** *(HK$)*
MSIL	15/05/2007	196,000		3.46
MSIL	16/05/2007	284,000		3.63
MSIL	17/05/2007	284,000		3.66
MSIL	18/05/2007	284,000		3.55
MSIL	21/05/2007	284,000		3.81
MSIL	22/05/2007	184,000		4.27
MSIL	25/06/2007		6,000	6.08
MSIL	25/06/2007		46,000	6.07
MSIL	25/06/2007		26,000	6.06
MSIL	25/06/2007		12,000	6.05
MSIL	25/06/2007		14,000	6.03

Parties	Trade Date	Number of TCCIH Shares Bought	Number of TCCIH Shares Sold	Dealing Price per Share *(HK$)*
MSIL	25/06/2007		12,000	6.02
MSIL	25/06/2007		134,000	6.01
MSIL	26/06/2007		4,000	6.02
MSIL	26/06/2007		12,000	6.01
MSIL	26/06/2007		20,000	6.00
MSIL	26/06/2007		10,000	5.99
MSIL	26/06/2007		4,000	5.98
MSIL	26/06/2007		4,000	5.96
MSIL	26/06/2007		12,000	5.95
MSIL	26/06/2007		12,000	5.94
MSIL	26/06/2007		8,000	5.92
MSIL	26/06/2007		14,000	5.91
MSIL	26/06/2007		40,000	5.90
MSIL	26/06/2007		10,000	5.89
MSIL	27/06/2007		4,000	5.62
MSIL	27/06/2007		14,000	5.66
MSIL	27/06/2007		36,000	5.67
MSIL	27/06/2007		32,000	5.68
MSIL	27/06/2007		4,000	5.69
MSIL	27/06/2007		14,000	5.70
MSIL	27/06/2007		4,000	5.71
MSIL	27/06/2007		12,000	5.72
MSIL	27/06/2007		14,000	5.73
MSIL	27/06/2007		4,000	5.74
MSIL	27/06/2007		4,000	5.76
MSIL	27/06/2007		4,000	5.77
MSIL	27/06/2007		4,000	5.78
MSIL	28/06/2007		4,000	5.90
MSIL	28/06/2007		4,000	5.92
MSIL	28/06/2007		8,000	5.93
MSIL	28/06/2007		2,000	5.94
MSIL	28/06/2007		20,000	5.95
MSIL	28/06/2007		20,000	5.96
MSIL	28/06/2007		4,000	5.97
MSIL	28/06/2007		4,000	5.99
MSIL	28/06/2007		4,000	6.00

Parties	Trade Date	Number of TCCIH Shares Bought	Number of TCCIH Shares Sold	Dealing Price per Share *(HK$)*
MSIL	28/06/2007		4,000	6.01
MSIL	28/06/2007		14,000	6.02
MSIL	28/06/2007		16,000	6.03
MSIL	28/06/2007		8,000	6.04
MSIL	28/06/2007		20,000	6.05
MSIL	28/06/2007		4,000	6.06
MSIL	28/06/2007		4,000	6.07
MSIL	28/06/2007		4,000	6.08
MSIL	28/06/2007		4,000	6.12
MSIL	28/06/2007		2,000	6.15
MSIL	29/06/2007		10,000	6.13
MSIL	29/06/2007		54,000	6.12
MSIL	29/06/2007		48,000	6.11
MSIL	29/06/2007		10,000	6.10
MSIL	29/06/2007		8,000	6.09
MSIL	29/06/2007		16,000	6.08
MSIL	29/06/2007		4,000	6.07
MSIL	03/07/2007		12,000	6.66
MSIL	03/07/2007		12,000	6.65
MSIL	03/07/2007		4,000	6.63
MSIL	03/07/2007		4,000	6.61
MSIL	03/07/2007		8,000	6.60
MSIL	03/07/2007		12,000	6.59
MSIL	03/07/2007		4,000	6.54
MSIL	03/07/2007		4,000	6.38
MSIL	03/07/2007		12,000	6.34
MSIL	03/07/2007		14,000	6.33
MSIL	03/07/2007		20,000	6.32
MSIL	03/07/2007		12,000	6.30
MSIL	03/07/2007		4,000	6.28
MSIL	03/07/2007		8,000	6.25
MSIL	03/07/2007		8,000	6.24
MSIL	03/07/2007		4,000	6.23
MSIL	03/07/2007		4,000	6.22
MSIL	03/07/2007		4,000	6.20
MSIL	04/07/2007		4,000	7.95

Parties	Trade Date	Number of TCCIH Shares Bought	Number of TCCIH Shares Sold	Dealing Price per Share *(HK$)*
MSIL	04/07/2007		4,000	7.90
MSIL	04/07/2007		2,000	7.85
MSIL	04/07/2007		8,000	7.84
MSIL	04/07/2007		12,000	7.80
MSIL	04/07/2007		2,000	7.79
MSIL	04/07/2007		8,000	7.78
MSIL	04/07/2007		4,000	7.76
MSIL	04/07/2007		6,000	7.75
MSIL	04/07/2007		4,000	7.74
MSIL	04/07/2007		4,000	7.72
MSIL	04/07/2007		10,000	7.70
MSIL	04/07/2007		4,000	7.69
MSIL	04/07/2007		2,000	7.68
MSIL	04/07/2007		4,000	7.66
MSIL	04/07/2007		6,000	7.60
MSIL	04/07/2007		12,000	7.58
MSIL	04/07/2007		4,000	7.52
MSIL	04/07/2007		8,000	7.50
MSIL	04/07/2007		4,000	7.32
MSIL	04/07/2007		4,000	7.24
MSIL	04/07/2007		4,000	7.18
MSIL	04/07/2007		4,000	7.16
MSIL	04/07/2007		2,000	7.15
MSIL	04/07/2007		4,000	7.13
MSIL	04/07/2007		4,000	7.12
MSIL	04/07/2007		4,000	7.10
MSIL	04/07/2007		4,000	6.85
MSIL	04/07/2007		4,000	6.80
MSIL	04/07/2007		4,000	6.78
MSIL	05/07/2007		2,000	8.62
MSIL	05/07/2007		4,000	8.50
MSIL	05/07/2007		4,000	8.48
MSIL	05/07/2007		4,000	8.45
MSIL	05/07/2007		4,000	8.39
MSIL	05/07/2007		8,000	8.19
MSIL	05/07/2007		4,000	8.18

Parties	Trade Date	Number of TCCIH Shares Bought	Number of TCCIH Shares Sold	Dealing Price per Share *(HK$)*
MSIL	05/07/2007		8,000	8.17
MSIL	05/07/2007		4,000	8.15
MSIL	05/07/2007		12,000	8.14
MSIL	05/07/2007		12,000	8.10
MSIL	05/07/2007		12,000	8.09
MSIL	05/07/2007		4,000	8.08
MSIL	05/07/2007		8,000	8.06
MSIL	05/07/2007		4,000	8.05
MSIL	05/07/2007		20,000	8.04
MSIL	05/07/2007		4,000	8.02
MSIL	05/07/2007		8,000	8.01
MSIL	05/07/2007		8,000	8.00
MSIL	05/07/2007		8,000	7.99
MSIL	05/07/2007		4,000	7.95
MSIL	05/07/2007		4,000	7.94
MSIL	06/07/2007		2,000	10.80
MSIL	06/07/2007		2,000	10.66
MSIL	06/07/2007		4,000	10.64
MSIL	06/07/2007		2,000	10.62
MSIL	06/07/2007		10,000	10.60
MSIL	06/07/2007		2,000	10.58
MSIL	06/07/2007		2,000	10.52
MSIL	06/07/2007		4,000	10.50
MSIL	06/07/2007		2,000	10.48
MSIL	06/07/2007		4,000	10.46
MSIL	06/07/2007		2,000	10.38
MSIL	06/07/2007		2,000	10.36
MSIL	06/07/2007		2,000	10.34
MSIL	06/07/2007		4,000	10.32
MSIL	06/07/2007		2,000	10.30
MSIL	06/07/2007		2,000	10.28
MSIL	06/07/2007		2,000	10.26
MSIL	06/07/2007		2,000	10.24
MSIL	06/07/2007		4,000	10.22
MSIL	06/07/2007		2,000	10.20
MSIL	06/07/2007		4,000	10.18

Parties	Trade Date	Number of TCCIH Shares Bought	Number of TCCIH Shares Sold	Dealing Price per Share *(HK$)*
MSIL	06/07/2007		2,000	10.10
MSIL	06/07/2007		4,000	10.04
MSIL	06/07/2007		4,000	10.02
MSIL	06/07/2007		2,000	10.00
MSIL	06/07/2007		2,000	9.99
MSIL	06/07/2007		4,000	9.98
MSIL	06/07/2007		2,000	9.95
MSIL	06/07/2007		2,000	9.93
MSIL	06/07/2007		2,000	9.90
MSIL	06/07/2007		2,000	9.72
MSIL	06/07/2007		2,000	9.66
MSIL	06/07/2007		2,000	9.41
MSIL	06/07/2007		2,000	9.21
MSIL	06/07/2007		8,000	8.99
MSIL	06/07/2007		12,000	8.90
MSIL	06/07/2007		4,000	8.85
MSIL	06/07/2007		4,000	8.82
MSIL	06/07/2007		8,000	8.80
MSIL	06/07/2007		4,000	8.79
MSIL	06/07/2007		4,000	8.78
MSIL	06/07/2007		4,000	8.77
MSIL	06/07/2007		8,000	8.75
MSIL	09/07/2007		2,000	10.20
MSIL	09/07/2007		2,000	10.04
MSIL	09/07/2007		2,000	10.02
MSIL	09/07/2007		4,000	10.00
MSIL	09/07/2007		2,000	9.99
MSIL	09/07/2007		2,000	9.89
MSIL	09/07/2007		2,000	9.88
MSIL	09/07/2007		2,000	9.84
MSIL	09/07/2007		2,000	9.79
MSIL	09/07/2007		2,000	9.75
MSIL	09/07/2007		2,000	9.72
MSIL	09/07/2007		6,000	9.58
MSIL	09/07/2007		2,000	9.55

Parties	Trade Date	Number of TCCIH Shares Bought	Number of TCCIH Shares Sold	Dealing Price per Share *(HK$)*
MSIL	09/07/2007		2,000	9.54
MSIL	09/07/2007		2,000	9.53
MSIL	09/07/2007		4,000	9.50
MSIL	09/07/2007		8,000	9.48
MSIL	09/07/2007		2,000	9.45
MSIL	09/07/2007		2,000	9.40
MSIL	09/07/2007		2,000	9.38
MSIL	09/07/2007		2,000	9.36
MSIL	09/07/2007		2,000	9.34
MSIL	09/07/2007		2,000	9.32
MSIL	09/07/2007		2,000	9.20
MSIL	09/07/2007		2,000	9.17
MSIL	09/07/2007		2,000	9.16

Note:

(1) "MSIL" refers to "Morgan Stanley & Co. International plc".

7. DEALINGS IN CHCGC SHARES

7.1 Neither (i) TCCIH nor any party acting in concert with TCCIH and (ii) none of the TCCIH Directors (including their respective spouses, children under the age of 18, related trusts and companies controlled by any of them) has dealt for value in any CHCGC Shares, options, warrants, derivatives or any securities convertible into CHCGC Shares during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

7.2 No persons who, prior to the posting of this Composite Document, have irrevocably committed themselves to accept or reject the Offer has dealt for value in any CHCGC Shares, options, warrants, derivatives or any securities convertible into CHCGC Shares during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

8. DIRECTORS AND SENIOR MANAGEMENT OF THE OFFEROR

Details of the directors and senior management of TCCIH are as follows:

Board of Directors

Executive Directors

Mr. Koo, Cheng-Yun, Leslie

Mr. Koo, aged 52, is the Chairman of TCCIH and is responsible for the overall policy and direction of the TCCIH Group. He became a Director of Hong Kong Cement Manufacturing Company Limited (which carried on the TCCIH Group cement business in Hong Kong prior to the TCCIH Group's re-organisation in September 1997) in July 1991. He is also the vice-chairman of Quon Hing Concrete Company Limited ("Quon Hing") and Director of Hong Kong Concrete Company Limited ("Hong Kong Concrete"), both being associated companies of TCCIH. He holds a bachelor degree in Accounting from the University of Washington and a MBA degree from the Wharton School of the University of Pennsylvania, the USA. He is currently the Chairman and president of TCC, the ultimate holding company of TCCIH. Mr. Koo serves as a Director of Taiwan Stock Exchange Corporation, the Chairman of China Synthetic Rubber Co., Ltd., a Director of China Steel Chemical Co., Ltd., a Director of CTCI Corporation, a managing Director of Industrial Bank of Taiwan, the Chairman of Synpac (N.C.) Limited, USA and the Chairman of Continental Carbon Company, USA. TCC, China Synthetic Rubber Co., Ltd., CTCI Corporation, Industrial Bank of Taiwan and China Steel Chemical Co., Ltd. are companies listed on the Taiwan Stock Exchange Corporation.

Mr. Wu Yih Chin

Mr. Wu, aged 52, is the Managing Director of TCCIH, the deputy managing Director of Hong Kong Concrete and a Director of Quon Hing and Yargoon Company Limited. He joined the TCCIH Group in November 1993. Mr. Wu is responsible for overall management, strategic planning and business development for the TCCIH Group. He holds a bachelor's degree in business administration from National Cheng Chi University, Taiwan, and a MBA degree from the Wharton School of the University of Pennsylvania, the USA. He has more than 20 years of experience in cement-related businesses.

Non-executive Directors

Mr. Kao, Teh-Jung

Mr. Kao, aged 54, started his career with Ford Motor Company, after obtaining a bachelor's degree in Accounting from National Cheng-Kung University of Taiwan. After his 13 years career in several multinational companies (such as Ford Motor Company – Taiwan and Philips Taiwan group), he joined Primax Technology Corporation ("Primax"), the top 3 image product producer in Taiwan. From December 1990 to December 1999, Mr. Kao was the Chief Financial Officer and Senior Vice President of Primax. Then he joined Pre-vision Technology Corp., a subsidiary of Primax specializing in ERP consulting service, as Executive Director. He is currently the group Chief Financial Officer and Senior Vice President of TCC and director of various subsidiaries of TCC.

Dr. Shan Weijian

Dr. Shan, aged 53, is currently a Partner of TPG Capital Limited. Mr. Shan serves on the board of directors of TCC, BOC Hong Kong (Holdings) Limited, Lenovo Group Limited, China Unicom Limited, Shenzhen Development Bank Co., Ltd and Taishin Financial Holdings Co., Ltd. He has been an independent non-executive Director of TCCIH since August 1997. Prior to 1993, Dr. Shan was a professor at the Wharton School of the University of Pennsylvania, US. He received his Ph.D. from UC Berkeley.

Independent Non-executive Directors

Mr. Liao Poon Huai, Donald C.B.E., J.P.

Mr. Liao, aged 77, has been an independent non-executive director of TCCIH since August 1997. He was educated at the University of Hong Kong and the University of Durham, the United Kingdom. He is a senior advisor to Mitsui & Co (HK) Limited. He retired from the Hong Kong civil service in 1989 and was the former secretary for District Administration and the Secretary for Home Affairs. He served as non-executive Director of the Hong Kong and Shanghai Banking Corporation Limited and the HSBC China Fund Limited. He also served on the Council of the Stock Exchange between 1991 and 1995. Mr. Liao was also appointed as an Official Member of the Hong Kong Legislative Council in 1980 and of the Hong Kong Executive Council in 1985.

Dr. Chih Ching Kang, Kenneth

Dr. Chih, aged 53, was a Director and the Chief Information Officer of Orient Overseas Container Line Ltd., a subsidiary of Orient Overseas (International) Limited ("OOCL") which is a company listed on the Main Board of the Stock Exchange. He also served as Director and Chief Information Officer and executive committee member of the board of directors of OOCL and was globally responsible for IT strategy, information systems development, information technology infrastructure, business process and ISO9000 facilitation. Dr. Chih also served as a Director of several OOCL subsidiary companies such as CargoSmart Limited and IRIS Systems Limited. Before joining OOCL in 1993, Dr. Chih was the Senior Principal at American Airlines Decision Technologies. He retired from OOCL Group in 2006. Dr. Chih also had extensive consulting experience in the US railroad transportation industry. Dr. Chih received an M.A. and a Ph.D. from Princeton University, an M.S. from the University of Texas at Austin and a B.S. from National Taiwan University.

Mr. Shieh, Jen-Chung, Roger

Mr. Shieh, aged 49, started his career with Ogilvy & Mather Advertising Taiwan since 1982. In 1999, he became Managing Director of Enterprise IG, a consultancy company and a subsidiary of one of the world's largest communications group, WPP Group plc. In 2001, Mr. Shieh was relocated to Shanghai to set up Enterprise IG China and further developed its business and operations in the Greater China Region. He retired from WPP Group plc in 2005. Mr. Shieh has over 20 years of experience in advertising, public relations, corporate image and identity management.

Senior Management

Mr. Yu, Shuang-Fu
President of TCC Fuzhou Cement Company Limited

Mr. Yu, aged 50, holds a bachelor's degree in the Department of Business from National Open University in Taiwan, and joined TCC in 1979. He has more than 25 years of experience in cement-related businesses. He joined the TCCIH Group in October 2005.

Mr. Lu, Ker-Fu
President of TCC Yingde Cement Company Limited

Mr. Lu, aged 53, holds a bachelor's degree in mechanical engineering from Tamkang University, Taiwan and joined TCC in 1977. He has more than 30 years of experience in cement and engineering businesses, and had worked in the head office and cement plants of TCC before joining the TCCIH Group in April 2007.

Mr. Liu, Chung-Jung
President of Anhui King Bridge Cement Company Limited

Mr. Liu, aged 42, holds a bachelor's degree in industrial engineering from the Taiwan Technical University, and joined TCC in 1991. He had worked in the TCC's Taipei factory and was responsible for sales, materials and factory management. He joined the TCCIH Group in March 2007.

Mr. Zhou Li
President of TCC Liuzhou

Mr. Zhou, aged 58, holds a bachelor's degree in mechanical engineering from Provincial Kaohsiung Institute of Technology. Mr. Zhou joined TCC in 1973. He has acquired practical experience through holding various posts responsible for mechanical repair and maintenance, plant construction planning, standardised plant operation and advanced plant management. He joined the TCCIH Group in April 2007.

Miss Kwok Pui Ha
Financial Controller and Company Secretary of the TCCIH Group

Miss Kwok, aged 38, joined the TCCIH Group as the financial controller and company secretary in October 2005 and is responsible for the financial control over the TCCIH Group. She holds a bachelor's degree in Accountancy from City University of Hong Kong and is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Prior to joining the TCCIH Group, she served in the senior management and as financial controller in several listed companies and had seven years of auditing experience with an international accounting firm.

Mr. Chi, Jung-Kun
Business Development Manager of the TCCIH Group

Mr. Chi, aged 47, has also been the financial controller of Quon Hing since June 1995. He holds a bachelor's degree in business administration from National Chung Hsin University, Taiwan, and a master's degree in business management from the Asian Institute of Management, the Philippines. He has more than 20 years of working experience in cement-related businesses.

9. INDEBTEDNESS, CONTINGENCIES AND COMMITMENTS

As at the close of business on 31 May 2007, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, the TCCIH Group had outstanding bank borrowings of approximately HK$1,632.0 million in aggregate. These bank loans comprised bank loans of approximately HK$1,584.0 million which were secured by corporate guarantees from TCCIH or its subsidiary(ies). As at 31 May 2007, the TCCIH Group had an outstanding amount due to minority shareholders in the amount of HK$17.6 million.

Save as aforesaid or otherwise disclosed in this paragraph 9 and apart from intra-group liabilities, the TCCIH Group did not have any mortgages, charges, debentures or other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, hire-purchase or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities outstanding at the close of business on 31 May 2007. The TCCIH Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities or the financial and trading position of the Group since 31 May 2007.

10. WORKING CAPITAL

Taking into account of the Enlarged Group's internal resources, presently available banking and other facilities and the effect of the Offer and Very Substantial Acquisition, and in the absence of unforeseen circumstances, the TCCIH Directors are of the opinion that the Enlarged Group will have sufficient working capital to meet its present requirements and for the next 12 months from the date of this Composite Document.

11. LITIGATION

As at the Latest Practicable Date, neither TCCIH nor any member of the TCCIH Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the TCCIH Directors to be pending or threatened by or against TCCIH or any member of the TCCIH Group.

12. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the TCCIH Group after the date two years before the commencement of the offer period (being 14 June 2007) up to and including the Latest Practicable Date, and are or may be material:

(a) the Irrevocable Undertaking;

(b) the turnkey agreement dated 20 November 2006 entered into between TCC Yingde and Sinoma International Engineering Co., Ltd. ("Sinoma") pursuant to which TCC Yingde agreed to appoint Sinoma as the main contractor for the design and construction of the two new Dry-Process Cement Production Lines and Ancillary Facilities with a daily clinker production capacity of 6,000 metric tonnes each. The consideration payable by TCC Yingde is a fixed turnkey fee of RMB908,800,000;

(c) the turnkey agreement dated 18 May 2007 entered into between TCC Yingde and Sinoma pursuant to which TCC Yingde agreed to appoint Sinoma as the main contractor for design and construction of two electrical generation units for electricity generation with respect to the four-dry process cement production lines owned by TCC Yingde with a daily clinker production capacity of 6,000 metric tonnes each. The consideration payable by TC Yingde is a fixed turnkey fee of RMB324,744,000; and

(d) the agreement dated 10 July 2007 entered into between TCC Hong Kong Cement (International) Limited ("TCC HK International"), a wholly-owned subsidiary of TCCIH, and the People's Government of Gaoming District, Foshan City, Guangdong province, pursuant to which TCC HK International has conditionally agreed that it or its subsidiary will set up a wholly foreign-owned enterprise in Gaoming District, Foshan City with a proposed total investment in the sum of RMB500,000,000 (approximately HK$510,204,082) for the construction of a new clinker and cement transit center and four cement grinding production lines.

13. CONSENTS

Each of Morgan Stanley and Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter (s) and references to its name in the form and context in which they respectively appear.

The following are the qualifications of such experts who have given opinion or advice which are contained in this Composite Document:

Name	Qualification
Morgan Stanley	a licensed corporation under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities
Deloitte Touche Tohmatsu	certified public accountants

14. MATERIAL CHANGES

The TCCIH Directors are not aware of any material changes in the financial or trading position or outlook of TCCIH subsequent to 31 December 2006, the date to which the last published audited accounts of the TCCIH Group were made up, up to and including the Latest Practicable Date.

15. MISCELLANEOUS

(a) The registered office address of TCCIH is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands and its principal place of business in Hong Kong is 16th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong.

(b) TCC, a company incorporated in Taiwan and the securities of which are listed on the Taiwan Stock Exchange, is the ultimate parent company of TCCIH. TCC's wholly-owned subsidiary, TCCI, holds 567,518,000 TCCIH Shares representing approximately 73.43% of the issued share capital of TCCIH. The directors of TCC are Koo, Cheng-Yun, Leslie, Chang An Ping, Nelson, Yeh Ming-Hsun, Lin Chia-Cheng, Chen Chien-Tong, Chang Yong, Chen Teh-Jen, Chang Yao-Tang, Lo Chin-Ming, Wu Tong Sheng, Hsieh Chi-Chia, Yu Tzun-Yen, Lin Chiou-Chin, Shan Weijian and Lin Nan-Chou.

(c) CHC Holding, a company incorporated in Taiwan and the securities of which are listed on the Taiwan Stock Exchange, is the ultimate parent company of CHCGC. The directors of CHC Holding are Chang Yung Ping, Chang An Ping, Nelson, Chang Kang Lung, Jason, Koo, Cheng-Yun, Leslie, Lin Cheng I, Chen Chi Te, Fu Ching Chuan, Chi Shih Chu, and Wang Li Shin, Elizabeth. CHC Holding is directly and indirectly interested in approximately 98.08% in CHPL and is directly and indirectly interested in approximately 39.51% of the equity interests in ICHC. CHPL and ICHC hold 814,000,000 CHCGC Shares and 10,508,000 CHCGC Shares respectively, representing in aggregate approximately 72.14% of the issued share capital of CHCGC. The directors of CHPL are Chang Yung Ping and Chang An Ping, Nelson and the directors of ICHC are Chang Yung Ping, Chang An Ping, Nelson, Wang Chien Kuo, Robert, Li Chin Shu and Chang Hsiao Ping.

(d) The address of Morgan Stanley is 30th Floor, Three Exchange Square, Central, Hong Kong.

(e) CHC Holding, CHPL and ICHC are parties acting in concert with TCCIH, TCC and TCCI for purposes of the Offer as they are actively co-operating to obtain or consolidate control of CHCGC through the acquisition by TCCIH of voting rights of CHCGC.

(f) Any person who, alone or acting together with any other person(s) pursuant to an agreement or understanding (whether formal or informal) to acquire or control securities of CHCGC, owns or control 5% or more of any class of securities of CHCGC, including a person who as a result of any transaction owns or controls 5% or more of any class of securities of CHCGC, is generally required under the provisions of Rule 22 of the Takeovers Code to notify the Stock Exchange and the Executive of every dealing in such securities during the offer period of the Offer. Please consult your financial adviser, legal adviser and/or other professional advisers immediately if you believe this rule may be applicable to you.

(g) As at the Latest Practicable Date, no agreements, arrangements or understandings (including any compensation arrangement) exists between TCCIH or any person acting in concert with it and any of the CHCGC Directors, recent CHCGC Directors, and holders or recent holders of the CHCGC Shares which has any connection with or is dependent upon the Offer.

(h) Unless otherwise required by the Listing Rules with regard to the public float requirements, the Offeror has no intention to charge, pledge or transfer the CHCGC Shares acquired in pursuance of the Offer to any other persons.

(i) As at the Latest Practicable Date, no benefit (save for any statutory compensation required under appropriate laws) would be given to any director of CHCGC as compensation for loss of office or otherwise in connection with the Offer.

(j) The emoluments of the directors of the Offeror will not be affected by the acquisition of CHCGC Shares in connection with the Offer or by any other associated transaction.

(k) There is no arrangement of the kind referred to in Note 8 of Rule 22 of the Takeovers Code between the Offeror, parties acting in concert with the Offeror, or any associate of the Offeror, and any other person.

(l) TCCIH is not a party to any agreements or arrangements under which TCCIH may or may not invoke or seek to invoke a condition to the Offer.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of TCCIH at 16th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong between 9:00 a.m. to 6:00 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong) up to the close of the Offer:

(a) the memorandum and the articles of association of TCCIH;

(b) the annual reports of TCCIH for the two financial years ended 31 December 2005 and 31 December 2006;

(c) the TCCIH Letter;

(d) the Morgan Stanley Letter;

(e) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this Composite Document;

(f) the accountants' report from Deloitte Touche Tohmatsu dated 2 August 2007 in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this Composite Document;

(g) the comfort letter from Morgan Stanley, the text of which is set out in Appendix IV to this Composite Document;

(h) the material contracts referred to in the section headed "Material Contracts" in this Appendix, including the Irrevocable Undertaking;

(i) the written consents referred to in the section headed "Consents" in this Appendix; and

(j) this Composite Document and the Form of Acceptance.

The above documents can be viewed on the website of (i) the Securities and Futures Commission – www.sfc.hk; and (ii) TCCIH – www.tcchk.com as from the date of this Composite Document until the closing date of the Offer.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to CHCGC.

The CHCGC Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than in relation to TCCIH, TCC, TCCI and the TCCIH Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained herein misleading.

2. SHARE CAPITAL

The CHCGC Shares are listed and traded on the Stock Exchange. No part of the CHCGC Shares are listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the CHCGC Shares being, or proposed to be sought, on any other stock exchange. As at the Latest Practicable Date, the authorised and issued share capital of CHCGC are as follows:

Authorised:		*US$*
100,000,000,000	CHCGC Shares	1,000,000,000
Issued and fully paid or credited as fully paid:		
1,142,900,000	CHCGC Shares	11,429,000

CHC Holding, a company incorporated in Taiwan and the securities of which are listed on the Taiwan Stock Exchange, is the ultimate parent company of CHCGC. CHC Holding is directly and indirectly interested in approximately 98.08% in CHPL and is directly and indirectly interested in approximately 39.51% of the equity interests in ICHC. CHPL and ICHC hold 814,000,000 CHCGC Shares and 10,508,000 CHCGC Shares, respectively, representing in aggregate approximately 72.14% of the issued share capital of CHCGC.

Other than the CHCGC Shares, there are no other classes of securities in the share capital of CHCGC in issue. All the CHCGC Shares rank pari passu in all respects as regards rights to dividends, voting and capital.

CHCGC has a share option scheme in place which enables CHCGC to grant options to employees, executives or officers, directors of CHCGC or any of its subsidiaries and any business consultants, agents, legal or financial advisers of CHCGC or any of its subsidiaries, who in the sole discretion of the CHCGC Board, will contribute or have contributed to CHCGC and/or any of its subsidiaries. As at the Latest Practicable Date, no options have been granted pursuant to the share option scheme.

As at the Latest Practicable Date, there are no options, warrants, convertible securities or other derivatives outstanding in respect of the share capital of CHCGC.

No new CHCGC Shares were issued since 31 December 2006, being the end of the last financial year of CHCGC.

3. MARKET PRICES

(a) CHCGC Shares

The table below shows the closing market prices for the CHCGC Shares as quoted on the Stock Exchange: (i) on the Latest Practicable Date; (ii) on the Last Trading Date; and (iii) at the end of each of the calendar months during the period commencing six months preceding the date of the Announcement and ending on the Latest Practicable Date.

Date	**CHCGC Share Price** *(HK$)*
29 December 2006	1.34
31 January 2007	1.27
28 February 2007	1.34
30 March 2007	1.28
30 April 2007	1.52
31 May 2007	2.05
Last Trading Date (11 June 2007)	2.21
29 June 2007	2.83
Latest Practicable Date (30 July 2007)	4.01

The highest and lowest closing prices of CHCGC Shares as quoted on the Stock Exchange for the period between 15 December 2006 (being the commencement of the six month period preceding the date of the Announcement) and the Latest Practicable Date were HK$4.74 recorded on 6 July 2007, and HK$1.18 recorded on 5 March 2007, respectively.

4. DISCLOSURE OF INTERESTS IN CHCGC

As at the Latest Practicable Date, the CHCGC Directors and the chief executive of CHCGC and their respective associates held the following interests and short positions in the shares, underlying shares and debentures of CHCGC and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to CHCGC and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to CHCGC and the Stock Exchange:

(i) CHCGC

	Number of CHCGC Shares (Long Positions)			
Name of CHCGC Director	**Personal Interests**	**Family Interests**	**Total Number of CHCGC Shares**	**Approximate Percentage of Issued Share Capital of CHCGC**
Chang Kang Lung, Jason	6,740,000	400,000	7,140,000	0.62%
Fu Ching Chuan	–	372,000	372,000	0.03%

(ii) Associated Corporations

		Number of Ordinary Shares (Long Positions)				
Name of CHCGC Director	**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 Associated Corporations**
Wang Chien Kuo, Robert	CHC Holding	–	358,811	21,108,875	21,467,686	3.18%
	Tong Yang Chia Hsin International Corporation ("Chia Hsin International")	–	236,542	17,057	253,599	0.12%
	Chia Hsin Construction and Development Corp.	–	4,863,088	1,285,200	6,148,288	12.37%

		Number of Ordinary Shares (Long Positions)				
Name of CHCGC Director	**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 Associated Corporations**
Chang Kang Lung, Jason	CHC Holding	–	300,000	–	300,000	0.04%
	Chia Hsin International	–	1,058,869	–	1,058,869	0.51%
	Chia Hsin Construction and Development Corp.	–	638,400	–	638,400	1.28%
Wang Li Shin, Elizabeth	CHC Holding	–	50,000	–	50,000	0.01%
	Chia Hsin Construction and Development Corp.	–	387,000	–	387,000	0.78%
Chang An Ping, Nelson	CHPL	272,200	–	–	272,200	1.21%
	CHC Holding	10,646,179	2,295,527	202,640	13,144,346	1.94%
	Chia Hsin International	–	240,456	–	240,456	0.11%
	Chia Hsin Construction and Development Corp.	–	288	–	288	0.01%
Fu Ching Chuan	CHC Holding	–	604,479	–	604,479	0.08%
	Chia Hsin International	–	42,237	–	42,237	0.02%

5. SHAREHOLDINGS AND DEALINGS IN TCCIH SHARES

As at the Latest Practicable Date, neither CHCGC nor any of the CHCGC Directors was interested in the share capital of TCCIH.

Neither CHCGC nor any of the CHCGC Directors (including their respective spouses, children under the age of 18, related trusts and companies controlled by any of them) has dealt for value in any TCCIH Shares, options, warrants, derivatives or any securities convertible into TCCIH Shares during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

6. DEALINGS IN CHCGC SHARES

Neither CHCGC nor any of the CHCGC Directors (including their respective spouses, children under the age of 18, related trusts and companies controlled by any of them) has dealt for value in any CHCGC Shares, options, warrants, derivatives or any securities convertible into CHCGC Shares during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

7. SERVICE CONTRACTS

Save as disclosed below, none of the CHCGC Directors has entered into any service contract with CHCGC or any of its subsidiaries or associated companies (i) which (including both continuous and fixed term contracts) have been entered into or amended within six months before the date of the Announcement; (ii) which are continuous with a notice period of 12 months or more; or (iii) which are of fixed term with more than 12 months to run irrespective of the notice period:

Name of CHCGC Directors	**Fixed Remuneration (Excluding Arrangements for Pension Payment) Payable under the Service Contract** *(US$'000 per year)*[(2)]
Executive Directors [(1)]	
Wang Chien Kuo, Robert	120
Lan Jen Kuei, Konrad	57
Chang Kang Lung, Jason	76
Wang Li Shin, Elizabeth	74

Notes:

(1) Each of Wang Chien Kuo, Robert, Lan Jen Kuei, Konrad, Chang Kang Lung, Jason and Wang Li Shin, Elizabeth has entered into a service contract with CHCGC for a term of three years (commencing from 12 December 2006 until the third anniversary thereof or the date of the annual general meeting in 2009, unless notice of no less than three months in advance has been given by either party for its termination, whichever is the earlier).

(2) Each of the executive directors shall receive the director's fee in the amount of HK$150,000 per annum. Each executive director may, at the end of the service for a complete year, be granted a discretionary bonus by the CHCGC Board. Each of the executive directors shall be entitled to the remuneration for their services as chairman, vice chairman, managing director or controller, as the case may be. Each executive director shall be paid their remuneration on the basis of 13 months a year. Other than the director's fee and remuneration payable by CHCGC, Wang Chien Kuo, Robert, Chang Kang Lung, Jason and Wang Li Shin, Elizabeth are entitled to a monthly remuneration of RMB11,200, RMB8,400 and RMB7,000, respectively, on the basis of 13 months a year from Jingyang Cement.

8. INDEBTEDNESS, CONTINGENCIES AND COMMITMENTS

The bank loans of the CHCGC Group as at 30 June 2007 were as follows:

Secured*:	
Loan from Industrial and Commercial Bank of China	US$39,150,000
Loan from China Construction Bank	US$24,240,000
Loan from Shanghai Commercial Bank	US$30,000,000
Unsecured:	
Short-term bank loans from Bank of Communication	RMB20,000,000

* *as of 30 June 2007, the following assets were pledged by the CHCGC Group to banks to secure the banking facilities granted by these banks to the CHCGC Group:*

	RMB'000
Property, plant and equipment	1,264,170
Land use rights	128,255

As of 30 June 2007, the capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided for in the financial statements is RMB4,135,000.

Save as disclosed above, as at 30 June 2007, the CHCGC Group did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

9. LITIGATION

As at the Latest Practicable Date, neither CHCGC nor any member of the CHCGC Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the CHCGC Directors to be pending or threatened by or against CHCGC or any member of the CHCGC Group.

10. MATERIAL CONTRACTS

The following contract, not being a contract entered into in the ordinary course of business, has been entered into by members of the CHCGC Group after the date two years before the commencement of the offer period (being 14 June 2007) up to and including the Latest Practicable Date, and is or may be material:

An acquisition agreement (the "Acquisition Agreement") dated 12 September 2006 entered into between CHCGC and CHPL in respect of the acquisition by CHCGC of the entire issued share capital of Yonica (BVI) Pte. Ltd., a wholly-owned subsidiary of CHPL, from CHPL. The consideration was approximately US$43,000,000. The Acquisition Agreement was terminated as several conditions to closing were not satisfied and it ceased to have any effect from 30 June 2007.

11. CONSENTS

Each of Access Capital Limited and Vigers has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and references to its name in the form and context in which they respectively appear.

The following are the qualifications of such experts who have given opinion or advice which are contained in this Composite Document:

Name	Qualification
Access Capital Limited	a licensed corporation under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Vigers	independent property valuer and member of the Hong Kong Institute of Surveyors

12. MATERIAL CHANGES

The CHCGC Directors are not aware of any material changes in the financial or trading position or outlook of the CHCGC Group subsequent to 31 December 2006, the date to which the last published audited accounts of the CHCGC Group were made up, up to and including the Latest Practicable Date.

China removed or reduced tax rebates on exports of products, such as cement, to help reduce its trade surplus, as announced by the Finance Ministry of the PRC on 19 June 2007. The rebate changes take effect starting 1 July 2007. The CHCGC Directors do not expect the rebate changes will have any material adverse impact on the financial or trading position or outlook of the CHCGC Group.

13. MISCELLANEOUS

(a) The registered office address of CHCGC is P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands and its principal office in Hong Kong is Room 1907, 19th Floor, 9 Queen's Road Central, Hong Kong.

(b) The registered office address of the CHCGC IFA is Suite 606, 6th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

(c) As at the Latest Practicable Date, no subsidiary of CHCGC, or any pension fund of CHCGC or of a subsidiary of CHCGC, or an adviser to CHCGC as specified in class (2) of the definition of "associate" (but excluding exempt principal traders) in the Takeovers Code, owned or controlled any securities in CHCGC or TCCIH nor did any of such persons above deal for value in the securities of CHCGC or TCCIH between the period from the date of the Announcement and the Latest Practicable Date.

(d) No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CHCGC or with any person who is an associate of CHCGC by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code.

(e) There were no fund managers connected with CHCGC and who managed funds on a discretionary basis had dealt for value in any securities in CHCGC or TCCIH between the period from the date of the Announcement and the Latest Practicable Date.

(f) As at the Latest Practicable Date, no agreements or arrangements exists between any of the CHCGC Directors and any other persons which is conditional on or dependent upon the outcome of the Offer or is otherwise connected with the Offer.

(g) There is no contract entered into by TCCIH in which any director of CHCGC has a material personal interest.

(h) As at the Latest Practicable Date, no benefit (save for any statutory compensation required under appropriate laws) would be given to any director of CHCGC as compensation for loss of office or otherwise in connection with the Offer.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of CHCGC at Room 1907, 19th Floor, 9 Queen's Road Central, Hong Kong between 9:00 a.m. to 6:00 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong) up to the close of the Offer:

(a) the memorandum and articles of association of CHCGC;

(b) the annual reports of CHCGC for the two financial years ended 31 December 2005 and 31 December 2006;

(c) the TCCIH Letter;

(d) the Morgan Stanley Letter;

(e) the CHCGC Letter;

(f) the CHCGC IBC Letter;

(g) the CHCGC IFA Letter;

(h) the valuation report and certificates from Vigers, the text of which are set out in Appendix V to this Composite Document;

(i) the material contract referred to in the section headed "Material Contracts" in this Appendix;

(j) each of the service contracts referred to in the section headed "Service Contracts" in this Appendix;

(k) the Irrevocable Undertaking;

(l) the written consents referred to in the section headed "Consents" in this Appendix; and

(m) this Composite Document and the Form of Acceptance.

The above documents can be viewed on the website of: (i) the Securities and Futures Commission – www.sfc.hk; and (ii) the website of CHCGC – www.chcgc.com as from the date of this Composite Document until the closing date of the Offer.