

Directors' Report

The Board of the Company is pleased to present to shareholders the Report of the Directors and the report and audited consolidated financial statements of CHC Greater China and its subsidiaries for the year ended 31 December 2006.

PRINCIPAL OPERATIONS AND SUBSIDIARIES

The Company is an investment holding company, and the principal operations of its subsidiaries are production and sales of cement and other cement products.

Details of the operations of its subsidiaries as at 31 December 2006 are set out in Note 33 to the consolidated financial statements.

For the year ended 31 December 2006, there has been no material acquisitions or disposals of its subsidiaries.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 43.

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

MATERIAL INVESTMENTS

The Group has not held any material investment project during the report period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 16 May 2007 to Tuesday, 22 May 2007, both days inclusive, during which period no transfer of shares can be registered. To qualify for attending the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar, Tricor Investor Services Limited not later than 4:30 pm on Tuesday, 15 May 2007 at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration.

PROPERTY, PLANTS AND EQUIPMENT

Details of changes in the Group's property, plants and equipment for the year are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of changes in the Group's share capital as at 31 December 2006 are set out in Note 19 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights that the Company shall offer new shares on a pro rata basis to the existing shareholders under the Company's Articles of Association or the laws of the Cayman Island.

RESERVE

Changes in the reserve of the Group for the year ended 31 December 2006 are set out in the consolidated statement of changes in equity on page 45.

BANK BORROWINGS

Details of loans of the Group for the year ended 31 December 2006 are set out in Note 24 to the consolidated financial statements.

DIRECTORS

The Directors of the company as at 31 December 2006 were as follows:

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 Director

Mr. CHANG An Ping, Nelson

Independent Non-executive Directors

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

Note(1): Mr. CHANG An Ping, Nelson has resigned as non-executive Director for personal reasons, which was effective from 8 December 2006.

Note(2): Mr. Fu Ching Chuan was appointed as an non-executive Director on 21 March 2007.

On the AGM, Mr. CHANG An Ping, Nelson, Mr. FU Ching Chuan, Mr. Davin A. MACKENZIE and Mr. ZHUGE Pei Zhi and Mr. WU Chun Ming will retire by rotation pursuant to article 95 and article 112. All the aforesaid retiring Directors are eligible and willing for re-election.

Biographies of Directors and the senior management

Biographies of the Directors and the senior management are set out in the section under “Directors and the Senior Management” from page 6 to page 9 of this annual report.

SERVICE CONTRACT OF DIRECTORS

Executive Directors

Mr. WANG Chien Kuo, Robert, Mr. LAN Jen Kuei, Konrad, Mr. CHANG Kang Lung, Jason and Ms. WANG Li Shin, Elizabeth have entered into their respective service contracts with the Company for a term of three years (commencing from 12 December 2006 until the third anniversary thereof or the date of the annual general meeting in 2009, unless notice of no less than 3 months in advance has been given by either party for its termination, whichever is the earlier). Each of the executive Directors shall receive the Director's fee in the amount of HK\$150,000 per annum. Upon the end of a complete year of service provided, the amount may be adjusted at the discretion of the Board. Each executive Director shall be entitled to the remuneration for their service as the Chairman, Vice-Chairman, Managing Director/Chief Executive Officer or Controller (as the case may be). Each executive Director shall be paid their remuneration on the basis of 13 months a year.

Moreover, each executive Director may, at the end of the service for a complete year, be granted a discretionary bonus by the Board. Each executive Director may also be reimbursed all reasonable expenses in the course of his/her service or the daily and proper business of the Company on the evidence given.

Other than the Director's fee and the remuneration payable by the Company, Mr. WANG Chien Kuo, Robert, Mr. CHANG Kang Lung, Jason and Ms. WANG Li Shin, Elizabeth are entitled to a monthly remuneration of RMB11,200, RMB8,400 and RMB7,000 on the basis of 13 months a year from Jingyang Cement.

Non-executive Director

The non-executive Director is appointed for a term of one year which will expire at the AGM. The Company intends to remunerate each non-executive Director a Director's fee of HK\$100,000 a year.

Directors' Report

Independent Non-executive Directors

The independent non-executive Directors are appointed for a term of one year which will expire at the AGM. The Company intends to remunerate each independent non-executive Director a Director's fee of HK\$100,000 a year. Moreover, should any of them be appointed as the chairman of committee established by the Board, each chairmanship of the committee may be remunerated an extra Director's fee of HK\$20,000 a year.

Save as aforesaid, none of the Directors proposed to be re-elected at the AGM has entered into any service contract which is not determinable within a year without any compensation (other than statutory compensation) with the Company or any of its subsidiaries.

REMUNERATIONS OF THE DIRECTORS

Remunerations of the Directors have been set out in Note 9 to the consolidated financial statements. Of which, the Director's fee for Mr. ZHUGE Pei Zhi, independent non-executive Director, has been expended in the accounts but has not been collected. Also, Other than the remunerations as set out in Note 9 to the financial statement, the Company has not paid any Director for joining the Company or when joining the Company, nor has it compensate any Director for the leave of service or the loss of office as a Director.

CONNECTED TRANSACTIONS

For the year ended 31 December 2006, disclosable connected transactions are continuous connected transactions, the details of which are set out in Note 32 to the consolidated financial statements. The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the continuing connected transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms or on terms no less favorable than terms available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited, the board of directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the board of directors. The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms or on terms no less favorable than terms available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

Other than disclosed in the section under "Relationship with CHC" in the Prospectus, during the year and as at the date of this report, pursuant to the Listing Rules, both the Directors and the controlling shareholders of the Company have not interested in any business which compete or may compete with the business of the Group.

DIRECTORS' INTERESTS IN MATERIAL CONTRACTS

Other than disclosed in the section under "Connected Transactions" in the Prospectus and Note 32 to the consolidated financial statements, none of the Directors of the Group are interested in any direct or indirect material interests in the material contracts entered into at the year-end or any time during the year by the Group or any of its subsidiaries.

MANAGEMENT CONTRACT

During the year, the Company has not entered into any contract for the management or administration of the overall or any material business of the Company.

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

As at 31 December 2006, 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 in 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 of the Listing Rules on the Stock Exchange were as follows:

1) The Company

Name of Director	Number of ordinary shares (long positions)			Approximate percentage of issued share capital of the Company (%)
	Personnel interests	Family interests	Total number of shares	
CHANG Kang Lung, Jason	6,740,000	400,000	7,140,000	0.62

2) Associated corporations

Name of Director	Name of associated corporations	Number of ordinary shares (long positions)				Approximate Percentage of issued share capital of the Company (%)
		Interests held by controlled corporations	personal interests	Family interests	Total number of shares	
WANG Chien Kuo, Robert	CHC	—	358,811	21,108,875	21,467,686	3.18
	Tong Yang Chia Hsin International Corporation ("Chia Hsin International")	—	236,542	17,057	253,599	0.12
	Chia Hsin Construction and Development Corp.	—	4,863,088	1,285,200	6,148,288	12.37
LAN Jen Kuei, Robert	CHC	—	64,000	—	64,000	0.01
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 and Development Corp.	—	638,400	—	638,400	1.28
WANG Li Shin, Elizabeth	CHC	—	50,000	—	50,000	0.01
	Chia Hsin Construction and Development Corp.	—	387,000	—	387,000	0.78
CHANG An Ping, Nelson	CHPL	272,200	—	—	272,200	1.21
	CHC	10,646,179	2,295,527	202,640	13,144,346	1.94
	Chia Hsin International	—	240,456	—	240,456	0.11
	Chia Hsin Construction and Development Corp.	—	288	—	288	0.01

Directors' Report

Saved as disclosed above, as at 31 December 2006, 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 31 December 2006, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which would be required to be notified to the Stock Exchange pursuant to Divisions 7 and 8 in 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 of the Company are aware of, as at 31 December 2006, 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 (Notes a & b)	interests held by controlled corporations	824,508,000	72.14

Notes:

- CHPL is owned as to approximately 69.74% by CHC, the ultimate controlling company of the Company, as to approximately 24.19% by Chia Hsin International (a 87.18% 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).
- 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 of the Company are aware of, as at 31 December 2006, there was no other person, 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.

SHARE OPTION SCHEME

For the year ended 31 December 2006, no share option of the Company was granted, exercised, lapsed or cancelled in accordance with the share option scheme of the Company. Details of the share option scheme are set out in Note 30 to the consolidated financial statements.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2006, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL LITIGATION

For the year ended 31 December 2006, the Group had no material litigation or arbitration.

PUBLIC FLOAT

To the knowledge of the Company and the Directors, the Directors confirmed as at the latest practicable date before publication of the annual report, sufficient public float of the Company was maintained.

CORPORATE GOVERNANCE

Details of corporate governance are set out in the section under "Corporate Governance Report" of this annual report.

AUDIT COMMITTEE

The Company has established an audit committee in November 2003 in accordance with the requirements of the Listing Rules. The committee comprised all three independent non-executive Directors namely Mr. Davin A. MACKENZIE, Mr. ZHUGE Pei Zhi and Mr. WU Chun Ming. Mr. Davin A. MACKENZIE is the Chairman of the committee. The terms of reference and scope of duties of the audit committee are summarized in the section under "Corporate Governance Report" of this annual report.

REMUNERATION COMMITTEE

Pursuant to the provisions of the CG Code, the Company has established the Remuneration Committee at the Board meeting held on 7 July 2005, the committee comprised Mr. CHANG An Ping, Nelson, non-executive Director and two independent non-executive Directors namely Mr. Davin A. MACKENZIE and Mr. ZHUGE Pei Zhi. Mr. Davin A. MACKENZIE is the Chairman of the committee. The terms of reference and scope of duties of the remuneration committee are summarized in the section under "Corporate Governance Report" of this annual report.

AUDITORS

These accounts have been audited by Deloitte Touche Tohmatsu, who will retire on the expiry of its term and will be eligible and willing for re-appointment on the AGM.

By order of the Board
WANG Chien Kuo, Robert
Chairman

21 March 2007