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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The Board of Directors of Chia Hsin Cement Greater China Holding Corporation (the "Company") hereby announces the interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007, together with the comparative figures for the six months ended 30 June 2006. These interim results were unaudited, but have been reviewed by Deloitte Touche Tohmatsu, the Company's auditors.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	NOTES	**Six months ended** **30.6.2007** **(unaudited)** ***US$'000***	30.6.2006 (unaudited) *US$'000*
Revenue	3	**65,945**	63,248
Cost of sales		**(56,316)**	(52,239)
Gross profit		**9,629**	11,009
Interest income		**631**	484
Other income		**2,824**	869
Distribution expenses		**(4,257)**	(4,074)
Administrative expenses		**(1,518)**	(2,156)
Finance costs	4	**(3,365)**	(2,821)
Other expenses		**(372)**	(73)
Profit before tax		**3,572**	3,238
Income tax expense	5	**(465)**	(432)
Profit for the period	6	**3,107**	2,806
Dividend	7	**—**	—
Earnings per share – basic (US cents)	8	**0.27**	0.25

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	NOTES	**30.6.2007**	31.12.2006
		(unaudited)	(audited)
		US$'000	*US$'000*
ASSETS			
CURRENT ASSETS			
Inventories		**18,269**	18,774
Trade receivables	9	**15,992**	14,004
Amounts due from fellow subsidiaries	10	**1,709**	3,336
Other receivables		**2,572**	3,455
Bank balances and cash		**49,013**	52,390
		87,555	91,959
NON-CURRENT ASSETS			
Property, plant and equipment	11	**228,531**	226,944
Land use rights		**17,877**	17,683
		246,408	244,627
TOTAL ASSETS		**333,963**	336,586
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	12	**11,429**	11,429
Share premium and reserves		**214,535**	206,086
		225,964	217,515
CURRENT LIABILITIES			
Trade payables	13	**7,797**	6,818
Other payables		**3,722**	5,082
Income tax payable		**464**	700
Bank borrowings	14	**23,666**	23,601
		35,649	36,201
NON-CURRENT LIABILITY			
Bank borrowings	14	**72,350**	82,870
TOTAL LIABILITIES		**107,999**	119,071
TOTAL EQUITY AND LIABILITIES		**333,963**	336,586

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards ("IFRSs").

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, the new standard, amendment and interpretations ("new IFRSs") issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretation Committee ("IFRIC") of the IASB, which are effective for the Group's financial periods beginning 1 January 2007.

The adoption of these new IFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

IAS 23 (Revised)	Borrowing Costs[1]
IFRS 8	Operating Segments[1]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[2]
IFRIC 12	Service Concession Arrangements[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. GEOGRAPHICAL SEGMENTS

Geographical segments

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

Income statement for the six months ended 30 June 2007

	People's Republic of China ("PRC") *US$'000*	**United States** *US$'000*	**Japan** *US$'000*	**Europe** *US$'000*	**Others** *US$'000*	**Total** *US$'000*
Revenue	**31,027**	**14,107**	**12,126**	**3,292**	**5,393**	**65,945**
Segment result	**4,287**	**1,342**	**1,746**	**791**	**1,103**	**9,269**
Interest income						**631**
Other income						**2,748**
Unallocated expenses						**(5,711)**
Finance costs						**(3,365)**
Profit before tax						**3,572**
Income tax expense						**(465)**
Profit for the period						**3,107**

Income statement for the six months ended 30 June 2006

	PRC *US$'000*	**United States** *US$'000*	**Japan** *US$'000*	**Europe** *US$'000*	**Others** *US$'000*	**Total** *US$'000*
Revenue	18,236	22,246	9,190	10,390	3,186	63,248
Segment result	2,538	3,895	1,899	2,109	395	10,836
Interest income						484
Other income						869
Unallocated expenses						(6,130)
Finance costs						(2,821)
Profit before tax						3,238
Income tax expense						(432)
Profit for the period						2,806

4. FINANCE COSTS

	Six months ended	
	30.6.2007	30.6.2006
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Interest on bank borrowings:		
- wholly repayable within five years	**3,365**	1,932
- not wholly repayable within five years	**—**	889
	3,365	2,821

5. INCOME TAX EXPENSE

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

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

Pursuant to relevant laws and regulations in the PRC, the Company's subsidiary, Chia Hsin Jingyang Cement Co., Ltd. ("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 income tax for an additional three-year term. The normal tax rate applicable to Jingyang Cement is 27%, comprising the standard tax rate of 24% and the local tax rate of 3%. The first year for which Jingyang Cement recorded profit for PRC enterprise income tax purposes was year 2003.

On 16 March 2007, the National People's Congress approved the Unified Corporate Income Tax Law (the "Unified CIT Law"). Accordingly, the tax rate will be unified for both domestic and foreign invested entities at 25%, with certain grandfathering provisions and preferential provisions. The Unified CIT Law will be effective from 1 January 2008.

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

6. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2007	30.6.2006
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Profit for the period has been arrived at after charging:		
Amortisation of land use rights	**251**	242
Depreciation of property, plant and equipment	**4,631**	4,182
Operating lease rentals in respect of rented premises	**131**	117
Repairs and maintenance	**3,662**	2,833
and after crediting:		
Net foreign exchange gain	**2,355**	706

7. DIVIDEND

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend (for the six months ended 30 June 2006: Nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2007 is based on the profit for the period of approximately US$3,107,000 (for the six months ended 30 June 2006: US$2,806,000) and 1,142,900,000 ordinary shares in issue throughout both periods presented.

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

9. TRADE RECEIVABLES

The aged analysis of trade receivables is as follows:

	30.6.2007	31.12.2006
	(unaudited)	(audited)
	US$'000	*US$'000*
Within 60 days	**11,959**	9,149
61 - 90 days	**1,980**	2,253
Over 90 days	**2,053**	2,602
	15,992	14,004

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

10. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	30.6.2007	31.12.2006
	(unaudited)	(audited)
	US$'000	*US$'000*
Jiangsu Union Cement Company Limited ("Union Cement")	**1,034**	1,128
Shanghai Chia Hsin Ganghui Company Limited ("Ganghui")	**675**	2,208
	1,709	3,336

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

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's acquisition of property, plant and equipment amounted to US$515,000 (for the six months ended 30 June 2006: US$7,672,000).

12. SHARE CAPITAL

	30.6.2007 & 31.12.2006	
	Number of shares of US$0.01 each	**Nominal value**
		US$'000
Authorised	100,000,000,000	1,000,000
Issued and fully paid	1,142,900,000	11,429

There were no changes in the authorised and issued share capital of the Company during the six months ended 30 June 2007.

13. TRADE PAYABLES

The aged analysis of the trade payables is as follows:

	30.6.2007	31.12.2006
	(unaudited)	(audited)
	US$'000	*US$'000*
Within 60 days	**6,407**	6,197
61 - 90 days	**407**	184
Over 90 days	**983**	437
	7,797	6,818

14. BANK BORROWINGS

	30.6.2007	31.12.2006
	(unaudited)	(audited)
	US$'000	*US$'000*
Secured:		
Loan from Industrial and Commercial Bank of China ("ICBC") *(Note i)*	**39,150**	46,980
Loan from China Construction Bank ("CCB") *(Note ii)*	**24,240**	26,930
Loan from Shanghai Commercial Bank ("SCB") *(Note iii)*	**30,000**	30,000
	93,390	103,910
Unsecured:		
Short-term bank loans denominated in Renminbi ("RMB") *(Note iv)*	**2,626**	2,561
	96,016	106,471

The maturity of the bank borrowings is as follows:

Within one year	**23,666**	23,601
In the second year	**31,040**	26,040
In the third to fifth year inclusive	**41,310**	56,830
	96,016	106,471
Less: Amount due within one year (shown under current liabilities)	**(23,666)**	(23,601)
Amount due for settlement over one year	**72,350**	82,870

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 0.90%.

iv. The unsecured short-term bank loans denominated in RMB carry an average fixed interest rate of 5.022% (six months ended 30 June 2006: 4.70%) per annum.

15. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 30 June 2007 amounted to approximately US$298,314,000 (31.12.2006: US$300,385,000).

The Group's net current assets at 30 June 2007 amounted to approximately US$51,906,000 (31.12.2006: US$55,758,000).

16. CAPITAL COMMITMENTS

	30.6.2007	31.12.2006
	(unaudited)	(audited)
	US$'000	*US$'000*
(i) Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided for in the condensed consolidated financial statements	**543**	494

(ii) On 26 November 2003, the Company entered into an option agreement (the "Option Agreement") with its parent company, Chia Hsin Cement Corporation ("CHC") and its major shareholder, Chia Hsin Pacific Limited ("CHPL") pursuant to which an option was granted to the Company 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 the Company 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 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$11,440,000 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.

On 12 September 2006, the Company entered into a conditional acquisition agreement (the "Acquisition Agreement") whereby the Company 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 the Company 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 the Company.

The Acquisition Agreement was approved by the independent shareholders of the Company in the extraordinary general meeting held on 26 October 2006.

As some conditions were not satisfied at the expiration date of the Acquisition Agreement, the transaction was terminated during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

FIVE YEARS COMPARISON OF FINANCIAL INDICATORS

Unit: US$'000

	The first half of year 2007	Year 2006	Year 2005	Year 2004	Year 2003
Turnover	**65,945**	127,229	91,485	81,944	78,012
Profit for the period/year	**3,107**	6,517	103	14,693	19,017
Total assets	**333,963**	336,586	311,993	319,019	316,514
Working capital *(Note 1)*	**51,906**	55,758	46,845	67,255	67,087
Shareholders' equity	**225,964**	217,515	204,353	199,412	184,490
Total liabilities	**107,999**	119,071	107,640	119,607	132,024
Return on equity *(Note 2)*	**1.4%**	3.0%	0.1%	7.4%	10.3%
Working capital ratio *(Note 3)*	**23.0%**	25.6%	22.9%	33.7%	36.4%
Return on assets *(Note 4)*	**0.9%**	1.9%	0.0%	4.6%	6.0%
Debt ratio *(Note 5)*	**42.5%**	48.9%	46.9%	56.0%	65.8%
Earnings per share (US Cents)	**0.27**	0.57	0.01	1.29	2.08

Remark: The Company was incorporated on 10 June 2003 and was listed on the Main Board of the Stock Exchange on 12 December 2003. Data of the financial statements for the financial years prior to the incorporation of the Company reflects the combined data of the existing subsidiaries of the Company.

Notes:

1. Working capital = current assets – current liabilities

2. Return on equity = profit (loss) for the period/period-end net assets

3. Working capital ratio = (current assets – current liabilities)/(total assets – total liabilities)

4. Return on assets = profit (loss) for the period/period-end total assets

5. Debt ratio = (bank borrowings + shareholder borrowings (if any))/shareholder's equity

I. SUMMARY OF OPERATIONS

In the first half of 2007, both the economic growth of the PRC and the fixed assets investment have been maintained in high gear. The adjustment of the cement industry accelerated and the overall business environment has improved when compared with last year. Affected by the adjustment of export rebate tax, cement and clinker export only saw a moderate increase. Management has looked closely at the development trend of the cement industry and adjusted production and sales strategies accordingly. While maintaining its export strategy, the Group has concentrated on the optimization and efficiency of the domestic market and increased the proportion of domestic sales. Also, through adjusting its product mix, the Group's competitive strengths have become even stronger leading to a significant increase in production, sales, turnover, and profit over the same period of last year.

Given the keen competition of the domestic market, the policy of the PRC government to consolidate the industry, the necessity to reach economies of scale for pricing power, and to maintain in the top 60 list as set out in the "Eleventh Five Year Plan", simply relying a single company's resources is not effective. Currently, there is a consolidation wave, and the global top five players are all entering China with the goal to ramp up capacity in a short period of time. In view of this trend, the Group also announced its intention to form a strategic alliance with TCC International Holdings Limited ("TCCIH") by way of share swap on 14 June 2007. This will allow it to reach its target of 30 million tonnes in a much shorter period of time. The transaction is currently in progress.

II. AN OVERVIEW OF PRODUCTION AND SALES

For the first half of 2007, a total of 165.99 tonnes of cement were produced by the Group, representing an increase of 3.77% over the same period of last year, and 101.33 tonnes by clinker for the first half of the year were produced, which was equal to that of the same period of last year. Sales volume of cement and clinker amounted to 195.8 tonnes, representing an increase of 1.7% over the same period of last year. During the period, the Group's turnover amounted to US$65,945,000, representing an increase of 4.3% over the same period of last year, while gross profit amounted to US$9,629,000, representing a decrease of 12.5% over the same period of last year. This was partly because of the adjustment of the export rebate tax which led to the increase of the Group's cost of sales. It was also partly because the Group adapted to the gradual improvement of the domestic market, adjusting the product mix, increasing the ratio for domestic sales, which led to the decrease in average price.

In the first half of 2007, the Group continued with its export strategy, and taking into account the tax rebate and the turnaround of the domestic market, the Group appropriately adjusted the proportions of domestic and export sales. A total of US$34,918,000 of export sales was achieved during the period, representing 53.0% of the total turnover, and comparing with the same period of last year, export volume decreased by 22.4%. The Group's export products are mainly sold to regions such as the United States, Japan and Europe. With the turnaround of the domestic market, the Group began to take into account the optimization and efficiency of the domestic market and increased the proportion for domestic sales. During the period, a total of US$31,027,000 of sales was achieved for its domestic market, or a year-on-year increase of 70.1%, and the proportion of the sales accounted for 47.0% which increased from 28.8% of the same period of last year. While the Group will continue to explore the export market, it will also utilize its sound purchasing sales network to grasp the opportunities afforded by the development of the cement industry of the PRC, winning both in export sales and domestic sales.

In line with its export strategy and in order to capture the business opportunity in the PRC, the Group took a bold initiative and adjusted its production and looked for every means to minimize costs and improve profit. By forming a strategic alliance with TCCIH, the Group aims at enhancing its competitiveness in the cement industry.

III. ANALYSIS OF THE GROUP'S FINANCIAL STATUS

1. Overview of the Group's Financial Status

For the six months ended 30 June 2007, the Group's turnover amounted to US$65,945,000 based on IFRSs, representing an increase of 4.3% over the same period of last year; its profit amounted to US$3,107,000 and its basic earning per share amounted to US Cent 0.27, representing an increase of 10.7% over the same period of last year.

2. Analysis of the Group's Profit

2.1 Changes in major Profit and Loss items

	For the six months ended		Increase/
	30 June 2007	30 June 2006	Decrease
	US$'000	*US$'000*	%
Turnover	**65,945**	63,248	4.3
Less: Cost of sales	**(56,316)**	(52,239)	7.8
Operating costs	**(5,775)**	(6,230)	(7.3)
Finance costs	**(3,365)**	(2,821)	19.3
Plus: Other income and interest income	**3,455**	1,353	155.4
Less: Other expenses	**(372)**	(73)	409.6
Income tax	**(465)**	(432)	7.6
Profit for the period	**3,107**	**2,806**	**10.7**

The Group's profit for the six months ended 30 June 2007 amounted to US$3,107,000, an increase of 10.7% over the same period of 2006. In the first six months of the year, the Group's consolidated gross profit margin was slightly decreased compared to the same period of 2006 amid the adjustment to the export rebate tax of cement and the appreciation of RMB. However, in view of the turnaround of the domestic market, the Group adjusted the proportion of domestic sale and product mix, as a result, its gross profit margin was maintained. Also, the continued appreciation of RMB resulted in an exchange rate gain for bank loans denominated in US Dollars of approximately US$2,355,000, which had also contributed to profit.

2.2 Turnover

Set out below is an analysis of the Group's turnover in terms of its products for the six months ended 30 June 2007.

	For the six months ended			
	30 June 2007		30 June 2006	
Products	**Turnover**	**Percentage**	Turnover	Percentage
	US$'000	*%*	*US$'000*	*%*
Domestic sales				
52.5 cement	**17,542**	**26.6**	9,188	14.5
42.5 cement	**12,858**	**19.5**	7,791	12.3
32.5 cement	**81**	**0.1**	948	1.5
Clinker	**279**	**0.4**	309	0.5
Limestone	**267**	**0.4**	—	—
Sub-total	**31,027**	**47.0**	**18,236**	**28.8**
Export sales				
52.5 cement	**34,518**	**52.4**	42,910	67.9
42.5 cement	**212**	**0.3**	—	—
Clinker	**188**	**0.3**	2,102	3.3
Sub-total	**34,918**	**53.0**	**45,012**	**71.2**
Total	**65,945**	**100.0**	**63,248**	**100.0**

Set out below is an analysis of the Group's turnover in terms of its geographical region of sales for the six months ended 30 June 2007.

	For the six months ended			
	30 June 2007		30 June 2006	
Sales Region	**Turnover**	**Percentage**	Turnover	Percentage
	US$'000	***%***	*US$'000*	*%*
Jiangsu Province	**17,115**	**26.0**	8,233	13.0
Zhejiang Province	**7,197**	**10.9**	6,792	10.8
Shanghai	**1,348**	**2.0**	1,166	1.8
Fujian Province	**5,367**	**8.1**	2,045	3.2
Domestic sales sub-total	**31,027**	**47.0**	**18,236**	**28.8**
The United States	**14,107**	**21.4**	22,246	35.2
Japan	**12,126**	**18.4**	9,190	14.5
Europe	**3,292**	**5.0**	10,390	16.4
Other export sales region	**5,393**	**8.2**	3,186	5.1
Export sales sub-total	**34,918**	**53.0**	**45,012**	**71.2**
Total	**65,945**	**100.0**	**63,248**	**100.0**

In the first half of 2007, the Group continued its export strategy while taking into account the export tax rebate and the turnaround of the domestic market. The Group appropriately adjusted the proportions of domestic and export sales. A total of US$34,918,000 of export sales was achieved during the period, representing 53.0% of the total turnover, and comparing with the same period of last year, export volume decreased by 22.4%. Export sales regions for the first half of 2006 were reclassified for comparability with the first half of 2007.

In respect of sales volume, the Group has efficiently utilized upgraded capacity, the sales volume for cement and clinker 1.7% increased over the same period of last year.

During the period, the average selling price amounted to US$32.0 per tonne, representing a decrease of 2.4% over the same period of last year. Having considered a decrease in the export tax rebate and the turnaround of the domestic market, the Group has increased the domestic sales volume leading to a decrease in the average selling price.

In respect of product mix, the Group has been persistent in its effort to enlarge the proportion of high-grade cement. However, due to the increase in domestic sales, the proportion of turnover of grade 52.5 cement for the first half of this year reached 78.9%, representing a slight decrease when compared with that of last year.

Revenue Attributable to the Largest Customer and the Five Largest Customers

For the six month ended 30 June 2007, the turnover from the largest customer of the Group was 18.6% of total turnover and the turnover from the five largest customers of the Group was 49.3% of the total turnover.

2.3 Cost of Sales

The Group's average cost of sales for the six months ended 30 June 2007 was US$27.3 per tonne. Set out below is an analysis of the Group's cost.

	For the six months ended			
	30 June 2007		30 June 2006	
Cost item	**Amount**	**Percentage**	Amount	Percentage
	US$'000	*%*	*US$'000*	*%*
Raw materials *(Note 1,3)*	**18,076**	**32.1**	16,542	31.7
Energy	**18,130**	**32.2**	17,692	33.9
Depreciation and amortization	**4,155**	**7.4**	3,757	7.2
Labour cost	**1,342**	**2.4**	811	1.5
Others *(Note 2,3)*	**14,613**	**25.9**	13,437	25.7
Total	**56,316**	**100.0**	**52,239**	**100.0**

Notes:

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

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

3. Items of cost for 2006 were reclassified for comparability with 2007.

Although the unit purchase cost of coal during the reporting period has increased over the same period of last year, the average cost of sales of the Group has only increased by 0.7% over the same period of last year. This was mainly attributable while the Group has continued to produce high quality cement, it carried out trials for cost reduction which incurred a one-off fee so increased the expenses on repairs and maintenance by 24.3%.

Purchase Attributable to the Largest Supplier and the Top Five Suppliers

For the six months ended 30 June 2007, the purchase from the largest supplier accounted for 25.3% of total purchase, and the total purchase from the top five suppliers accounted for 77.8% of total purchase of the Group.

During the reporting period, Union Cement was the largest supplier of the Group. Union Cement is indirectly controlled by CHPL, and is a connected person (as defined by the Listing Rules) of the Group. Other than Union Cement, none of the Directors and their respective associates (as defined by the Listing Rules) and to the knowledge of the Directors, shareholders with over 5% of the share capital of the Company has any interest in any of the top five suppliers of the Group.

2.4 Gross Profit

Set out below is an analysis of the Group's gross profit of its products for six months ended 30 June 2007.

	For the six months ended					
	30 June 2007			30 June 2006		
Products	**Total Gross profit**	**Percentage**	**Gross profit margin**	**Total Gross profit**	Percentage	Gross Profit margin
	US$'000	*%*	*%*	***US$'000***	*%*	*%*
Domestic sales						
52.5 cement	**2,844**	**29.5**	**16.2**	1,316	12.0	14.3
42.5 cement	**1,425**	**14.9**	**11.1**	1,180	10.7	15.1
32.5 cement	**5**	**0.1**	**6.0**	52	0.5	5.5
Clinker	**31**	**0.3**	**11.0**	-10	-0.1	-3.2
Limestone	**-17**	**-0.2**	**-6.2**	—	—	—
Sub-total	**4,288**	**44.6**	**13.8**	**2,538**	**23.1**	**13.9**
Export sales						
52.5 cement	**5,281**	**54.8**	**15.3**	8,084	73.4	18.8
42.5 cement	**58**	**0.6**	**27.1**	—	—	—
Clinker	**2**	**—**	**1.2**	387	3.5	18.4
Sub-total	**5,341**	**55.4**	**15.3**	**8,471**	**76.9**	**18.8**
Total	**9,629**	**100.0**	**14.6**	**11,009**	**100.0**	**17.4**

With an increase of 4.3% in sales volume, for the first half of 2007, the Group has an approximate decrease of 12.5% in gross profit over the same period of last year. The decrease was mainly attributable to the adjustments of export rabate tax which increased cost of sales. Moreover, in order to adapt to the changes in market with regards to the gradually improved domestic market, the Group increased its proportion on domestic sales and adjusted its product mix which resulted in a decrease in total average selling price.

2.5 Operating Costs

The operating costs ratio for the first half of 2007 was 8.8%, representing a decrease of 7.3% over the same period of last year. The decrease was mainly attributable to the high management level which produced visible results in its economy of scale.

2.6 Finance Costs

The finance costs of the Group for the first half of 2007 amounted to US$3,365,000, representing an increase of 19.3% over the same period of last year. The increase was mainly attributable to the increase of the interest rate based on LIBOR for the first half of 2007.

2.7 Other Income and Interest Income

For the first half of 2007, other income and interest income generated by the Group amounted to approximately US$3,455,000 with an increase of 155.4% when compared with the same period of 2006. The exchange gain derived from the revaluation of RMB and the interest income amounted to US$2,355,000 and US$631,000 respectively.

3. Capital and Financial Status

3.1 Condensed Cash Flow Statement

	Six months ended	
	30 June 2007	30 June 2006
	US$'000	*US$'000*
Cash flow from operating activities	**9,673**	6,947
Cash flow (used in) investing activities	**(625)**	(6,537)
Cash flow from (used in) financing activities	**(13,773)**	6,300
Effect of changes in foreign exchange	**1,348**	(344)
Cash and cash equivalent at the beginning of the period	**52,390**	42,098
Cash and cash equivalent at the end of the period	**49,013**	48,464

Cash flow from operating activities

For the first half of 2007, the Group's net cash inflow from operating activities amounted to US$9,673,000, an increase of US$2,726,000 over the same period of 2006, which was mainly attributable to the tightened control on the Group's working capital. Working capital (inventory + trade receivables + receivables from associated corporations – trade payables) for the first half of 2007 decreased by US$1,875,000 when compared with the same period of 2006 while working capital for the same period of 2006 was US$1,805,000 higher than that of the same period of the previous year.

Cash flow from investing activities

For the first half of 2007, the net cash outflow of the Group's investing activities decreased significantly when compared with the same period of 2006, amounting to US$625,000. Investment in fixed assets of US$1,256,000 was mainly expended on paying the balance of investment in fixed assets of previous period in the current period.

Cash flow from financing activities

For the first half of 2007, the Group's net cash outflow from financing activities amounted to US$13,773,000, of which repayment of long-term bank borrowings in US dollars as stated in the loan agreements amounted to US$10,520,000 and repayment of interest on loan amounted to US$3,253,000.

3.2 Changes in major Assets and Liabilities

	As at 30 June 2007 *US$'000*	As at 31 December 2006 *US$'000*	Increase/ Decrease %
Fixed assets and land use rights	246,408	244,627	0.7
Bank balance and cash	49,013	52,390	-6.4
Other current assets	38,542	39,569	-2.6
Total assets	**333,963**	**336,586**	**-0.8**
Share capital	11,429	11,429	—
Share premium and reserves	214,535	206,086	4.1
Share capital and reserves	**225,964**	**217,515**	**3.9**
Bank loan	96,016	106,471	-9.8
Other liabilities	11,983	12,600	-4.9
Total liabilities	**107,999**	**119,071**	**-9.3**
Total equity and liabilities	**333,963**	**336,586**	**-0.8**

As at 30 June 2007, the Group's total assets amounted to US$333,963,000, an decrease of US$2,623,000 or 0.8% from the end of 2006, partly because of the increase of net assets of US$8,449,000 as a result of the increase in profit of the Group and the revaluation of RMB, and partly because the Group repaid the principal of bank borrowings of US$10,520,000 on time.

3.3 Fixed Assets and Land Used Right

As at 30 June 2007, the Group's net fixed assets and land used right amounted to US$246,408,000, of which US$69,356,000 represented property, US$152,322,000 represented plant and equipment, US$1,023,000 represented construction-in-progress, US$17,877,000 represented land used right and US$5,830,000 represented other net fixed assets. Net fixed assets and land used right have increased by US$1,781,000 from the end of 2006, which was mainly attributable to the increase in assets presented in US dollars as a result of the appreciation of RMB.

3.4 Current Assets and Liabilities

As at 30 June 2007, the Group's current assets amounted to US$87,555,000, which mainly included inventory of US$18,269,000, trade receivables (excluding those from fellow subsidiaries) of US$15,992,000, bank balance and cash of US$49,013,000 and other current assets of US$4,281,000. As at 30 June 2007, the Group's current liabilities amounted to US$35,649,000, of which trade payables of US$7,797,000, long-term and short-term bank borrowings due within one year of US$23,666,000 and other current liabilities of US$4,186,000.

3.5 Structure of Interest-bearing Bank Borrowings

As at 30 June 2007, the Group's interest bearing bank borrowings amounted to US$96,016,000, including unsecured short-term bank borrowings of US$2,626,000 and secured bank borrowings of US$93,390,000.

As at June 2007, the Group's net book value of assets pledged to obtain bank borrowings amounted to approximately US$182,277,000, of which US$165,436,000 represented property, plant and equipment, and US$16,841,000 represented land use rights.

Unsecured short-term bank borrowings were denominated in RMB, which bore an interest at an average annual rate of 5.02%. These unsecured short-term bank borrowings mainly included two revolving loans. The principal of each was RMB10,000,000 (equivalent to approximately US$2,626,000).

Secured bank borrowings were denominated in US dollars, which bore interest based on the LIBOR plus an annual interest rate of 0.955%.

3.6 Shareholders' Equity

As at 30 June 2007, the shareholder's equity of the Group was US$225,964,000. The shareholders' equity comprised the following:

	As at 30 June 2007		As at 31 December 2006	
	Amount	**Percentage**	Amount	Percentage
	US$'000	***%***	*US$'000*	*%*
Share Capital	**11,429**	**5.1**	11,429	5.3
Share premium and reserves	**214,535**	**94.9**	206,086	94.7
Total	**225,964**	**100.0**	**217,515**	**100.0**

As at 30 June 2007, the shareholders' equity increased by US$8,449,000 from 31 December 2006, and the increase in shareholders' equity was mainly attributable to the Group's principal operating activities and the increase in the book value of assets presented in US dollars as a result of the appreciation of RMB.

4. Financial Ratios

	As at 30 June 2007	As at 31 December 2006
Turnover period of trade receivables *(Note 1 & description 1)*	40 days	40 days
Turnover period of trade payables *(Note 2 & description 1)*	23 days	25 days
Turnover period of inventories *(Note 3 & description 1)*	59 days	60 days
Current ratio *(Note 4 & description 2)*	2.5 times	2.5 times
Quick ratio *(Note 5 & description 2)*	1.9 times	2.0 times
Gearing ratio *(Note 6 & description 3)*	28.8%	31.6%
Debt ratio *(description 3)*	42.5%	48.9%

Notes:

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

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

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

4. Current ratio = current assets/current liabilities

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

6. Gearing ratio = bank borrowings/total assets

Descriptions:

1. The turnover (days) for trade payables and inventories were less than the end of 2006, the turnover (days) of trade receivables were the same as the end of 2006, and the number of days occupied by working capital was 1 days more as compared with those at the end of 2006, which was mainly attributable to the Group expanding its domestic sales volume, while controlling the collection of trade receivables and the working capital at a steady level.

2. Both the current ratio and quick ratio were the same as compared with those at the end of 2006, and liquidity was maintained at a high level.

3. Both the gearing ratio and debt ratio were lower as compared with those at the end of 2006 which was mainly attributable to the Group's repayment of the principal of bank borrowings.

5. *Financial Risks*

5.1 Foreign Exchange Exposure

As the Group has a larger proportion of export sales of cement, the Group's exposure to foreign exchange is mainly the exchange rate fluctuations of RMB to US dollars. During the reporting period, the exchange rate of RMB to US dollars has seen certain increases. As RMB revaluation is a long-term factor, it will inevitably have certain impact on the Group. The Group has been watching closely at the fluctuations of the exchange rates of these currencies and the market changes in determining whether or not any corresponding hedging measures should be taken. For the six months ended 30 June 2007, the Group has entered certain forward exchange contracts of certain amount with banks to reduce the exposure of risk.

5.2 Interest Rate Risks

The principal financing borrowings of the Group have been long-term borrowings in US dollars. In the wake of the increase of the LIBOR, finance costs for the US dollar loans have also increased. The Group has from time to time reviewed the market condition, the requirements of the Group's operations and its financial condition in determining the most effective management tools for the risks in interest rate. For the six months ended 30 June 2007, the Group has not entered into any contract to hedge against the risks of interest rate.

IV. EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group had approximately 584 full-time employees, and the total remuneration during the reporting period amounted to US$2,052,000. The Group provided remuneration to its employees at competitive levels, and also other benefits such as mandatory fund, insurance and performance related bonus.

V. OPERATING STRATEGIES FOR THE SECOND HALF OF 2007

In the second half of 2007, the Group will embrace market changes by adopting flexible operational strategies and fully utilize its enhanced strategic advantages with a view to expanding the corporate operational model and raising profitability.

1. Continuing the export business and satisfying the demand of customers in the overseas markets.

2. Actively capturing opportunities for cement penetration within China and to expand domestic sales.

3. Forming a strategic alliance in the form of a merger with TCCIH by way of share swap allowing the Group to become a leading cement manufacturer both in the Yangtze River delta region and in the Pearl River delta region. Given the highly efficient production capacity, the sharing of plentiful resources, the best logistics network, the most aggressive domestic and overseas sales networks and the rich experience in management, the Group shall be able to compete in this fast-consolidating industry and create better value for its shareholders, staff and customers.

SHARE OPTION SCHEME

For the six months ended 30 June 2007, no share option of the Company was granted, exercised, lapsed or cancelled in accordance with the share option scheme of the Company.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES

For the six months ended 30 June 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee in November 2003 in accordance with the requirements of the Listing Rules. The committee comprised three Independent Non-executive Directors, Mr. Davin A. MACKENZIE, Mr. ZHUGE Pei Zhi and Mr. WU Chun Ming. Mr. Davin A. MACKENZIE is the Chairman of the committee. The unaudited interim financial report of the Group for the six months ended 30 June 2007 has been reviewed by the committee.

REMUNERATION COMMITTEE

Pursuant to the provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules, the Board of Directors has established the remuneration committee on 7 July 2005. The committee comprised one Non-executive Director, Mr. CHANG An Ping, Nelson and two Independent Non-executive Directors, Mr. Davin A. MACKENZIE and Mr. ZHUGE Pei Zhi. Mr. Davin A. MACKENZIE is the Chairman of the committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2007, the Company has applied the principles and code provisions as set out in the CG Code and complied with all the code provisions. It also put in place certain Recommended Best Practices as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Since 19 August 2004, the Company has adopted its own code of conduct regarding Directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") of the Listing Rules. After making specific inquiries of all directors, the directors have confirmed that they have complied with the requirement of the Code of Conduct and the Model Code for the six months ended 30 June 2007.

On behalf of the Board
WANG Chien Kuo, Robert
Chairman

Hong Kong, 27 August 2007

As at the date of this announcement, Mr. WANG Chien Kuo, Robert, Mr. LAN Jen Kuei, Konrad, Mr. CHANG Kang Lung, Jason and Ms. WANG Li Shin, Elizabeth are the Executive Directors, Mr. CHANG An Ping, Nelson and Mr. FU Ching Chuan are the Non-executive Directors and Mr. Davin A. MACKENZIE, Mr. ZHUGE Pei Zhi and Mr. WU Chun Ming are the Independent Non-executive Directors.

* *For identification purposes only*