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)

中期報告 2005
Interim Report

	Six months ended	
	30 June 2005	30 June 2004
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Turnover	**38,226**	44,092
Gross profit	**6,419**	19,065
Gross profit margin	**16.8%**	43.2%
Profit from operations	**563**	13,444
(Loss) profit for the period	**-1,157**	12,295
(Loss) earnings per share (US cents)	**-0.10**	1.08
Return on equity	**-0.6%**	6.2%

	30 June 2005	31 December 2004
	(Unaudited)	(Audited)
	US$'000	*US$'000*
Total assets	**313,256**	319,019
Total liabilities	**115,001**	119,607
Shareholders' equity	**198,255**	199,412
Gearing ratio	**34.3%**	35.0%
Debt ratio	**54.3%**	56.0%
Current ratio	**2.9 times**	3.7 times
Net Asset per share (US cents)	**17.35**	17.45

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.

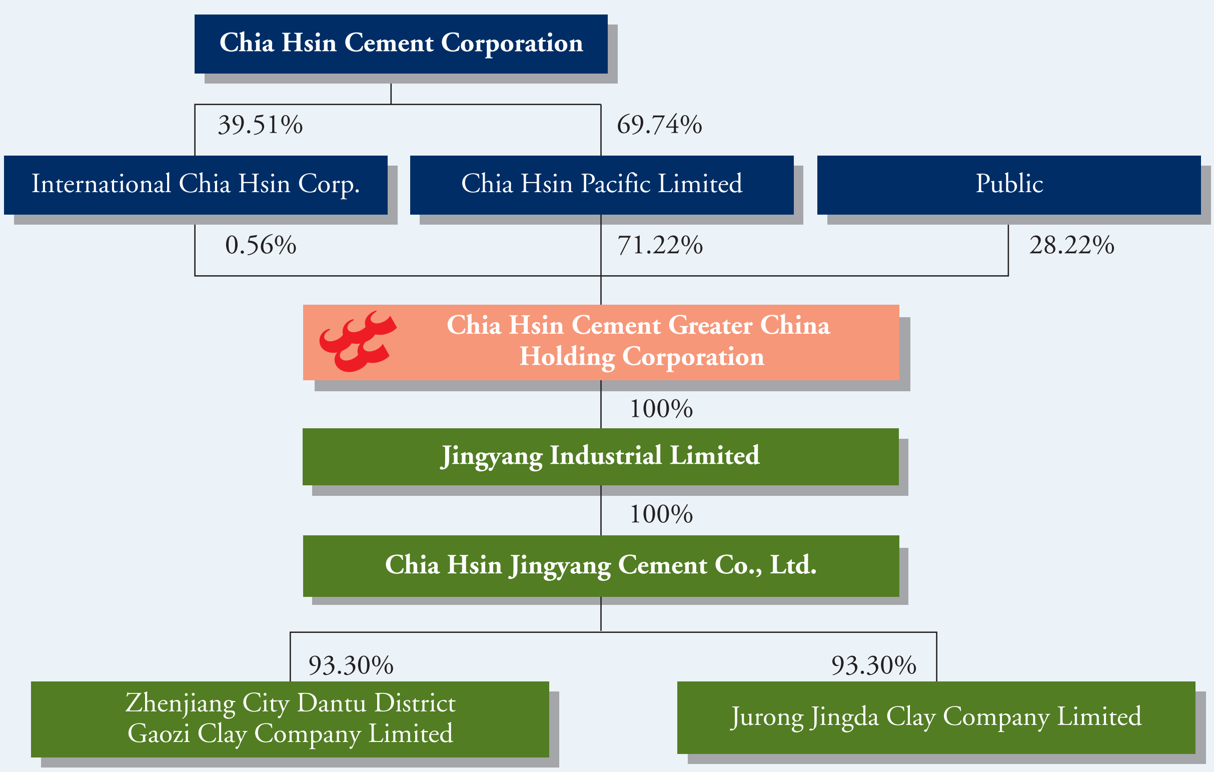
The Group has engaged in cement related businesses in the People's Republic of China (the "PRC") since 1993. It is the first Taiwanese player to enter the PRC market and is now one of the major cement suppliers in Greater China region. Chia Hsin Cement Corporation ("CHC"), the parent company, is one of the 3 largest cement suppliers in Taiwan. It has been in operation for 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 facilities, which have an annual production of over 4.2 millions tonnes of cement, and two private deep water jetty, having a capacity to berth vessels of over 30,000 tonnes and 5,000 tonnes, allow the Group to provide a full range of products and services for its client in both domestic and international markets.

The Group's products have been used in various landmark construction projects including Nanjing Subway, Zhejiang Yongtaiwen Expressway, Fujian Fuling Expressway, Jiangsu Runyang Bridge, Shanghai Maglev Station, Shanghai Donghai Yangshan Deepwater Port, and Shanghai World Financial Centre.

As at 30 June 2005, the Group has total assets of approximately US$313 million.

CORPORATE STRUCTURE



As at 30 June 2005

Corporate Information

DIRECTORS

Executive Directors

Mr. WANG Chien Kuo, Robert, Chairman
Mr. LAN Jen Kuei, Konrad, Vice Chairman
Mr. CHANG Kang Lung, Jason
Ms. WANG Li Shin, Elizabeth

Non-executive Directors

Mr. CHANG Yung Ping, Johnny
Mr. CHANG An Ping, Nelson

Independent Non-executive Directors

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

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. MACKENZIE Davin A.
Mr. ZHUGE Pei Zhi
Mr. CHANG An Ping, Nelson

INFORMATION OF SHARE

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 fully-paid shares in issue: 1,142,900,000
Nominal value: US$0.01 each

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

ENQUIRY FOR INVESTORS

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Website
http://www.chcgc.com.

Chairman's Statement

Dear Shareholders,

I hereby present to you the Interim Report of Chia Hsin Cement Greater China Holding Corporation and its subsidiaries for the six months ended 30 June 2005.

OPERATING ENVIRONMENT

In the first half of 2005, the economy of the PRC continued to develop under the direction of austerity control measures implemented by the PRC government. During the period, the GDP grew year-on-yearly by 9.5%, up by 0.2 percentage point from the corresponding period of last year. The total investment in fixed assets grew year-on-yearly by 25.4%, down 3.2 percentage points from the corresponding period of last year. The cement industry was facing tough challenges from the macro-economic environment.

Due to the mentioned factors, the overall performance of the cement industry in the PRC, as influenced by its cyclical factors, was not satisfactory. Following the downward trend since the second half of 2004, there was a sharp decrease of 76.5% in the overall profit of the industry when compared with the corresponding period of last year, resulting in considerable loss. On the supply and demand front, a slowdown in investment of fixed asset and property market slackened the increase in demand. With the investments in 2004 generating new production output in the first half of this year, the tension between supply and demand increased, thus continually driving the cement prices down in the first half of the year. Regarding costs, the production cost of cement increased as the coal price remained at a high level and the electricity price adjusted upward. The dual pressure of price and production cost had resulted in a sharp decline in the overall performance of cement industry in the first half of the year. The industry performance has reached its trough as the pace of consolidation of the industry hastened. Some of the more inefficient and backward companies were eliminated under the pressures from the market, environmental requirements, government directives and tightening of credit.

It is worth noting that the rebound in the world economy had brought about an increase in the demand for cement in the overseas market since 2004. The export of cement from the PRC increased by 184% for the first half of year 2005. The export market is an area of opportunity for those who have the production and distribution capabilities.

BUSINESS REVIEW

For the six months ended 30 June 2005, CHC Greater China recorded a turnover of US$38,226,000, profit from operations of US$563,000 and net loss of US$1,157,000.

Despite the adverse condition and challenges brought about by the austerity control measures to the industry, the Group explored new opportunities during the slowdown of the industry. Since it is anticipated that the domestic operating environment will be unstable during the consolidation of the industry, the Group initiated its overseas expansion plans at the end of 2004. On the sales and marketing front, the previous international sales network was re-established. During the period, we completed the product certification and adjustment of the pier facilities, and launched pilot sales for our products. The export sales recorded US$3.7 million, which was 6.2 times of that of the corresponding period of last year. On the production front, in addition to the renovation of the cement grinding mill, the Group invested US$1.54 million on the implementation of new tube mill, in order to maintain supply for the existing customers and ensure the supply for cement export. This project went into trial production in July 2005 and commenced commercial production in August, increasing the annual cement production capacity of the Group by 30% to 4.2 million tonnes.

OUTLOOK

Looking ahead, the cement industry will have a long-term benefit from the steady economic growth in the PRC. The austerity control measures will ensure a structrued and healthy development. Although the industry has already reached the trough of the down cycle, the unfavorable condition will continue for a considerable period of time, speeding up the pace of consolidation and the merging of manufacturers in the industry. As a modern company with competitive edges on scale, resources, technology, facilities, location and logistics, the leading position of CHC Greater China will be further enhanced with the government policies. In addition, the appreciation of Renminbi will raise the overall value of the Group. Since speculation of an increase will continue in the future, it is expected that there will be an increase in international investment in the property market of the PRC, which in turn indirectly raises the market demand for cement, facilitating a rebound in the industry.

For the second half of 2005, the unfavourable factors such as over-capacity and competition will continue. The cement price will continue to fluctuate at a low level. The fourth quarter, which is a traditionally a peak season, may induce a rebound on the demand. After hovering at a high level, coal prices may have room for downward adjustment, which may soothe the pressure on production cost.

In the second half of the year, the Group will endeavor to continue to maintain both market share and profitability. It will implement the established export plan and increase the sales volume by raising production capacity, so as to raise profit by realizing 20%-30% of export volume, while maintaining domestic market share. The Group will also continue to focus on the logistics and distribution network. It will establish a new 30,000 tonnes deep water jetty on the existing shore line and increase the throughput capacity, allowing for production and sales expansion. In the meantime, the Group will actively expand in its distribution and transportation facilities, such as the building of cement silos and the acquring of various transportation facilities, to further strengthen its competitive edge. By doing so, the Group will be able to capture the opportunities arising from consolidation and resources integration and generate a better return for shareholders.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to take this opportunity to express my gratitude to all of those working in the Group for their effort and loyal service over the past six months. I would also like to give my heartfelt thanks to our shareholders for giving tremendous support to the Company during these times. Despite the circumstances, the Group will continue to strive ahead and explore new business opportunities, in order to live up to the expectation of our shareholders and employees.

By Order of the Board
WANG Chien Kuo, Robert
Chairman

Hong Kong
18 August 2005

Business Environment Analysis

In the first half of 2005, with the continual implementation of the austerity control measures by the PRC government, the national economy maintained a sustainable growth, though a fall in the growth rate of fixed assets investment and the shortage of energy supply were noted. Thus, the growth of demand for cement had declined sharply. New capacity flooded the market in the first half of 2005, leading to a tension between supply and demand, lowering the cement prices, and creating margin pressures. However, there are still opportunities in the consolidation of the industry. Vertical kilns and inefficient plants are being eliminated progressively. Meanwhile, export trade is becoming a new focus.

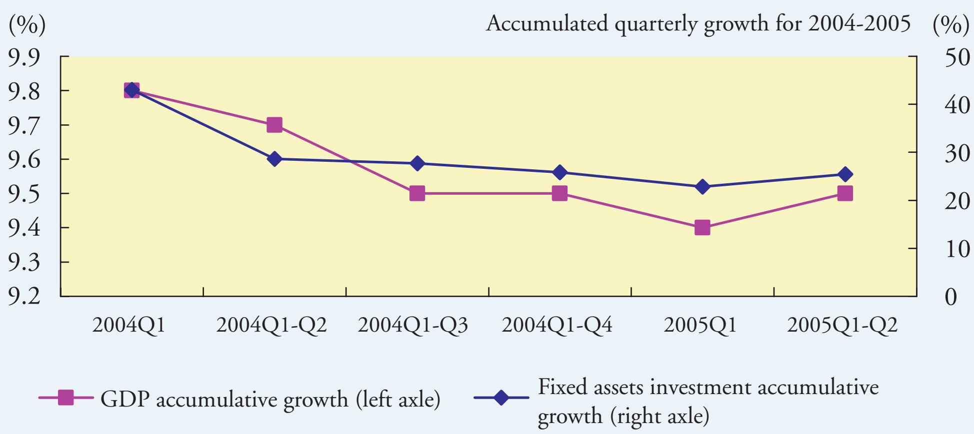
In the second half of 2005, as the implementation of austerity control measures and the industry slowdown will continue, it is expected that the consolidation of the industry will be further accelerated. The importance of logistics and distribution network to the cement factory will become more significant.

I. BUSINESS ENVIRONMENT FOR THE FIRST HALF OF 2005

1. *Sustainable economic growth, a fall in the growth of fixed asset investment and high energy price*

In the first half of 2005, the growth of national economy remained sustainable. The GDP for the first half of the year grew year-on-yearly by 9.5%, which was decreased by 0.2 percentage point as compared with the corresponding period of last year. Amongst which, the first quarter increased by 9.4% and the second quarter increased by 9.5% as compared with the corresponding period of last year. For the domestic economy, economic development was undergoing a stage of growth. The tendency for the growth of a self-monitored economy remained strong, with a clear objective to implement the “double stable” macro-economic policies that advocate stable fiscal and financial policies, thus, maintaining a sustainable economic growth.

In the first half of 2005, there was a fall in the growth of fixed assets investment. The total fixed assets investment for the first quarter increased by 25.4%, which was 3.2 percentage points lower than the corresponding period of last year. Amongst which, the first quarter increased by 22.85% as compared with the corresponding period of last year and the second quarter increased slightly compared to the first quarter. This reflects that the impact of austerity control measures on fixed assets investment has been significant. Being a basic materials industry relying on economic construction and fixed assets investment, the cement industry should move towards structural reform and industry normalization during this round of austerity control.



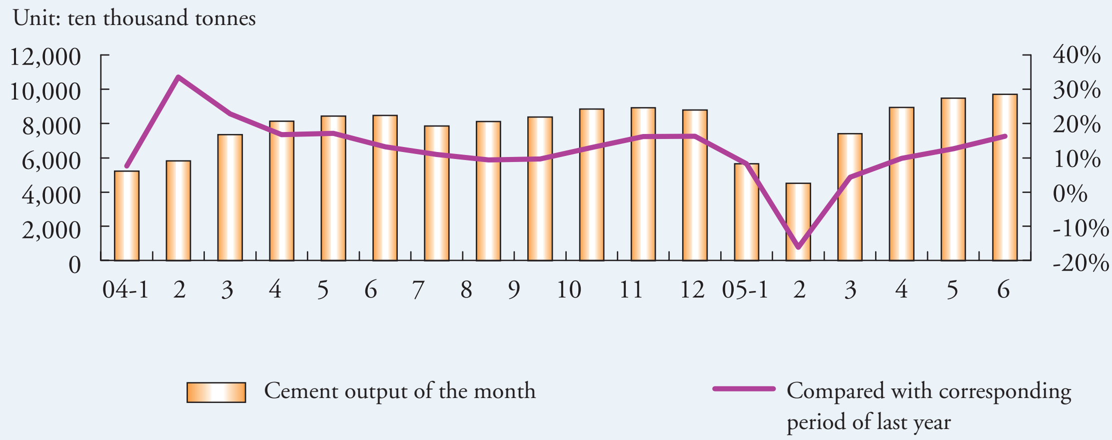
Source: State Statistics Bureau

There was a shortage of energy supply and the bottleneck for the coal and electricity supply remained tight. Following the growth trend in 2004, coal prices remained at a high level in the first half of 2005, but growth was stablized. Since 1 May, the national electricity price in various provinces and cities was increased. Since energy is nearly 50% of production cost, high coal prices and increasing power prices will continue to put pressure on margins.

2. *Slowing growth of cement demand, reducing profitability and hastening consolidation*

In the first half of 2005, the accumulative national output of cement was 460 million tonnes, a growth of 8.34% when compared to the corresponding period of last year. Compared to last year, the growth rate dropped significantly and the growth of demand was reduced accordingly.

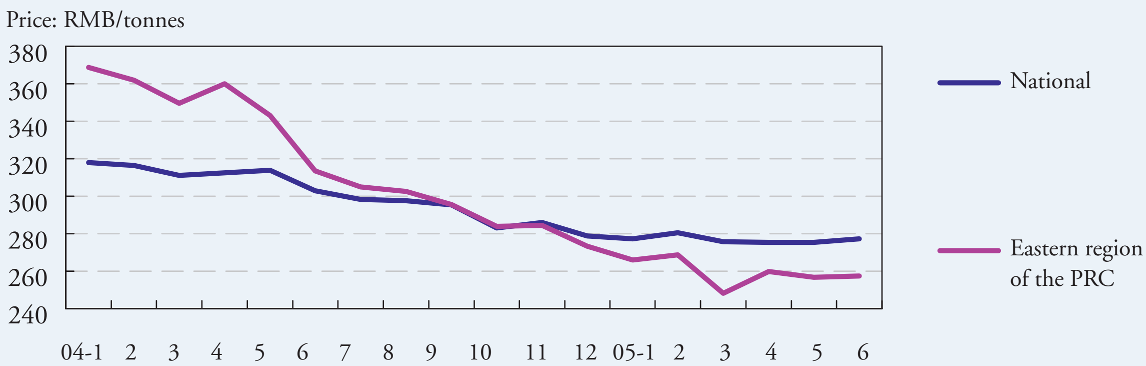
National monthly cement output for 2004-2005 compared with the corresponding period of last year.



Source: China Cement Association

With a fall in demand growth for cement and an increase in production capacity, there was a tension between demand and supply that created pricing pressures for the first half of the year. Meanwhile, the production cost of cement industry was on a rise as the coal price was staying at a high level and the electricity price increased. The profit of the overall industry declined sharply for the first half of the year subject to the dual pressure of price and cost. During the period, the cumulative loss of companies having a deficit reached RMB3.2 billion, which was up by 116.6% compared to last year.

PO42.5 cement market price of major cement companies for 2004-2005



Source: China Building Materials Information's website

The consolidation of the industry was accelerated with new dry process plants being built and large corporations forming in a rapid pace. In the year of 2005, the output of dry process lines will increase from 31.21% to 45.52%, as compared with 2004. The accumulative sales of cement and clinker for the top ten cement companies was 71.66 million tonnes during the period from January to June with a market share of over 16%, representing an increase of 45% as compared with the corresponding period of last year. In turn, vertical kilns and inefficient plants are slowly being eliminated.

Export volumes reached 7.79 million tonnes, up by 184% compared to the corresponding period of last year. Export is not only a buffer for the cyclical domestic market, but also an important tool to help facilitate consolidation in the industry.

II. OPERATING ENVIRONMENT AND OUTLOOK FOR THE SECOND HALF OF 2005

Looking ahead in the second half of 2005, the unfavourable factors in the cement industry such as over-production and high cost of coal and electricity will persist in the short term. For the long term, the cement industry will undergo healthy development under the austerity control measures of the government. The cement industry will move towards maintaining balance through consolidation and rationalization, and as a result, form more stringent barriers to entry. CHC Greater China, being one of the market leaders, will further strengthen and reinforce its position by capitalizing on its advantages in various aspects under the support of the government policies.

1. *Sustainable economic growth, and expanding fixed assets investment*

For the second half of 2005, the PRC economy will continue to maintain a sustainable economic growth. Due to influence of the appreciation of Renminbi that leads to a reduction in export, together with the austerity control polices that regulate the growth of investment, it is expected that the increase in GDP of the PRC will be slightly lower than that of the first half of the year. Fixed assets investment will continue to maintain at an extensive scale even though its growth rate will slow down. The report from the State Information Centre of the PRC stated that the fixed assets investment is expected to attain a growth rate of about 22%, which helps to ensure that cement demand will continue to increase steadily.

2. *Prices will continue to hover at a low level, coal prices may have room for slight downward adjustment*

Though cement demand will continue to increase steadily, new capacity flooding the market since 2004 has accelerated the imbalance between demand and supply. Cement prices will continue to fluctuate at a low level. The fourth quarter, which is traditionally a peak season, prices may temporarily see a slight rebound. Due to the advancement of technology, renovation and expansion, the coal production output will increase and should offer some relief in coal price. In addition, due to the influence of the austerity measures, some of the over-heated industries will be cooled down, alleviating demand pressures on coal. As the new power plants come on line, we should begin to see an improvement in electricity shortages.

3. *Enhanced consolidation of cement industry*

The current cyclical slowdown of the cement industry will further help accelerate the consolidation of the industry. The government's directives also support this transition. For example, Zhejiang province plans to eliminate all vertical kilns by 2007, with 32 lines to be closed down by the end of 2005. Henan Province will abolish around 10 million tonnes of cement by shutting down all vertical kilns by 2007. Inefficient and backward small-scale plants will gradually be eliminated under the pressures from the market, environmental requirements, tightening of credit, and government directives. However, we believe that this transition phase will extend for some time and can only be completed with the assistance of mergers, acquisitions, and alliances.

4. *Importance of logistics and distribution network becomes more significant*

Logistics and distribution will become increasingly important as it will directly influence market reach, customer service, and pricing as the cement industry consolidates. In addition, as the global economy grows stronger, the international cement market continues to be an attractive market. Having a strong distribution and logistics network will allow companies to leverage the domestic market with the international market to hasten the pace of consolidation within China while maintaining profitability via the internaional market.

In conclusion, 2005 will be a year of opportunities and challenges for the cement industry. Through the government directives and consolidation of the industry, weaker players will be eliminated while companies who are capable of risk control, cash management will be able to benefit from scale, resources, technology, and logistics and come out at the forefront of the development.

COMPARISON OF FINANCIAL INDICATORS FOR FIVE YEARS

US$'000

	The first half of 2005	Year 2004	Year 2003	Year 2002	Year 2001
Turnover	**38,226**	81,944	78,012	67,841	64,061
(Loss) profit for the period	**(1,157)**	14,693	19,017	10,258	8,043
Total assets	**313,256**	319,019	316,514	269,441	282,721
Working capital *(note 1)*	**58,166**	67,255	67,087	(2,052)	3,004
Shareholder's equity	**198,255**	199,412	184,490	(6,974)	(17,230)
Total liabilities	**115,001**	119,607	132,024	276,415	299,951
Return on equity *(note 2)*	**(0.6%)**	7.4%	10.3%	N/A	N/A
Working capital ratio *(note 3)*	**29.3%**	33.7%	36.4%	N/A	N/A
Return on assets *(note 4)*	**(0.4%)**	4.6%	6.0%	3.8%	2.8%
Debt ratio *(note 5)*	**54.3%**	56.0%	65.8%	N/A	N/A
(Loss) earnings per share (US cents)	**(0.10)**	1.29	2.08	N/A	N/A

Notes: The Company was incorporated on 10 June 2003. Its shares were listed on the Stock Exchange on 12 December 2003. Data of the financial statements for the financial years prior to the establishment 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 loans + shareholders' loan (if any))/ shareholders' equity

I. OPERATION STRATEGIES

The main strategy focuses for our operation include the following:

1. continuously strengthening internal control and risk management,
2. maintaining a healthy financial structure, allowing the Group to capture opportunities when they arise,
3. investing prudently, focusing on maximizing the efficiency of assets on hand, while searching for acquisition and alliance partners,
4. developing and strengthening the Group's logistics network to seamlessly bring the products to the market,
5. enhancing sales portfolio management by leveraging domestic and internaional markets, targeting different customer and product segments to balance seasonality and attain better profitability.

II. REVIEW OF 2005 RESULTS

1. *The Group's overall operations*

For the six months ended 30 June 2005, the sales of cement and clinker of the Group was approximately 1.58 million tonnes, an increase of 15.5% over corresponding period of last year. The turnover amounted to approximately US$38,226,000, representing a decrease of 13.3% as compared with the corresponding period of last year. Although the Group utilized its international sales network to expand the overseas sales market and strictly control the cost and expenses in the first half of 2005, the cement industry of the PRC continued to decline subject to the cyclical and seasonal factors. At the same time, due to the dual pressure of the production cost caused by high coal price and escalating electricity price and cement price, the net loss of the Group was approximately US$1,157,000.

For the six months ended 30 June 2005, the Group's investment in fixed assets amounted to approximately US$2,043,000, which was injected mainly into the new tube mill project and the expansion of cement grinding mill. After commencing commercial production, the annual output of cement increased by nearly 30% to 4.2 million tonnes per year.

Set out below are the condensed consolidated balance sheet, condensed consolidated income statement and condensed consolidated cash flow statement of the Group.

Condensed Consolidated Balance Sheet *(Unit: US$'000)*

	30 June 2005	31 December 2004
Fixed assets and land use rights	**224,519**	227,107
Bank balances and cash	**45,131**	59,378
Other current assets	**43,606**	32,534
	313,256	319,019
Shareholders' equity and liabilities		
Share capital	**11,429**	11,429
Share premium and reserves	**186,826**	187,983
Bank borrowings	**107,601**	111,756
Other liabilities	**7,400**	7,851
	313,256	319,019

Condensed Consolidated Income Statement *(Unit: US$'000)*

	Six months ended 30 June	
	2005	2004
Turnover	**38,226**	44,092
Less: Cost of sales	**(31,807)**	(25,027)
Operating costs	**(6,085)**	(5,376)
Finance costs	**(2,218)**	(1,372)
Plus: Other income	**822**	483
Less: Other expenses	**(95)**	(505)
(Loss) profit for the period	**(1,157)**	12,295
(Loss) earnings per share -(US cents)	**(0.10)**	1.08

Condensed Consolidated Cash Flow Statement *(Unit: US$'000)*

	Six months ended 30 June	
	2005	2004
Cash flow (used in) from operating activities	**(5,231)**	14,673
Cash flow used in investing activities	**(953)**	(5,680)
Cash flow used in financing activities	**(8,063)**	(6,656)
Effect on changes in exchange rates	**—**	(3)
Cash and cash equivalents at the beginning of the period	**59,378**	64,992
Cash and cash equivalents at the end of the period	**45,131**	67,326

2. *Loss of the Group*

For the six months ended 30 June 2005, the loss of the Group was US$1,157,000, representing a significant decrease as compared in profit with the corresponding period of 2004. This was mainly attributable to the decline of cement price in the PRC that led to a drop of the average selling price by approximately 25.0% as compared with the corresponding period of 2004. Although the purchasing prices of coal and electricity remained stable since the second half of 2004, the prices maintained at a high level. At the same time, by leveraging on the production capacity of the cement grinding mill and the external sourcing of a portion of clinker for producing cement, the average cost increased by approximately 10.0% as compared with the corresponding period of 2004.

2.1 Turnover

Set out below is an analysis of the Group's turnover in terms of its products for the six months ended 30 June 2005.

	Six months ended 30 June			
	2005		2004	
Products	**Turnover**	**Percentage**	Turnover	Percentage
	US$'000	**%**	*US$'000*	%
52.5 cement	**10,344**	**27.1**	11,697	26.5
42.5 cement	**20,946**	**54.8**	23,482	53.3
32.5 cement	**4,847**	**12.7**	8,883	20.1
Clinker	**2,089**	**5.4**	30	0.1
Total	**38,226**	**100.0**	44,092	100.0

For the six months ended 30 June 2005, the Group's sales increased by 15.5% as compared with the corresponding period of 2004. However, the turnover dropped by 13.3% when compared with the corresponding period of 2004. The fall of turnover was mainly attributable to the influence of austerity control measures for the first half of 2005 that led to a relatively significant decrease of cement price in the PRC market over the corresponding period of 2004. The average selling price reduced by 25.0% when compared with the corresponding period of 2004.

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 2005.

	Six months ended 30 June			
	2005		2004	
Sales Region	**Turnover**	**Percentage**	Turnover	Percentage
	US$'000	**%**	*US$'000*	%
Jiangsu Province	**16,280**	**42.6**	25,327	57.4
Zhejiang Province	**11,190**	**29.3**	11,814	26.8
Shanghai Municipality	**4,400**	**11.5**	4,287	9.7
Fujian Province	**2,657**	**6.9**	1,969	4.5
Guangdong Province	**—**	**0.0**	98	0.2
Export	**3,699**	**9.7**	597	1.4
Total	**38,226**	**100.0**	44,092	100.0

For the six months ended 30 June 2005, by following its sales portfolio management strategy, the Group expanded the export sales, which was amounted to approximately US$3.7 million, 6.2 times of that of the corresponding period last year.

2.2 Cost of sales

Set out below is the breakdown on the Group's cost of sales for the six months ended 30 June 2005.

	Six months ended 30 June			
	2005		2004	
Item	**Amounts**	**Percentage**	Amounts	Percentage
	US$'000	***%***	*US$'000*	*%*
Raw materials	**8,643**	**27.2**	4,700	18.8
Energy	**16,693**	**52.5**	12,481	49.9
Depreciation and amortisation	**3,524**	**11.1**	3,325	13.3
Labour cost	**800**	**2.5**	746	3.0
Others	**2,147**	**6.7**	3,775	15.0
Total	**31,807**	**100.0**	25,027	100.0

For the six months ended 30 June 2005, the Group's average cost of sales was 10.0% more than the corresponding period of 2004. The main reasons were the significant increase in the price of energy (including coal and electricity) and the purchase of outside clinker in order to fully utilize the cement grinding capacity.

2.3 Gross profit

Set out below is an analysis of the Group's gross profits in terms of its products for the six months ended 30 June 2005.

	Six months ended 30 June					
	2005			2004		
Product	**Gross profit**	**Percentage**	**Gross profit margin**	Gross profit	Percentage	Gross profit margin
	US$'000	***%***	***%***	*US$'000*	*%*	*%*
52.5 cement	**2,206**	**34.4**	**21.3**	4,591	26.0	42.3
42.5 cement	**2,960**	**46.1**	**14.1**	10,300	54.0	43.9
32.5 cement	**901**	**14.0**	**18.6**	3,808	20.0	42.9
Clinker	**352**	**5.5**	**16.9**	6	0.0	20.0
Total	**6,419**	**100.0**	**16.8**	19,065	100.0	43.2

For the six months ended 30 June 2005, the Group recorded a gross profit of US$6,419,000. The average gross profit margin was 16.8%, with a significant decrease compared with the corresponding period of 2004. The fall in gross profit margin was mainly attributable to the decrease by 25.0% in the selling price of cement, and an increase in average cost of sales by 10.0% than that of the corresponding period of 2004.

2.4 Operating costs

For the six months ended 30 June 2005, the Group's operating costs (including marketing costs and administrative expenses) amounted to US$6,085,000 in total, representing an increase of 13.2% as compared with the corresponding period of 2004. The increase in marketing costs was mainly attributable to the expansion of sales network and strengthening of customer service.

2.5 Finance costs

For the six months ended 30 June 2005, the Group's finance costs amounted to US$2,218,000, representing a significant rise compared with the corresponding period of 2004. This was mainly attributable to an increase in interest rate since the Group based the calculation of interest on London Inter-Banks Offer Rate ("LIBOR") for the first half of 2005.

3. *Capital and financial position*

3.1 Cash Flows

Cash flow from operating activities

For the six months ended 30 June 2005, net cash flow used in operating activities was US$5,231,000, representing a decrease by US$19,904,000 over the corresponding period of 2004. The main reasons were: the Group's profit from operation has a significant decrease as compared with the corresponding period of 2004, and the trade receivables were increased. In order to ensure better supply of energy and raw materials, the Group put greater efforts in timely settling of payments subject to the availability of capital.

Cash flow in investing activities

For the six months ended 30 June 2005, net cash flow used in investing activities was US$953,000, of which US$2,043,000 was invested in fixed asset mainly for the expansion of the cement grinding capacity through the new tube mill project.

Cash flow in financing activities

For the six months ended 30 June 2005, net cash flow used in financing activities amounted to US$8,063,000, of which US$5,590,000 was used in the settling the principal of long-term loan according to the loan contract.

3.2 Financial Position

For the six months ended 30 June 2005, the total assets of the Group amounted to US$313,256,000, representing a decrease of US$5,763,000 compared with the beginning of 2005. The total liabilities amounted to US$115,001,000, representing a decrease of US$4,606,000 compared with the beginning of 2005. The shareholder's equity was US$198,255,000, representing a decrease of US$1,157,000 compared with the beginning of 2005.

3.2.1 Fixed assets

As at 30 June 2005, the net value of the assets of the Group was US$207,134,000, of which property accounted for US$54,039,000, plant and equipment accounted for US$144,412,000, construction in progress accounted for US$2,974,000, and the net value of other fixed asset accounted for US$5,709,000.

3.2.2 Current assets and current liabilities

As at 30 June 2005, the Group's current assets were amounted to US$88,737,000, which mainly included inventories of US$15,324,000, trade receivables of US$17,886,000, bank balances and cash of US$45,131,000 and other current assets of US$10,396,000.

As at 30 June 2005, the Group's current liabilities were amounted to US$30,571,000, which included trade payable of US$4,563,000, bank borrowings due within one year of US$23,171,000 and other current liabilities of US$2,837,000.

3.2.3 Structure of interest-bearing borrowings

As at 30 June 2005, the Group has interest-bearing borrowings of US$107,601,000, comprising unsecured short-term bank loans of US$3,216,000 and secured bank loan of US$104,385,000.

The maturity dates of bank loans of the Group as at 30 June 2005 were set out in condensed consolidated financial statement's note 13.

As at 30 June 2005, the Group's bank borrowings were secured by the assets with a net book value of US$154,607,000, including property, plant and equipment of US$136,356,000, the land use rights of US$16,318,000 and the bank deposits of US$1,933,000.

The unsecured short-term bank loans were denominated in RMB or USD, bearing an average interest rate of 4.67% per annum. They comprised mainly two revolving loans, each has a principal of RMB10,000,000 (equivalent to approximately US$1,208,000) and a loan in USD with a principal of US$800,000.

The secured bank loans were denominated in US dollars, bearing an average interest rate of LIBOR plus 0.98% per annum.

3.2.4 Financial ratio

	30 June 2005	31 December 2004	**increase/ decrease**
Turnover period of trade payables *(note 1)*	**25 days**	26 days	**-1 day**
Turnover period of trade receivables *(description 1) (note 2)*	**68 days**	52 days	**+14 days**
Turnover period of inventories *(note 3)*	**81 days**	79 days	**+2 datys**
Current ratio *(description 2) (note 4)*	**2.9 times**	3.7 times	**-0.8 times**
Quick ratio *(description 2) (note 5)*	**2.4 times**	3.2 times	**-0.8 times**
Gearing ratio *(description 3) (note 6)*	**34.3%**	35.0%	**-0.7%**
Debt ratio *(description 3) (note 7)*	**54.3%**	56.0%	**-1.7%**

Notes:

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

2. Turnover period of trade receivables = number of days during the period x (average trade receivables / 1.17) / turnover

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

4. Current ratio = current assets / current liabilities

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

6. Gearing ratio = bank loans / total assets

7. Debt ratio = (bank loans + loans from shareholders) / shareholder's equity

Descriptions:

1. The increase in turnover period of trade receivables was due to the provision of slightly relaxed payment terms by the Group, subject to the market condition, to certain customers who have close cooperative ties with it and are capable of settling the payment by bank accepted remittance, leading to a rise in trade receivables. In addition, the sales income reduces as result of a fall in selling price.

2. As there is an increase in the amount of bank loans due to be paid within a year, the amount of current liabilities is higher than that of the beginning of the year. As a result, current ratio and quick ratio are lowered but the liquidity maintains in a relatively high level.

3. As the bank loans were repaid on due date during the period, the gearing ratio and debt ratio are less than that of the beginning of the year. As a result, the Group's financial structure is more stable.

3.2.5 Shareholder's equity

As at 30 June 2005, the shareholder's equity of the Group was US$198,255,000. The shareholder's equity comprised the following:

	30 June 2005		31 December 2004	
Items	**Amounts**	**Percentage**	Amounts	Percentage
	US$'000	*%*	*US$'000*	*%*
Share capital	**11,429**	**5.8**	11,429	5.7
Share premium and reserves	**186,826**	**94.2**	187,983	94.3
Total	**198,255**	**100.0**	199,412	100.0

As at 30 June 2005, the shareholder's equity reduced by 0.6% when compared with 31 December 2004. The fall in shareholder's equity was mainly derived from the loss of the Group during the period.

3.3 Finance Risks

3.3.1 Foreign exchange exposure

The exchange risks of the Group mainly come from exchange rate fluctuation of Renminbi against US dollars. The Group keeps watch on exchange rate change of these currencies and market trend. The Group has not entered into any derivative instrument contracts for reducing foreign exchange risks for the six months ended 30 June 2005.

3.3.2 Interest rate risks

Major financing of the Group comes from long-term borrowings denominated in US dollars. The Group constantly reviews the market conditions, operating requirements and financial status to determine the most effective interest rate risk management tools. The Group has not entered into any contracts for hedging interest rate risks for the six months ended 30 June 2005.

IV. EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2005, the Group has 667 full-time employees. The Group focuses on the training and development of human resources, and provides a competitive remuneration package to employees. Other benefits offered by the Group include mandatory provident fund, insurance and discretionary bonus.

V. OUTLOOK FOR THE SECOND HALF OF 2005

In accordance with the operation strategies of the Group, the following plans will be introduced in the second half of 2005:

1. Production: the Group will fully utilize the additional production capacity after the renovation of cement mill to increase the cement output. Meanwhile, this will also shorten the time required for regular maintenance in the third quarter, thus increasing the production turnover of these facilities.

2. Sales: the Group will capitalize on its additional production capacity to explore overseas markets and expand exports while sustaining the domestic market share.

3. Logistics and distribution: the Group will initiate the plan to construct a new deep water jetty along the original coastline so as to increase throughput for the purpose of accommodating the expansion in production and sales. At the same time, it is also actively developing logistics and distribution facilities on land and seas routes, and constructing cement silos in order to compliment the competitive advantages of the Group.

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

As at 30 June 2005, 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

I. *The Company*

	Number of ordinary shares (long positions)			
Name of directors	Personal interests	Family interests	Total number of shares	Approximate percentage of issued share capital of the Company (%)
CHANG Kang Lung, Jason	6,740,000	—	6,740,000	0.58
CHANG Yung Ping, Johnny	10,000,000	1,220,000	11,220,000	0.98

II. *Associated corporations*

		Number of ordinary shares (long positions)				
Name of directors	Name of associated corporations	Interests held by controlled corporation	Personal interests	Family interests	Total number of shares	Approximate percentage of issued share capital of the corporation (%)
WANG Chien Kuo, Robert	Chia Hsin Cement Corporation	—	358,811	21,108,875	21,467,686	3.07
	Tong Yang Chia Hsin International Corporation	—	194,168	14,002	208,170	0.12
	Chia Hsin Construction and Development Corp.	—	4,863,088	1,285,200	6,148,288	12.37
LAN Jen Kuei, Konrad	Chia Hsin Cement Corporation	—	64,000	—	64,000	0.01
CHANG Kang Lung, Jason	Chia Hsin Cement Corporation	—	300,000	—	300,000	0.04
	Tong Yang Chia Hsin International Corporation	—	869,180	—	869,180	0.51
	Chia Hsin Construction and Development Corp.	—	638,400	—	638,400	1.28

Name of directors	Name of associated corporations	Interest held by controlled corporation	Personal interests	Family interests	Total number of shares	Approximate percentage of issued share capital of the corporation (%)
		Number of ordinary shares (long positions)				
WANG Li Shin, Elizabeth	Chia Hsin Cement Corporation	—	40,000	—	40,000	0.01
	Chia Hsin Construction and Development Corp.	—	387,000	—	387,000	0.78
CHANG Yung Ping, Johnny	Chia Hsin Pacific Limited	—	107,738	—	107,738	0.48
	Chia Hsin Cement Corporation	33,265,178	27,780,062	—	61,045,240	8.72
	Tong Yang Chia Hsin International Corporation	—	380,781	—	380,781	0.22
	Chia Hsin Construction and Development Corp.	—	8,169,600	—	8,169,600	16.43
CHANG An Ping, Nelson	Chia Hsin Cement Corporation	10,646,179	2,295,527	202,640	13,144,346	1.87
	Tong Yang Chia Hsin International Corpoation	—	197,381	—	197,381	0.12
	Chia Hsin Construction and Development Corp.	—	288	—	288	0.00

Save as those referred to above, as at 30 June 2005, 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.

Save as disclosed above, as at 30 June 2005, none of the Directors or chief executives of the Company had any interests 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 2005, 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 (%)
Chia Hsin Pacific Limited ("CHPL")*(note a)*	beneficially owned	814,000,000	71.22
International Chia Hsin Corp. ("ICHC")*(note b)*	beneficially owned	5,658,000	0.49
Tong Yang Chia Hsin International Corporation ("Chia Hsin International")*(note b)*	interests held by controlled corporations	5,658,000	0.49
Chia Hsin Cement Corporation ("CHC")*(note a and b)*	interests held by controlled corporations	819,658,000	71.71

Notes:

a. CHPL is owned as to approximately by 69.74% 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 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), as to approximately 0.48% by Mr. Chang Yung Ping, Johnny, a non-executive Director and as to approximately 0.22% by Sung-Ju Investment Corporation.

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.

Save as disclosed above, so far as the Directors and chief executives of the Company were aware, as at 30 June, 2005, there was no other person, other than the Directors or chief executives of the Company, who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 of 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 2005, no share options of the Company was granted, exercised, lapsed or cancelled.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2005, the Company has complied with the code provisions of the "Code on Corporate Governance Practices" as set out in Appendix 14 to the Listing Rules, except for the following deviations:

1. Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In order to ensure full compliance with Code Provision A.4.2, a special resolution will be proposed to amend the relevant Articles of Association of the Company at the forthcoming general meeting.

2. Code Provision A.5.4 stipulates that the board of directors should establish written guidelines on no less exacting terms than the Model Code set out in Appendix 10 of the Listing Rules for relevant employees in respect of their dealings in the securities of the issuer. In order to comply with Code Provision A.5.4, the Directors of the Company will establish the written guidelines for the relevant employees of the Company in respect of their dealings in the Company's securities by around end of this year.

3. Code Provision C.3.3 stipulates that the terms of reference of the audit committee should include at least the duties as stated in Code Provision C.3.3. The existing terms of reference of the audit committee of the Company are under review and will be revised by around end of this year so as to be in full compliance with Code Provision C.3.3 accordingly.

REMUNERATION COMMITTEE

Pursuant to the provisions of the "Code on Corporate Governance Practices" as set out in Appendix 14 to 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. MACKENZIE Davin A. and Mr. ZHUGE Pei Zhi.

AUDIT COMMITTEE

The Company has established an audit committee in November 2003 in accordance with the requirements of the Listing Rules, the duties of which are to review the accounting principles and practices adopted by the Group, and discuss the internal control system and financial reporting process with the management of the Group. The audit committee has reviewed the unaudited interim financial report for the six months ended 30 June 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 since 19 August 2004. After making specific inquiries to all the Directors, the Company confirms that it has fully complied with the requirements of the Code of Conduct and the Model Code for the six months ended 30 June 2005.

MATERIAL LITIGATION

For the six months ended 30 June 2005, the Group was not engaged in any litigation or arbitration that has a significant influence to the operation. None of the Directors and senior management was involved in any material litigation.

CONTINGENT LIABILITIES

As at 30 June 2005, the Company has no material contingent liabilities.

CHANGE OF DIRECTORS

On 15 March 2005, the Director of the Company announced that Mr. MAR Shaw Hsiang, a non-executive Director, and Ms. CHEN Meei Ling, Shelly, an independent non-executive Director and a member of the audit committee, resigned from the Company for the reasons of pursing their personal interests.

Independent Review Report

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 been instructed by the Company to review the interim financial report set out on pages 25 to 36.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with International Accounting Standard 34 "Interim Financial Reporting" and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report 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.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagement to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 August 2005

Condensed Consolidated Income Statement

For the six months ended 30 June 2005

	NOTES	Six months ended 30.6.2005 (unaudited) US$'000	30.6.2004 (unaudited) US$'000
Turnover	3	**38,226**	44,092
Cost of sales		**(31,807)**	(25,027)
Gross profit		**6,419**	19,065
Other operating income		**324**	260
Distribution costs		**(4,297)**	(3,283)
Administrative expenses		**(1,788)**	(2,093)
Other operating expenses		**(95)**	(505)
Profit from operations	4	**563**	13,444
Interest income		**498**	223
Finance costs	5	**(2,218)**	(1,372)
(Loss) profit for the period		**(1,157)**	12,295
Dividend	7	**—**	—
(Loss) earnings per share - basic (US cents)	8	**(0.10)**	1.08

Condensed Consolidated Balance Sheet

At 30 June 2005

	NOTES	30.6.2005 (unaudited) US$'000	31.12.2004 (audited) US$'000
ASSETS			
Current assets			
Inventories		15,324	13,338
Trade receivables	9	17,886	15,947
Other receivables	10	6,996	2,747
Income tax recoverable		1,467	260
Pledged deposits		1,933	242
Bank balances and cash		45,131	59,378
		88,737	91,912
Non-current assets			
Property, plant and equipment		207,134	209,493
Land use rights		17,385	17,614
		224,519	227,107
Total assets		313,256	319,019
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	11,429	11,429
Share premium and reserves		186,826	187,983
		198,255	199,412
Current liabilities			
Trade payables	12	4,563	4,178
Other payables		2,837	3,673
Bank borrowings - due within one year	13	23,171	16,806
		30,571	24,657
Non-current liability			
Bank borrowings - due after one year	13	84,430	94,950
Total liabilities		115,001	119,607
Total equity and liabilities		313,256	319,019

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	Share capital US$'000	Share premium US$'000	PRC statutory reserves US$'000	Exchange reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1 January 2004	11,429	164,119	1,676	(2,045)	9,311	184,490
Exchange gain arising from translation of overseas subsidiaries' financial statements not recognised in the consolidated income statement	—	—	—	3	—	3
Profit for the period	—	—	—	—	12,295	12,295
At 30 June 2004	11,429	164,119	1,676	(2,042)	21,606	196,788
Exchange gain arising from translation of overseas subsidiaries' financial statements not recognised in the consolidated income statement	—	—	—	3	—	3
Adjustment to share issue expenses	—	223	—	—	—	223
Profit for the period	—	—	—	—	2,398	2,398
Appropriation of accumulated profits	—	—	1,584	—	(1,584)	—
At 31 December 2004	11,429	164,342	3,260	(2,039)	22,420	199,412
Loss for the period	—	—	—	—	(1,157)	(1,157)
At 30 June 2005	11,429	164,342	3,260	(2,039)	21,263	198,255

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2005

	Six months ended	
	30.6.2005	30.6.2004
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Net cash (used in) from operating activities	**(5,231)**	14,673
Net cash used in investing activities	**(953)**	(5,680)
Net cash used in financing activities	**(8,063)**	(6,656)
Net (decrease) increase in cash and cash equivalents	**(14,247)**	2,337
Cash and cash equivalents at beginning of the period	**59,378**	64,992
Effect of foreign exchange rate change	**—**	(3)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**45,131**	67,326

Notes To The Condensed Financial Statements

For the six months ended 30 June 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with International Accounting Standard 34 "Interim Financial Reporting".

2. SIGNIFICANT ACCOUNTING POLICIES

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

The principal accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004.

In the current period, the Group has applied, for the first time, a number of new or revised International Accounting Standards and International Financial Reporting Standards (herein collectively referred to as "new IFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new IFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

3. TURNOVER AND SEGMENT INFORMATION

	Six months ended	
	30.6.2005	30.6.2004
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Turnover comprises the followings:		
Sales of cement	**36,137**	44,062
Sales of clinker	**2,089**	30
	38,226	44,092

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, net of value added tax.

The Group is engaged in the production and sales of cement and other cement products. More than 90% of its products were sold in China during the six months ended 30 June 2005 and 30 June 2004 and more than 90% of the Group's total assets are located in China at the balance sheet dates.

4. PROFIT FROM OPERATIONS

	Six months ended	
	30.6.2005	30.6.2004
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Profit from operations has been arrived at after charging:		
Cost of inventories expensed	**31,807**	25,027
Depreciation and amortisation:		
Property, plant and equipment	**3,993**	3,832
Land use rights	**235**	438
Net foreign exchange loss	**4**	293
Operating lease rentals in respect of rented premises	**85**	51
Repair and maintenance	**969**	2,100

5. FINANCE COSTS

	Six months ended	
	30.6.2005	30.6.2004
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Interest on bank borrowings:		
Wholly repayable within five years	**89**	55
Not wholly repayable within five years	**2,129**	1,317
	2,218	1,372

6. TAXATION

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

Pursuant to relevant laws and regulations in the PRC, Chia Hsin Jingyang Cement Co., Ltd. ("Jingyang Cement"), as a wholly foreign owned enterprise of the Company, is exempted from PRC enterprise income tax for two years starting from its first profit-making year after offsetting the accumulated losses brought forward from prior years, followed by a 50% reduction for the next three years. In addition, Jingyang Cement is recognised by Administration of Foreign Trade and Economic Co-operation of Jiangsu Province (江蘇省對外經濟貿易合作廳) as "Foreign Invested Advanced Technology Enterprise" (《外商投資先進技術企業》) on 13 October 2003 and is therefore entitled to a 50% reduction in PRC income tax for an additional three-year term. The first year for which Jingyang Cement recorded profit for PRC enterprise income tax purposes was year 2003. No provision for PRC enterprise income tax has been made in the financial statements of Jingyang Cement for the six months ended 30 June 2005 as it has no assessable profits for the period. No provision for PRC enterprise income tax was made in the financial statements of Jingyang Cement for the six months ended 30 June 2004 as Jingyang Cement remained in the tax exemption period for that period. For the other two subsidiaries of the Company established in the PRC, no provision for PRC enterprise income tax has been made in the financial statements for both periods presented as they have no assessable profits.

No provision for deferred taxation has been recognised in the financial statements as there are no significant temporary differences.

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 2004: nil).

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the six months ended 30 June 2005 is based on the loss for the period of approximately US$1,157,000 (for the six months ended 30 June 2004: profit of US$12,295,000) and on 1,142,900,000 ordinary shares in issue throughout the six months ended 30 June 2005 and 2004.

9. TRADE RECEIVABLES

The aged analysis of trade receivables is as follows:

	30.6.2005 (unaudited) *US$'000*	31.12.2004 (audited) *US$'000*
Within 90 days	**14,161**	11,749
91 - 180 days	**3,725**	4,188
181 - 365 days	**—**	10
	17,886	15,947

The Group allows credit period of 0 - 180 days to its trade customers.

Included in trade receivables are amounts due from fellow subsidiaries as follows:

	30.6.2005 (unaudited) *US$'000*	31.12.2004 (audited) *US$'000*
Shanghai Chia Hsin Ganghui Company Limited	**3,328**	1,524
Jiangsu Union Cement Company Limited	**—**	1,049
	3,328	2,573

The amounts due from fellow subsidiaries are unsecured, interest free and repayable in accordance with relevant trading terms.

10. OTHER RECEIVABLES

Included in other receivables at 30 June 2005 are purchase deposits paid to a fellow subsidiary, Jiangsu Union Cement Company Limited, of US$2,664,000 (31 December 2004: nil) which are unsecured, interest free and will be used to settled future purchases from the fellow subsidiary.

11. SHARE CAPITAL

	30.6.2005 & 31.12.2004	
	Number of shares of US$0.01 each	**Nominal value**
		US$'000
Authorised	100,000,000,000	1,000,000
Issued and fully paid	1,142,900,000	11,429

There were no changes in the authorised and issued share capital of the Company during the six months ended 30 June 2005 and 2004.

12. TRADE PAYABLES

The aged analysis of the trade payables is as follows:

	30.6.2005 (unaudited)	31.12.2004 (audited)
	US$'000	*US$'000*
Within 90 days	**3,526**	3,806
91 - 180 days	**237**	237
181 - 365 days	**766**	21
Over 365 days	**34**	114
	4,563	4,178

13. BANK BORROWINGS

	30.6.2005 (unaudited)	31.12.2004 (audited)
	US$'000	*US$'000*
Secured:		
Loan from Industrial and Commercial Bank of China ("ICBC") *(note i)*	**68,750**	74,340
Loan from China Construction Bank ("CCB") *(note ii)*	**35,000**	35,000
Short term bank loans from ICBC *(note iii)*	**635**	—
	104,385	109,340
Unsecured:		
Short-term bank loans denominated in RMB *(note iv)*	**2,416**	2,416
Short-term bank loans denominated in USD *(note v)*	**800**	—
	3,216	2,416
	107,601	111,756

13. BANK BORROWINGS - Continued

	30.6.2005 (unaudited) US$'000	31.12.2004 (audited) US$'000
The maturity of the bank borrowings is as follows:		
Within one year	**23,171**	16,806
In the second year	**21,040**	21,040
In the third to fifth year (inclusive)	**55,290**	63,120
Over five years	**8,100**	10,790
	107,601	111,756
Less: Amount due within one year shown under current liabilities	**(23,171)**	(16,806)
Amount due after one year	**84,430**	94,950

Notes:

i. The loan from ICBC is denominated in United States dollars and is repayable by 14 semi-annual instalments commencing on 20 June 2003 bearing interest at LIBOR plus 1%.

ii. The loan from CCB is denominated in United States dollars and is repayable by 13 semi-annual instalment commencing on 15 August 2005 bearing interest at LIBOR plus 0.95%.

iii. The secured short-term bank loans from ICBC are denominated in United States dollars and bear average interest rate of 3.89% per annum.

iv. The unsecured short-term bank loans are denominated in Renminbi bear average interest rate of 4.70% (six months ended 30 June 2004: 4.54%) per annum.

v. The unsecured short-term bank loans are denominated in United States dollars and bear average interest rate of 3.77% per annum.

The Directors consider that the carrying amount of the bank borrowings approximates to their fair values.

14. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 30 June 2005 amounted to approximately US$282,685,000 (31 December 2004: US$294,362,000).

The Group's net current assets at 30 June 2005 amounted to approximately US$58,166,000 (31 December 2004: US$67,255,000).

15. CAPITAL COMMITMENTS

	30.6.2005	31.12.2004
	(unaudited)	(audited)
	US$'000	*US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided for in the financial statements	**787**	790

16. 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:

	30.6.2005	31.12.2004
	(unaudited)	(audited)
	US$'000	*US$'000*
Property, plant and equipment	**136,356**	139,099
Land use rights	**16,318**	16,532
Bank deposits	**1,933**	242
	154,607	155,873

17. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	30.6.2005	31.12.2004
	(unaudited)	(audited)
	US$'000	*US$'000*
Within one year	**82**	94
In the second to fifth years (inclusive)	**14**	21
	96	115

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for terms ranging from one to three years with rentals fixed over the term of the leases.

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 transactions	Name of related company	Six months ended 30.6.2005 (unaudited) *US$'000*	30.6.2004 (audited) *US$'000*
Sales of goods *(note i)*	Shanghai Chia Hsin Ganghui Company Limited	4,400	5,015
	Jiangsu Union Cement Company Limited	—	12
		4,400	5,027
Purchase of goods *(note ii)*	Jiangsu Union Cement Company Limited	4,972	—
Consultancy fee income *(note ii)*	Jiangsu Union Cement Company Limited	—	91
Consultancy fee paid *(note ii)*	Chia Hsin Business Consulting (Shanghai) Corporation	121	121
Licence fee income *(note ii)*	Shanghai Chia Hsin Ganghui Company Limited	22	—
Vehicle rentals paid *(note ii)*	Chia Hsin Business Consulting (Shanghai) Corporation	45	45

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

Shanghai Chia Hsin Ganghui Company Limited, Jiangsu Union Cement Company Limited and Chia Hsin Business Consulting (Shanghai) Corporation are fellow subsidiaries of the Company.

Notes:

(i) Sales transactions were carried out at cost plus a percentage of profit mark-up.

(ii) Purchase transactions, consultancy fees, licence fee income and vehicle rental paid were calculated in accordance with the terms of the relevant agreement mutually agreed by the parties concerned.

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