



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)

**SUMMARY REPORT FOR  
THE FIRST THREE QUARTERS OF 2007**

To enhance shareholders' understanding of the operations of Chia Hsin Cement Greater China Holding Corporation (the "Company") and its subsidiaries (the "Group"), and pursuant to paragraph 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Board of Directors of the Company hereby discloses information in respect of the operations of the Group for the nine months ended 30 September 2007 (the "Period") as follows:

1. **Summary of financial information for the first three quarters**

	<b>For the nine months ended</b>	
	<b>30 September 2007</b>	30 September 2006
	<b>(unaudited)</b>	(unaudited)
	<b>US\$'000</b>	US\$'000
Turnover	<b>97,009</b>	94,267
Cost of sales	<b>81,067</b>	77,168
Profit for the period	<b>6,095</b>	5,137
Inclusive of: Chia Hsin Jingyang Cement Co., Ltd. ("Jingyang Cement")	<b>6,588</b>	5,626
Basic earnings per share (US cents)	<b>0.53</b>	0.45

*Note:* Jingyang Cement, incorporated in Zhenjiang, Jiangsu Province, China, is a wholly owned subsidiary of the Company.

## 2. Business Review

### 2.1 Analysis of the Business Environment

During the first three quarters of 2007, the People's Republic of China (the "PRC") economy continued to maintain its fast growing trend. GDP for the Period was Renminbi ("RMB") 16,604.3 billion, representing an increase of 11.5% and an increase of 0.7 percentage points in growth over the same period of last year, it remained relatively the same as the first half of the current year. Overall fixed asset investment reached RMB9,152.9 billion, representing an increase of 25.7% over the same period of last year. Affected by the macroeconomic control measures continually introduced by the PRC government, investment growth declined slightly by 1.6 percentage points when compared with the same period of last year and fell by 0.2 percentage points when compared with the first half of the current year. Nevertheless, the overall investment growth remained at a high level and made a considerable contribution to economic growth. From January to August 2007, the cumulative investment in real estates amounted to RMB1,427.7 billion, representing an increase of 29% over the same period of last year and pursuing an upward trend. With the enhancement of the macroeconomic control measures, the PRC economy may experience a slight downward adjustment in the fourth quarter with a lower growth rate, but the full year GDP growth is likely to exceed 11%.

The growth of cement production slackened during the first three quarters of 2007. From January to August 2007, the domestic cumulative cement production reached 856,426,900 tonnes, representing an increase of 14.95% over the same period of 2006, but a decrease in growth rate of 6.05 percentage points over the same period of last year. The growth of production volume in the eastern regions of PRC was lower than the national average, representing a growth of only 10.59% over the same period of last year. With a slowdown in the expansion of production capacity, more intensive efforts in eliminating backward production facilities by the PRC government and continued strong demand, the domestic cement industry continued to boom in the first half of the year. Though the third quarter traditionally is a slow season, prices of the cement in the eastern region of PRC only declined slightly and remained at a high level.

During the first three quarters of 2007, under the impact of the PRC government's decision to reduce export rebate tax for cement and finally, its complete removal on 1 July 2007, together with a rebound in the domestic market demand and the slowing down of the United States (the "US") economy, the export volume of cement declined when compared with the same period of last year. From January to August 2007, the cement exports amounted to 10,185,000 tonnes, representing a decrease of 25.46% over the same period of last year. The major export market of cement was still the US, accounting for about one-third of the total volume. Clinker exports maintained at a higher growth, amounted to 13,838,400 tonnes from January to August 2007, representing an increase of 22.53% over the same period of last year. Total exports of cement and clinker from January to August 2007 amounted to 24,023,400 tonnes, representing a decline of 3.74% when compared with the same period of last year. Export prices of cement remained high. The average FOB price of cement was approximately US\$39 per tonne, representing an increase of approximately US\$2 per tonne when compared with the same period of last year. The average FOB price of clinker was approximately US\$30 per tonne, representing an increase of approximately US\$3 per tonne when compared with the same period of last year.

## 2.2 Analysis of the Group's Operations

### Turnover by Products

Products	For the nine months ended			
	30 September 2007		30 September 2006	
	Turnover	Percentage	Turnover	Percentage
	US\$'000	%	US\$'000	%
<b>Domestic sales</b>				
52.5 cement	25,969	26.8	14,197	15.1
42.5 cement	17,533	18.1	11,317	12.0
32.5 cement	117	0.1	1,328	1.4
Clinker	279	0.3	309	0.3
Limestone	360	0.3	—	—
<b>Sub-total</b>	<b>44,258</b>	<b>45.6</b>	<b>27,151</b>	<b>28.8</b>
<b>Export sales</b>				
52.5 cement	52,351	54.0	65,014	69.0
42.5 cement	212	0.2	—	—
Clinker	188	0.2	2,102	2.2
<b>Sub-total</b>	<b>52,751</b>	<b>54.4</b>	<b>67,116</b>	<b>71.2</b>
<b>Total</b>	<b>97,009</b>	<b>100.0</b>	<b>94,267</b>	<b>100.0</b>

### Turnover by sales regions

Sales Region	For the nine months ended			
	30 September 2007		30 September 2006	
	Turnover	Percentage	Turnover	Percentage
	US\$'000	%	US\$'000	%
Jiangsu Province	25,338	26.1	12,628	13.4
Zhejiang Province	9,998	10.3	9,672	10.3
Shanghai	1,961	2.0	1,797	1.9
Fujian Province	6,961	7.2	3,054	3.2
Export	52,751	54.4	67,116	71.2
<b>Total</b>	<b>97,009</b>	<b>100.0</b>	<b>94,267</b>	<b>100.0</b>

### ***2.2.1 Overall sales increase and higher proportion of high grade cement***

During the first three quarters of 2007, enhanced production capacity was utilized by the Group to boost sales to 3,057,000 tonnes, representing an increase of 8.9% over the same period of 2006. At the same time, the Group sold some limestone, which generated certain consolidated effects. The enlarged proportion of high-grade cement accounted for 98.9% of overall sales. Benefiting from the increased sales volume, sales for the first three quarters of 2007 increased by 2.9% over the same period of last year.

### ***2.2.2 Proper adjustment of sales strategy to increase domestic sales***

Taking into consideration of the revival of the domestic market and the impact of removal of export rebate tax of cement, the Group adjusted its export strategy timely during the Period to increase domestic sales, which was further boosted by cement trading in the domestic market. During the Period, the proportion of exports reduced to 54.4% from 71.2%, and the proportion of domestic sales increased to 45.6%, compared with the same period in 2006.

### ***2.2.3 Benefiting from the appreciation of RMB***

For the nine months ended 30 September 2007, the Group's profits amounted to US\$6,095,000, representing an increase of 18.6% over the same period of 2006. During the Period, affected by the adjustment to the export rebate tax of cement and the appreciation of RMB, the Group's consolidated gross profit margin declined slightly over the same period of 2006. However, with the revival of the domestic market, together with the Group's adjustment of the proportion between domestic and exports sales and the product mix, the gross profit margin remained stable. In addition, the continued appreciation of RMB resulted in foreign exchange gains generated from the Group's US dollar denominated bank loans, creating an extra source of profit for the Group.

Looking forward to the fourth quarter of 2007, we believe that the nationwide cement industry will continue to boom as the fourth quarter is traditionally a peak season. The PRC government is exerting greater efforts in eliminating backward production facilities and the structural adjustment of the industry is deepening. Exports will be impacted by the complete removal of the export rebate tax effective from 1 July 2007 and the continued appreciation of RMB on the domestic front as well as the slowing down of US economy amidst the sub-prime mortgage crisis, but are still able to maintain prices higher than domestic sales. Cement players with real export advantages can still benefit from export growth. Facing changes in the market environment, the Group will continue to adopt flexible business strategies, maintain a dynamic balance between domestic and export sales, and enhance the overall profit level while maintaining its market share.

Moreover, in order to enhance the overall competitiveness, the Group has formed a strategic alliance with TCC International Holdings Limited (“TCCIH”) by way of merger through share swap this year. As at 16 October 2007, TCCIH has received acceptance in respect of 1,108,928,336 shares of the Company, representing approximately 97.03% of the issued share capital of the Company. The transaction is currently in progress.

For and on behalf of  
the Board of Directors  
**WANG Chien Kuo, Robert**  
*Chairman*

Hong Kong, 25 October 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*