嘉新水泥（中國）控股股份有限公司*

Chia Hsin Cement Greater China Holding Corporation

(於開曼群島註冊成立的有限公司 Incorporated in the Cayman Islands with limited liability)
(股票編號 Stock Code: 0699.HK)

中期報告 Interim Report 2007

* 僅供識別 For identification purposes only

	For the Six months ended	
	30 June 2007	30 June 2006
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Turnover	**65,945**	63,248
Gross profit	**9,629**	11,009
Gross profit margin	**14.6%**	17.4%
Profit for the period	**3,107**	2,806
Earnings per share (US cents)	**0.27**	0.25
Return on equity	**1.4%**	1.3%

	30 June 2007	31 December 2006
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Total assets	**333,963**	336,586
Total liabilities	**107,999**	119,071
Shareholders' equity	**225,964**	217,515
Gearing ratio	**28.8%**	31.6%
Debt ratio	**42.5%**	48.9%
Current ratio	**2.5 times**	2.5 times
Net asset per share (US cents)	**19.77**	19.03

Contents

Corporate Profile and Structure

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

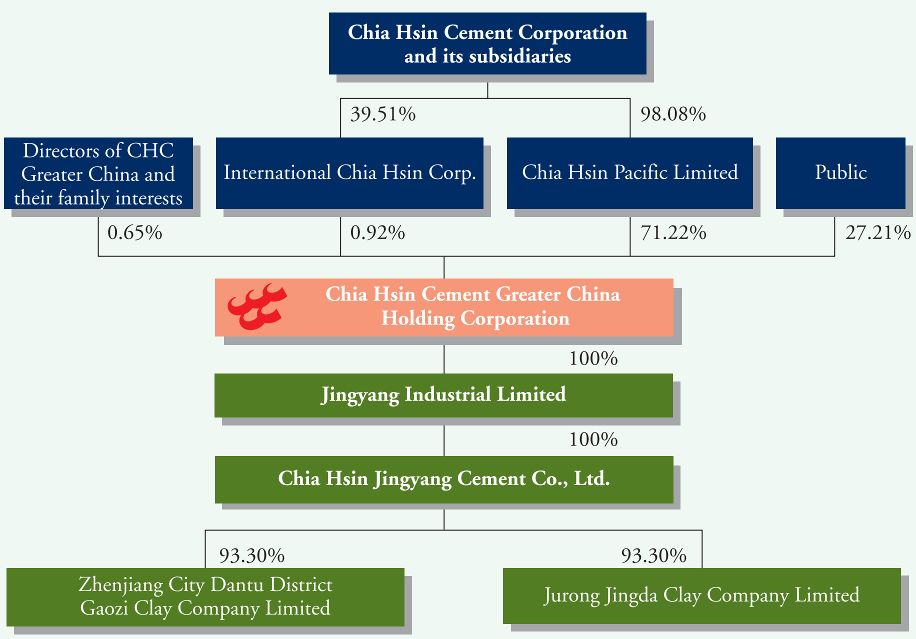
The Group has been engaged in cement related business in the People's Republic of China (the "PRC") since 1993. It is the first Taiwanese player to enter the PRC market and is now one of the major cement suppliers in the Greater China region. Chia Hsin Cement Corporation ("CHC"), the parent company,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

CHC Greater China's production facility is located in Zhenjiang City, Jiangsu Province, the PRC, and owns a limestone reserve of approximately 320 million tonnes. The state-of-the-art production facility, which has an annual production of over 4.2 million tonnes of cement and three private supplementary deep water jetties, two having a capacity to berth vessels of 30,000 tonnes and one of 5,000 tonnes, allows the Group to provide a full range of products and services for its clients in both domestic and international markets. Together, the jetties are one of the largest private jetties at the downstream of Yangtze River.

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

As at 30 June 2007, the Group has approximately 584 employees and total assets of approximately US$334 million.

CORPORATE STRUCTURE



As at 30 June 2007

Corporate Information

DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. CHANG An Ping, Nelson
Mr. FU Ching Chuan

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. LO Yee Har, Susan

AUTHORISED REPRESENTATIVES

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

MEMBERS OF THE AUDIT COMMITTEE

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

MEMBERS OF THE REMUNERATION COMMITTEE

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

INFORMATION ON SHARES

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185

ENQUIRY FOR INVESTORS

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Email: ericwu-ir@chcgroup.com.cn

OTHERS

Investors may assess our Group's website www.chcgc.com to view and download the electronic version of the interim report under the section "Investor Relations".

Chairman's Statement

Dear Shareholders,

I am pleased to present to you the interim report of Chia Hsin Cement Greater China Holding Corporation and its subsidiaries for the six months ended 30 June 2007.

BUSINESS ENVIRONMENT

In the first half of 2007, China's economy showed faster quality growth and increased structural balance. During the period, GDP witnessed a year-on-year increase of 11.5%, 0.5 percentage point faster than the same period of last year. In spite of the slightly slower rate of increase in investment, the rate was still high, which has had a marked contribution to the economic growth. In the first half of the year, investment in fixed assets nationwide experienced a year-on-year increase of 25.9%, a decline of 3.9 percentage points over the same period of last year, of which, investment in real estate was particularly significant with a year-on-year increase of approximately 28.5%.

Given the impetus afforded by the high economic growth, in particular the growth in real estate investment, the production volume of cement nationwide in the first half of the year amounted to approximately 620 million tonnes, a year-on-year increase of 16.0%, but the rate of growth in the East China region was slower than the national rate. Also, the overall industry prosperity saw an upward trend, and there was a slight increase in the prices of cement in the first half of the year over last year. The government reduced the export tax rebate rate on 15 September 2006 but the international prices of cement and clinker remained high. Under these opposing forces, cement export in the first half of 2007 showed a negative growth with a year-on-year decrease of 22.0%; as for clinker, export remained strong with a year-on-year increase of 29.0%; a total of 17.76 million tonnes of cement and clinker were exported during the period, a slight year-on-year increase of 1.14%.

The PRC government further regulated the cement industry in the first half of the year, causing structural adjustment to increase in momentum. We also saw heightened activity in mergers amongst cement players. The State issued a number of regulatory documents for the cement industry, which invariably highlighted the weeding out of backward production capacities. The provisions and planning of these directives involving all levels of government are specified in the document "Fa Gai Ban [2007] No. 447". In addition, the pace for energy conservation and reduction in dust emissions has quickened. At present, the application of waste heat recycling facilities for cement kilns is becoming more and more popular as many cement players have committed large amounts of capital in the construction of waste heat power generators.

BUSINESS REVIEW

In respect to production, the rate of utilization of the Group's production volume of cement amounted to 1,659,900 tonnes, an increase of 3.77% over the same period of last year; as for clinker, it remained relatively the same as the same period last year at 1,013,300 tonnes. As for sales, the sales of cement and clinker in the first half of the year increased 1.7% over the same period of last year with a turnover of US$65,945,000 and a net profit of US$3,107,000, a year-on-year increase of approximately 10.7%.

In the first half of 2007, the Group continued to implement its export strategy while taking into account the lowering of the rate of tax rebate for export sales and the turnaround of the domestic market. The Group appropriately adjusted the proportion of domestic and export sales. The export sales amounted to US$34,918,000 during the period, representing 53.0% of the total turnover. It was 22.4% less than the same period of last year. Our export products are sold mainly to the United States, Japan, Europe and other regions. In the wake of the recovery of the domestic market, the Group has also taken into account the optimization and efficiency of the domestic market and increased the proportion of domestic sales. During the period, the domestic sales amounted to US$31,027,000, a year-on-year increase of 70.1%. While the Group is exploring the export market sales, it has also leveraged on its sound purchasing sales network and grasped a share of the development of the domestic cement industry, winning both in domestic and export sales. In line with our export strategy and in order to capture business opportunities in the domestic market while focusing on the high-end products, which has a higher margin, the Group coutinued to focus on the production of high-grade cement.

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 sufficient enough to cope with the fast growth rate. 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 us to reach our target of production capacity at 30 million tonnes in a much shorter period of time. The transaction is currently in progress.

LOOKING FORWARD

Looking forward, we believe that in the second half of the year, in view of the potentially over-heated economy, the PRC government is expected to take certain austerity control policies using a combination of regulatory means such as credit, land, taxation and exchange rates to guide the PRC economy towards a healthier and more rational direction. Harmonious development will be the theme of the economic operation of the PRC economy, and the rate of growth of the economy may be slightly dampened compared with the first half of the year. We expect that the cement industry will continue to reap the benefits from the continuous and steady growth of the PRC economy.

With the peak season of the cement industry approaching, cement prices are expected to be stable with a margin for increase. For the second half of the year, it is also expected that further incremental steps will be taken for structural adjustment, while energy saving and pollution reduction actions will be hastened. Large corporations will increase the pace of mergers and acquisitions and government will continue to ensure the healthy development of the industry by weeding out backward production in a timely and thoroughly manner. Cement export, which is growing rapidly will be impacted by the complete removal of the export rebate tax effective from 1 July 2007. However, we are still optimistic that the full year profitability of the cement industry will be higher than that of last year and the export volume will continue to remain at a high level. Enterprises with competitive strengths will take the consolidation opportunity to further solidify their positions by means of mergers and acquisitions or strategic alliance.

The Group will continue to strike a balance between its export and domestic businesses and capture the opportunities afforded by the development of the global and domestic markets. With its sound financial position and ample reserve of resources, as well as its plans for production expansion and the implementation of the waste heat recovery system, the Group will not only be able to mitigate against the potential risk of further austerity control measures, but will be able to capture the consolidation phase to speed up capacity growth and increase earning power.

Furthermore, by forming a strategic alliance in the form of merging with TCCIH by share swap, the Group will become a leading cement manufacturer both in the Yangtze River delta region and in the Pearl River delta region and become more competitive in the industry which is consolidating rapidly. We believe that the transaction will create more value for shareholders, our employees and customers.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our heart-felt gratitude to everyone. In the second half of the year, the Group will fully leverage on and reinforce our own strengths to increase both our operation scale and profitability, so that we can further consolidate our major position in the cement industry of the PRC without letting down the expectations of our shareholders and entire staff.

By Order of the Board

WANG Chien Kuo, Robert
Chairman

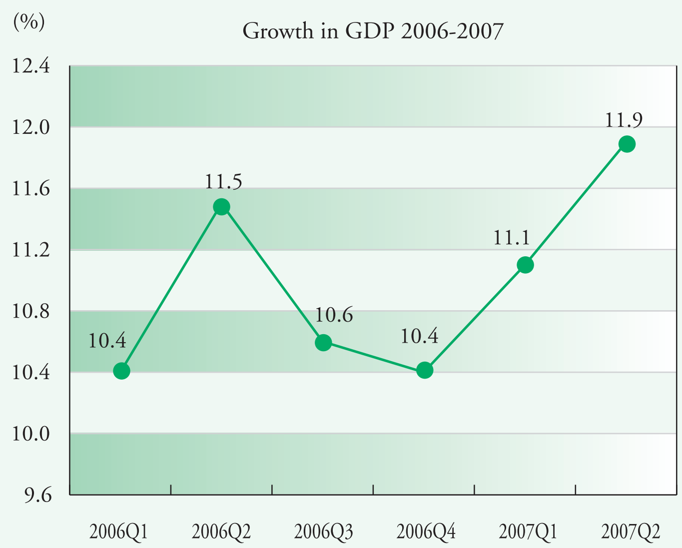
27 August 2007

For the first half of 2007, the PRC economy grew at a steady rapid pace. Since the PRC government has announced various control measures, the growth in fixed assets investment nationwide decreased. Though the overall industry was still experiencing an over-supply, the overall condition improved and the market prices saw a moderate increase. With the clarification of austerity control measures for the cement industry, the pace of structural reorganization and industry consolidation increase resulting in the emergence of regional framework.

I. ANALYSIS OF THE OPERATING ENVIRONMENT FOR THE FIRST HALF OF 2007

Rapid growth of the national economy

For the first half of 2007, the PRC government has announced specific austerity control measures targeting the unbalanced growth in the economy. During the period, GDP was approximately Renminbi ("RMB") 10,676.8 billion, representing a year-on-year increase of 11.5%, which was faster by 0.5 percentage point over the same period of last year; in quarterly terms, a year-on-year increase of 11.1% and 11.9% has been achieved for the first and second quarter respectively.

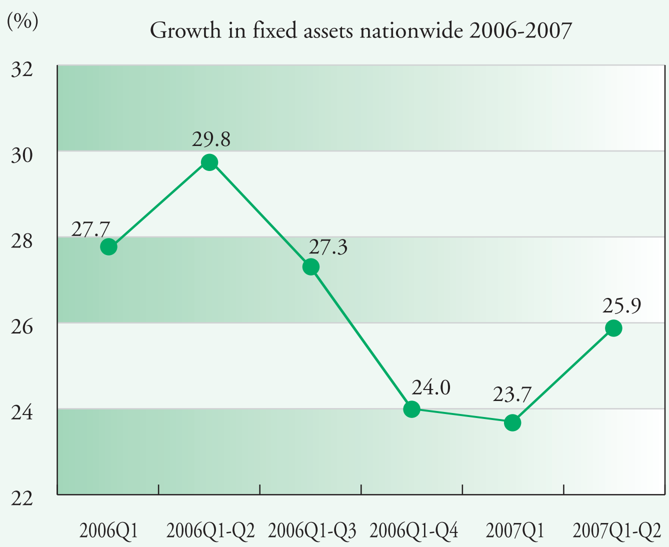


Source: National Bureau of Statistics of China

Business Environment Analysis

Steady growth in fixed assets investment

For the first half of 2007, with the effects of the PRC government's specific austerity control measures and tightening monetary policies, fixed assets investment decreased. The investment in fixed assets nationwide during the period amounted to RMB5,416.8 billion, representing a year-on-year increase of 25.9%, which was slower by 3.9 percentage points over the same period of last year, though still remaining at a high level.

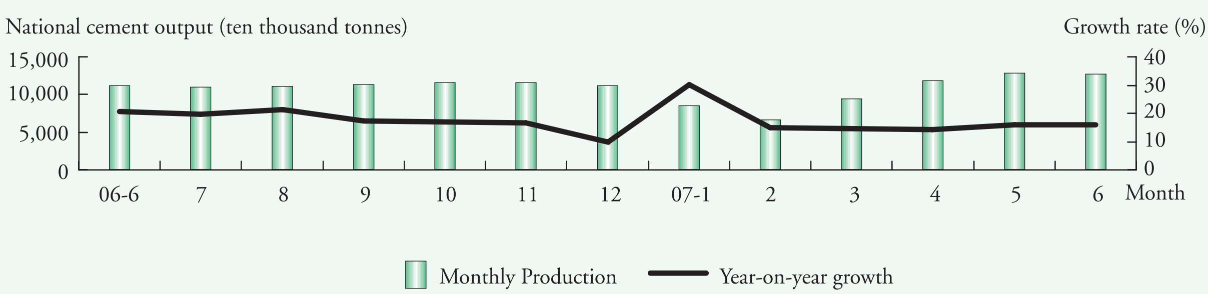


Source: National Bureau of Statistics of China

Rapid growth in the production and sales volume of cement

For the first half of 2007, promoted by the investment in fixed assets, the national production and sales volume of cement increased at an accelerated rate. China's cement production during the period amounted to approximately 620 million tonnes, representing an increase of 16.0% over the same period of 2006, of which the production for June amounted to 127.33 million tonnes, which was a record high for a single month.

Monthly production and growth of cement 2006-2007



Source: China Cement Association

Additional capacity of the industry grew faster, while growth in investment began to taper from June

For the first half of 2007, the accumulated investment in cement amounted to RMB23,596 million, representing a year-on-year increase of 37.4%, or a decrease of 16.87 percentage points in growth from January to May, and the growth in investment had also declined. Regions with faster growth are mainly in the western and central regions, amounted to 96.3% and 26.5% respectively. Provinces with faster growth in investment are Xinjiang Province, Yunnan Province, Guizhou Province, Liaoning Province and Tianjin. Year-on-year increases for these regions are all over 150.0%, whereas the eastern region increased at a slower pace, and other than Liaoning, Hebei and Fujian, negative growth was recorded in other regions.

Improved profitability of the industry

With the demand steadily reviving and the weeding out of backward production capacities, the supply and demand of cement gradually improved and the cement prices were recovering. Despite the increase in electricity rates for high pollution, high energy consumption industries and selling resources-based products, the cost of energy for the production of cement did not vary significantly. For the first five months of 2007, the total profit of the industry amounted to RMB5,334 million, representing a year-on-year increase of 91.08%.

Total export of cement and clinker continued to rise

The PRC government reduced the export rebate tax on 15 September 2006. Though the international cement and clinker prices remained high, affected by the reduction in export rebate taxes and the improvement in the domestic prices, export of cement in the first half of 2007 showed a negative growth with a year-on-year decrease of 22.0%; clinker export remained strong with a year-on-year increase of 29.0%; a total of 17.76 million tonnes of cement and clinker were exported during the period, a slight overall year-on-year increase of 1.14%.

Further optimization of the industry structure

For the first half of 2007, the proportion of production using the new dry process technology in China reached 53.0%. This was an increase of 8.5 percentage points over the same period of last year. The Eastern China region has the largest dry process technology ratio, reaching 70.0%. The extent of the concentration of the industry has seen a further intensification. In particular, the top 60 government supported companies increased their pace in constructing new capacity, reorganization, and acquisitions.

II. BUSINESS ENVIRONMENT OUTLOOK FOR THE SECOND HALF OF 2007

National economy continues steady growth, while fixed assets investment drives the growth of cement production

It is expected that the government will continue to adopt austerity control measures in the second half of the year to guide the economy to a healthier and more continuous growth. It is expected that the national growth for the second half of the year will rise by a small margin compared to the first half of the year. Fixed assets investment will continue to grow at a high speed, driving the growth in cement demand.

Merger, acquisition and reorganization within the industry to speed up, while prices of cement expected to steadily increase

In the wake of the faster pace of merger, acquisition and reorganization of large-scaled domestic and international cement groups, industry concentration will be greatly intensified and regional framework will further emerge. With the upcoming of the peak season of construction and the drive of regional weeding out of backward cement production capability, the prices of cement for the second half of 2007 will continue to rise.

Cancellation of export tax rebate will affect the market in the short run

Export tax rebate of the PRC has been completely removed with effect from 1 July 2007. It is anticipated that cement export volume will decrease, which may affect the domestic market. A short-term impact will facilitate companies in the industry to adjust their investment direction and optimize product mix. China's strong export of cement was not only attributable to the benefits of export tax rebate policy, but more so driven by the strong demand from the international market. Thus, the removal of export tax rebate should not affect the overall development of cement companies in the long run.

Considering the above, the supply and demand of the cement industry in the PRC will improve in the second half of 2007, although revival will be slowed down in the wake of the imminent macro-economic policy. The Group will take into account all challenges which may occur in the second half of the year and strive to achieve a higher level of profitability by pushing forward both its domestic and export sales.

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 tax rebate, total export volume of cement and clinker 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 sufficient enough to cope with the fast growth rate. 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 by way of share swap on 14 June 2007. This will allow it to reach its target of production capacity at 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 1,659,900 tonnes of cement were produced by the Group, representing an increase of 3.77% over the same period of last year, and 1,013,300 tonnes of 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 1,958,000 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 adjustment on 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 sold mainly to the United States, Japan, Europe and other regions. 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 the Group's domestic market, a year-on-year increase of 70.1%, and the proportion of the sales accounted for 47.0% which increased from 28.8% over the same period of last year. While the Group will continue to explore the export sales, 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 International Financial Reporting Standards ("IFRSs"), representing an increase of 4.3% over the same period of last year; its profit for the period 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 2006.

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

Management Discussion and Analysis

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*	*%*
Domestic Sales				
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
Sub-total	**31,027**	**47.0**	18,236	28.8
Export Sales				
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
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 adjustment on 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 was 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 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 trails 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, Jiangsu Union Cement Co., Ltd. ("Union Cement") was the largest supplier of the Group. Union Cement is indirectly controlled by Chia Hsin Pacific Limited ("CHPL") (the major shareholder of the Group), and is a connected person (as defined by the Rules Governing the Listing of Securities on the Stock Exchange (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 tax rebate 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 London Inter Banks Offer Rate ("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 (used in) from 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 an increase of net assets of US$8,449,000 due to the Group's profit and revaluation of the 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 Use Rights

As at 30 June 2007, the Group's net fixed assets and land use rights 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 use rights and US$5,830,000 represented other net fixed assets. Net fixed assets and land use rights 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 30 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 reserve	**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. 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 sames as the end of 2006, and the number of days occupied by working capital was 1 day 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, entire staff and customers.

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

As at 30 June 2007, the interests or short positions held by the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would be required to be notified to the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules of the Stock Exchange were as follows:

1) *The Company*

	Number of ordinary shares (long position)			
Name of directors	**Personal interests**	**Family interests**	**Total number of shares**	**Approximate percentage of issued shares capital (%)**
CHANG Kang Lung, Jason	6,740,000	400,000	7,140,000	0.62
FU Ching Chuan	—	372,000	372,000	0.03

2) *Associated corporations*

		Number of ordinary shares (long position)				
Name of directors	**Name of associated corporations**	**Interests held by controlled corporations**	**Personal interests**	**Family interests**	**Total number of shares**	**Approximate percentage of issued shares capital (%)**
WANG Chien Kuo, Robert	CHC	—	358,811	21,108,875	21,467,686	3.18
	Tong Yang Chia Hsin International Coporation ("Chia Hsin International")	—	236,542	17,057	253,599	0.12
	Chia Hsin Construction and Development Corp. ("Chia Hsin Construction")	—	4,863,088	1,285,200	6,148,288	12.37

Name of directors	Name of associated corporations	Number of ordinary shares (long position): Interests held by controlled corporations	Personal interests	Family interests	Total number of shares	Approximate percentage of issued shares capital (%)
CHANG Kang Lung, Jason	CHC	—	300,000	—	300,000	0.04
	Chia Hsin International	—	1,058,869	—	1,058,869	0.51
	Chia Hsin Construction	—	638,400	—	638,400	1.28
WANG Li Shin, Elizabeth	CHC	—	50,000	—	50,000	0.01
	Chia Hsin Construction	—	387,000	—	387,000	0.78
CHANG An Ping, Nelson	CHPL	272,200	—	—	272,200	1.21
	CHC	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	—	288	—	288	0.01
FU Ching Chuan	CHC	—	790,479	—	790,479	0.11
	Chia Hsin International	—	42,237	—	42,237	0.02

Saved as those referred to above, as at 30 June 2007, certain directors held certain shares in the Company's subsidiaries as the non-beneficial owners in compliance with the minimum requirement on the number of shareholders for the Company.

Saved as disclosed above, as at 30 June 2007, none of the directors or the chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the directors or the chief executives of the Company are aware of, as at 30 June 2007, the shareholders, other than the directors or the chief executives of the Company, who had interests or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name of shareholders	Nature of interests	Number of ordinary shares	Percentage of issued share capital of the Company(%)
CHPL *(Note a)*	beneficially owned	814,000,000	71.22
International Chia Hsin Corp. ("ICHC") *(Note b)*	beneficially owned	10,508,000	0.92
Chia Hsin International *(Note b)*	interests held by controlled corporations	10,508,000	0.92
CHC *(Note a & b)*	interest held by controlled corporations	824,508,000	72.14

Notes:

a. CHPL is directly or indirectly owned as to approximately 98.08% by CHC, the ultimate controlling company of the Company, as to approximately 24.19% by Chia Hsin International (a 87.18% owned subsidiary of CHC), as to approximately 4.16% by CHC Holdings Inc. (a wholly-owned subsidiary of CHC), as to approximately 1.21% by Chia Hsin RMC Corporation (a company owned as to 13.71% by CHC and as to 65.30% by Mr. CHANG An Ping, Nelson).

b. The 19.33% and 20.18% of the issued share capital of ICHC were held by CHC and Chia Hsin International (a 87.18% owned subsidiary of CHC) respectively.

Saved as disclosed above, so far as the directors or the chief executives of the Company are aware of, as at 30 June 2007, there was no other person, other than the directors or the chief executives of the Company, who had interests or shorts positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company, in accordance with the provisions of Divisions 2 and 3 in Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

For the six months ended 30 June 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.

MATERIAL LITIGATION

For the six months ended 30 June 2007, the Group had not engaged in any material litigation or arbitration.

PUBLIC FLOAT

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

AUDIT COMMITTEE

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

CONTINGENT LIABILITIES

As at 30 June 2007, the Company had no material contingent liabilities.

Report on Review of Interim Financial Information

Deloitte.
德勤

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 29 to 40, which comprises the condensed consolidated balance sheet of Chia Hsin Cement Greater China Holding Corporation as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 August 2007

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 (unaudited) *US$'000***	30.6.2006 (audited) *US$'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

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Share capital US$'000	Share premium US$'000	People's Republic of China ("PRC") statutory reserves US$'000 (Note)	Exchange translation reserve US$'000	Retained profits US$'000	Total US$'000
For the period ended 30 June 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	—	—	—	1,828	—	1,828
Profit for the period	—	—	—	—	2,806	2,806
At 30 June 2006	11,429	164,342	3,387	4,627	25,202	208,987
For the period ended 30 June 2007						
At 1 January 2007	11,429	164,342	4,155	9,444	28,145	217,515
Exchange gain arising on translation of foreign operations recognised directly in equity	—	—	—	5,342	—	5,342
Profit for the period	—	—	—	—	3,107	3,107
At 30 June 2007	11,429	164,342	4,155	14,786	31,252	225,964

Note: Pursuant to the relevant PRC regulations applicable to the Company'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.

Condensed Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Six months ended	
	30.6.2007	30.6.2006
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Net cash from operating activities	**9,673**	6,947
Investing activities		
Interest received	**631**	484
Purchases of property, plant and equipment	**(1,256)**	(7,672)
Proceeds on disposal of property, plant and equipment	**—**	155
Decrease in pledged deposits	**—**	496
Net cash used in investing activities	**(625)**	(6,537)
Financing activities		
Repayments of bank borrowings	**(10,520)**	(11,380)
Interest paid	**(3,253)**	(2,821)
New bank loans raised	**—**	20,501
Net cash (used in) from financing activities	**(13,773)**	6,300
Net (decrease) increase in cash and cash equivalents	**(4,725)**	6,710
Cash and cash equivalents at beginning of the period	**52,390**	42,098
Effect of foreign exchange rate change	**1,348**	(344)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**49,013**	48,464

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, a new standard, amendment and interpretations ("new IFRSs") issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations 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

	PRC	United States	Japan	Europe	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'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	United States	Japan	Europe	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'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 Co., Ltd. ("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 (unaudited) US$'000	31.12.2006 (audited) US$'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:

	30.6.2007	31.12.2006
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 5.02% (for the 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 (unaudited) *US$'000*	31.12.2006 (audited) *US$'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.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2007

17. PLEDGE OF ASSETS

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

	30.6.2007 (unaudited) US$'000	31.12.2006 (audited) US$'000
Property, plant and equipment	**165,436**	162,851
Land use rights	**16,841**	16,614
	182,277	179,465

18. RELATED PARTY TRANSACTIONS

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

Nature of transaction	Name of related company	Six months ended 30.6.2007 (unaudited) US$'000	Six months ended 31.12.2006 (unaudited) US$'000
Sales of goods	Ganghui	**1,348**	1,166
	Union Cement	**267**	—
		1,615	1,166
Purchase of goods	Union Cement	**11,929**	11,282
Consultancy fee paid	Chia Hsih Business Consulting (Shanghai) Corporation ("Business Consulting")	**130**	125
Licence fee income	Ganghui	**8**	14
Vehicle rentals paid	Business Consulting	**49**	47

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

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

Moreover, during the period, the Group paid remunerations of short-term benefit to directors and other members of key management amounting to approximately US$291,000 (for the six months ended 30 June 2006: US$339,000).

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