管理層討論與分析
Management Discussion and Analysis

截至二零零四年十二月三十一日止年度，本集團營業額為港幣377,844,000元，比去年減少1.3%，經營溢利為港幣42,911,000元，較去年減少58.2%，溢利淨額為港幣10,414,000元，較去年減少79.2%，每股盈利港幣1.43仙，減少79.2%。國內原材料及運費不斷上漲及下半年水泥價格下降等因素影響邊際利潤。

For the year ended 31st December, 2004, the Group's turnover was HK$377,844,000, representing a decrease of 1.3% as compared to the preceding year. The operating profit was HK$42,911,000, a decrease of 58.2% as compared to the previous year while the net profit was HK$10,414,000, representing a decrease of 79.2% as compared to the year before. The earnings per share amounted to HK1.43 cents, a decrease of 79.2%. Factors such as the continuous increase in price of domestic raw materials and freight costs and the fall in the price of cement in the second half of the year affected the profit margin.

業務回顧

本集團主要業務為製造及銷售水泥及分銷石材、瓷磚業務，並以中國大陸(國內)為主要市場。

BUSINESS REVIEW

The primary business of the Group is the manufacture and sales of cement and the distribution of stones and ceramic tiles with Mainland China as our major market.

水泥業務

二零零四年國內對包括房地產業及水泥行業在內的四個行業實施一系列宏觀調控政策，包括控制銀行信貸，提高固定資產投資股本比例，增加行政審批程度，嚴格控制土地供應等，壓制了固定資產投資增長。因此水泥市場需求增長放緩，價格回落，與此同時，原材料價格及運輸費用不斷上漲，而其中尤以煤炭為甚，價格增長超過30%，毛利因此受到影響。年度營業額及分類利潤分別為港幣358,493,000元及港幣48,452,000元，比去年增長4.2%及減少51.2%。水泥及熟料銷量146萬噸，比去年增長1.0%。煤炭是水泥的主要成本項目之一。隨著國家經濟的大幅增長，煤炭價格成直線上升之勢，上海優質煤炭價格亦大幅上升，使噸水泥成本上升約人民幣35元，但到二零零五年三月，煤炭價格已有所回落。集團附屬公司上海聯合水泥有限公司(「上海水泥」)及山東上聯水泥發展有限公司(「山東水泥」)均在二零零四年初技術改造，使噸熟料煤耗下降約5公斤。但由於煤炭採購價格上升大大高於消耗之降低，故該兩廠的水泥製造成本全年分別比二零零三年上升17%和18.9%。另外，年初之技術改造，導致停產20多天，減少約數萬噸產量，由於當時水泥價格處於高位，故影響到集團利潤約港幣10,000,000元。

Cement Business

A series of policies of macro-economic adjustments and control were implemented in 2004 on four business segments including the real estate sector and the cement sector in the PRC. These policies included measures to control the bank credit facilities, to increase the requirement for the capital proportion in fixed asset investments, to enhance the administrative approval level and to strictly control the land supply, thereby suppressing the growth of investment in fixed assets. The cement market therefore experienced a slowdown in the growth of market demand, resulting in a drop of price. Meanwhile, the gross profit was also affected by the persistent increase in the prices of raw materials and transportation costs, especially coal, the price of which rose over 30%. The annual turnover and segmental profit were HK$358,493,000 and HK$48,452,000 respectively, representing an increase of 4.2% and a decrease of 51.2% as compared to the previous year. The sales volume of cement and clinker amounted to 1,460,000 tonnes, representing an increase of 1.0% as compared to the previous year. Coal is one of the major cost components of cement. With the substantial growth of the State's economy, the price of coal has skyrocketed and the price of quality coal in Shanghai also increased substantially, pushing up the cost of cement by approximately RMB 35/tonne, although the price of coal has fallen in March of 2005. Both of Shanghai Allied Cement Co., Ltd. ("Shanghai SAC") and Shandong Shanghai Allied Cement Co., Ltd. ("Shandong SAC"), subsidiaries of the Group, had undertaken technological reforms in early 2004, reducing the consumption of coal per tonne of clinker approximately 5 kg. However, the benefits from the fall in consumption are more than offset by the significant increase of the procurement costs of coal and hence the manufacturing costs of cement for both of the subsidiaries rose by 17% and 18.9% respectively as compared with 2003. Besides, the suspension of production for more than 20 days due to technological reforms undertaken early this year reduced the production volume by tens of thousands of tonnes. Such reduction at a time when the price of cement was at a high level reduced the Group's profit by approximately HK$10,000,000.

業務回顧（續）

水泥業務（續）

1. 上海水泥

上海水泥生產熟料及水泥分別為68.49萬噸及98.74萬噸，比去年減少4.5%及0.7%，年度水泥銷量96.1萬噸，比去年減少3.6%，分類利潤港幣42,101,000元，比去年減少49.6%。

上海水泥的生產線於年初所進行的徹底大修及技術改造，對上半年產量及成本有負面影響，但是隨著設備的正常運轉，噸熟料煤耗有所降低，而窰日產量提升5%，使該生產線更具競爭力。上海水泥作為技術先進型企業享受國家減免所得税優惠已於二零零三年年底到期。二零零四年起按國家正常税率繳納所得税。

2. 山東水泥

山東水泥年度生產熟料為37.3萬噸，與去年相若。水泥生產為44.7萬噸，比去年增長24.9%，年度水泥銷量48.6萬噸，比去年增長8.5%，分類利潤港幣11,895,000元，比去年減少43.0% 。

BUSINESS REVIEW (Continued)

Cement Business (Continued)

1. Shanghai SAC

上海水泥位於上海之廠房
Factory buildings of Shanghai SAC in Shanghai

The output of Shanghai SAC's clinker and cement amounted to 684,900 tonnes and 987,400 tonnes respectively, representing a decrease of 4.5% and 0.7% as compared to the previous year. The annual sales volume of cement was 961,000 tonnes, representing a decrease of 3.6% while the segmental profit was HK$42,101,000, representing a decrease of 49.6% as compared to the preceding year.

A thorough overhaul and technical reform of Shanghai SAC's production line undertaken early this year caused a negative impact to the output and the costs during the first half of the year. However, when normal operation of the equipments resumed, the consumption of coal for each tonne of clinker dropped and the daily output volume of kiln increased by 5%. The production line has become more competitive. The tax reduction and exemption privileges previously enjoyed by Shanghai SAC, being an advanced technological enterprise, expired at the end of 2003. Starting from the beginning of 2004, Shanghai SAC has to pay profits tax at the normal rate according to the State's tax regulations.

2. Shandong SAC


山東水泥位於山東之廠房
Factory buildings of Shandong SAC in Shandong

The output of Shandong SAC's clinker for the year amounted to 373,000 tonnes, being about the same as the previous year. The output of cement amounted to 447,000 tonnes, representing an increase of 24.9% as compared to the preceding year. The sales volume of clinker and cement for the year amounted to 486,000 tonnes, representing an increase of 8.5% as compared to the previous year. The segmental profit was HK$11,895,000, representing a decrease of 43.0% as compared to the year before.

業務回顧（續）

BUSINESS REVIEW (Continued)

水泥業務（續）

Cement Business (Continued)

3. 山東聯合王晁水泥有限公司(「聯合王晁」)

聯合王晁方面，集團已投資約港幣1.6億元位於山東之日產2,500噸熟料廠，將於二零零五年上半年開始調試，包括檢測硬體設備、連動調試、中央系統編程，配方檢定，調試完成後會進行試產。該生產線採用先進之技術及設備，兼有自備石灰石礦、碼頭，離煤礦、石膏礦只有咫呎之遠。投產後將大大增強集團水泥生產能力。此項投資資金主要由銀行提供港幣105,000,000元之借款。

3. Shandong Allied Wangchao Cement Limited ("Allied Wangchao")

在建設中位於山東的聯合王晁廠房
Factory buildings of Allied Wangchao in Shandong under construction

中央控制室
Central control room

Allied Wangchao, with a daily clinker production capacity of 2,500 tonnes and in which the Group had invested approximately HK$160 million, will undergo testing in the first half of 2005. The tests include inspections of hardwares, linking tests, centralised system programming and formula tests. Trial production will commence afterwards. That production line, equipped with advanced technology and facilities, coupled with its own limestone quarry and pier, and together with the superiority enjoyed by its proximity to a coal mine and gypsum mine, shall significantly enhance the Group's cement production capacity upon its commencement of operations. The investment was mainly funded by bank borrowing of HK$105,000,000.

石材和瓷磚業務

年度營業額為港幣19,351,000元，較去年減少50.1%，分類利潤為港幣2,703,000元，較去年減少68.7%。利潤下跌主要由於國內宏觀調控及來自歐洲的進口材料價格上升，發展商紛紛調整其經營策略及項目進度所致。

Stone and Ceramic Tile Business

The turnover for the year was HK$19,351,000, representing a decrease of 50.1% as compared to the preceding year. The segmental profit was HK$2,703,000, representing a decrease of 68.7% as compared to the preceding year, which was mainly attributed to developers' adjustments to their business strategies and project progress due to the policies of macro-economic adjustments and control of the Mainland and the increase in prices of materials imported from Europe.

礦渣粉廠

於北京西郊生產之年產140,000噸礦渣粉工廠，已於二零零四年開始調試，並於二零零五年第一季度開始試產。礦渣粉主要用於生產高品質混凝土之其中一種輔料，但成本比其替代品膠凝材料為低，投產後，集團預計此項業務將成為另一個利潤中心。

Slag Powder Plant

位於北京的礦渣粉廠房
Slag powder factory buildings in Beijing

The Group's slag powder plant with an output of 140,000 tonnes slag powder per annum located in the western suburb of Beijing commenced testing in 2004 and underwent trial production in the first quarter of 2005. Slag powder is one of the supplementary materials in the production of high quality concrete, while its cost is lower than its substitute – gelatinous material. It is expected that the plant will become another profit centre of the Group after its commencement of production.

財務回顧

流動資金、財政來源及資本架構

本集團資本支出、日常營運及投資的資金來自內部營運產生之現金及主要往來銀行借款。集團資產負債表情況仍保持良好，流動性亦屬合理，現金儲備港幣67,975,000元，其中包括港幣5,924,000元已抵押短期銀行存款。本集團流動比率約1.38（於二零零三年十二月三十一日:1.99）。於二零零四年十二月三十一日，本集團淨資產為港幣320,139,000元。負債項下銀行借款為港幣230,418,000元，其中約45.7%之銀行借款為固定息率借款。資產負債率（淨銀行借款／淨資產）為50.7%（於二零零三年十二月三十一日：負4.7%）。本集團資產負債率大幅上升原因是二零零四年底前集團安排銀行借款港幣105,000,000元，作為聯合王晁之建廠資金所致。集團將繼續密切控制貸款情況以便將資本負債率維持在可接受水平。

外匯波動

由於本集團的營運主要位於國內，交易之進行主要以人民幣計算，因此以外匯波動之風險對本集團並無重大影響，惟上段所述之港幣銀行借款除外。

抵押資產

於二零零四年十二月三十一日，港幣5,924,000元之銀行存款抵押給銀行作為本集團銀行借款之擔保。於二零零三年十二月三十一日則為港幣5,914,000元。

或然負債

於二零零四年十二月三十一日，本集團只有就同系附屬公司動用之信貸而給予銀行擔保為港幣75,472,000（於二零零三年十二月三十一日：港幣75,377,000元）及但並無就第三方動用之信貸而給予銀行擔保（於二零零三年十二月三十一日：港幣28,302,000元）。已貼現商業票據為港幣18,208,000元（於二零零三年十二月三十一日：港幣50,061,000元）。

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's capital expenditure and daily operations and investments were funded by cash generated from internal operations and loans by principal bankers. The Group continued to maintain a sound balance sheet, with reasonable liquidity and cash reserves of HK$67,975,000, which included HK$5,924,000 of pledged short–term bank deposit. The Group had a current ratio of approximately 1.38 (at 31st December, 2003: 1.99). At 31st December, 2004, the net assets of the Group amounted to HK$320,139,000. The bank borrowings in liabilities amounted to HK$230,418,000, of which approximately 45.7% were at fixed rates. The gearing ratio (net bank borrowings over net assets) was 50.7% (at 31st December, 2003: negative 4.7%). The substantial increase in the gearing ratio was due to the additional Hong Kong Dollar bank loan of HK$105,000,000 arranged by the Group for the capital expenditure for the construction of the plant of Allied Wangchao towards the end of 2004. The Group will continue to closely monitor the borrowings to maintain the gearing ratio at an acceptable level.

Foreign Exchange Fluctuation

Since the Group's operations were mainly located in Mainland China, transactions which were carried out were primarily denominated in Renminbi. As such, the foreign exchange exposure will have no significant impact to the Group, except for the Hong Kong Dollar bank loan mentioned in the above paragraph.

Charges on Assets

At 31st December, 2004, bank deposits of HK$5,924,000 were pledged with banks to secure the Group's bank borrowings. At 31st December, 2003, the bank deposits amounted to HK$5,914,000.

Contingent Liabilities

At 31st December, 2004, guarantees were given to banks by the Group in respect of facilities utilised by fellow subsidiaries of HK$75,472,000 (at 31st December, 2003: HK$75,377,000), and no guarantee was given to any bank in respect of facilities utilised by third parties (at 31st December, 2003: HK$28,302,000). The discounted commercial bills amounted to HK$18,208,000 (at 31st December, 2003: HK$50,061,000).

財務回顧（續）

承擔

於二零零四年十二月三十一日，本集團之已簽約但未在財務報表作準備之購入物業，機器及設備資本支出為港幣34,921,000元（於二零零三年十二月三十一日：無），及並無在中國大陸投資成立中外合資企業（於二零零三年十二月三十一日：港幣37,192,000元）。

業務發展

縱使宏觀調控令四大行業發展受至抑制，國內經濟增長仍然呈強勢，二零零四年國內經濟增長達9.5%，固定資產投資仍達25.8%增長。在整體經濟發展正常的情況下，集團仍會穩步發展本身與建材有關的業務，"不熟不做"是本集團面對不斷變化的營商環境而奉行的基本發展指引。

水泥業務

國內的水泥生產線一般採用立窰或新型幹法的旋窰，前者技術低、質量沒有保證、產量低，後者技術高、質量好、產量高。雖然目前市場整體產量仍以前者為主，但在市場競爭激烈的情況下，水泥市場會進入新一輪淘汰期，去蕪存菁，長遠對本集團以新型幹法生產水泥是有利的，集團會不斷改善現時的技術，提高質量，降低成本，增強競爭力。

就集團的主要銷售市場上海而言，主要水泥供應商均不斷擴大對該市的供應量，而同期之需求則基本保持穩定，引致價格下滑。在這種情況下，降價求增量只會加重市場的壓力，甚至令市場崩潰，因此集團將加大在山東、蘇北、皖北及其他地區的銷售力度，避免集團市場分佈過份集中在上海，增加抗風險能力。

FINANCIAL REVIEW (Continued)

Commitments

At 31st December, 2004, the Group's capital expenditure contracted but not provided for in the financial statements in respect of the property, plant and equipments was HK$34,921,000 (at 31st December, 2003: Nil) and there was no investment made for the establishment of any Sino-foreign joint venture company in Mainland China (at 31st December, 2003: HK$37,192,000).

BUSINESS DEVELOPMENT

Despite the fact that various marco-economic adjustments and control measures had suppressed the development of four major businesses, the domestic economy in China still saw a strong growth of 9.5% in 2004, in which fixed assets investments still reached a growth rate of 25.8%. The Group will continue to develop its own and construction – related businesses at a steady pace in line with the normal development of the general economy. "Only engaging in businesses with extensive prior exposure" remains to be our fundamental development guideline in an ever-changing operating environment.

Cement Business

Cement production lines in China are generally equipped with vertical kilns or new dry process rotary kilns. Vertical kilns are of low technological level and output with no guarantee on quality, while rotary kilns have advanced technology and high output and quality. Though the total market output is presently mainly from vertical kilns, the cement market is entering into a new phase of elimination under the intense market competition, in which inefficient production lines are replaced by new production lines. In the long run, it would be beneficial for the Group as we produce cement with the new dry process. The Group is committed to persistently improve the existing technology, enhance the quality and reduce the costs in order to boost its competitiveness.

Main cement suppliers in Shanghai, which is the Group's principal sales market, have continuously increased the supply volume in the market while the demand has basically remained steady. Accordingly, the price of cement dropped. Under such circumstances, increasing sales volume by price reduction would only create additional pressure on the market or even jeopardise the market. Thus, the Group shall extend its marketing effort in Shandong, northern part of Jiangsu, northern part of Anhui and other regions in order to avoid over-concentration in Shanghai, thereby increasing our ability to resist risk.

業務發展（續）

水泥業務（續）

隨著上海城區迅速擴張，市區規劃不斷更新，二零一零年上海舉辦世界博覽會等因素，對城區的工業項目（包括上海水泥），產生了外移的壓力，但亦產生相應的商機。

石材及瓷磚業務

受歐元匯率的影響，國內之進口材料之價格仍有上調的趨勢，令競爭力受損。而國內之瓷磚及石材廠家因供過求高、質量要求提高及環保成本上升而進入了另一次淘汰期。集團會因應市場需求調整境內、外合作廠家的組合，並以新產品及提升服務質量以鞏固及開發市場。隨著二零零八年奧運項目及二零一零年世界博覽會項目及相關配套工程動工，進口材料及國內優質材料會因此受惠。

礦渣粉業務

預計由於未來國內房地產市場及基建工程仍不斷增長，北京及周邊地區對有關材料需求將不斷增加，集團已制定一系列市場推廣策略，以爭取市場佔有率。

僱員及薪酬政策

於二零零四年十二月三十一日，本集團（包括其附屬公司但不包括其聯營公司）僱用804名員工。本集團之薪酬政策主要按現行市場薪酬水平及各有關公司及個別僱員之表現釐定。

承董事會命

行政總裁
黃清海

香港，二零零五年三月二十三日

BUSINESS DEVELOPMENT (Continued)

Cement Business (Continued)

With factors such as the rapid expansion of the urban area of Shanghai, the continuous development in urban planning, the organisation of the 2010 World Expo in Shanghai, industrial projects (including Shanghai SAC) in the area will be subject to the pressure of outward movement but at the same time will bring business opportunities.

Stone and Ceramic Tile Business

As affected by the exchange rate of the Euro, the price of imported materials in China is still on the rise, which undermines our competitiveness. On the other hand, the over-supply by domestic manufacturers of ceramic tiles and stones, higher expectation of quality and rising cost of environmental protection contribute to the emergence of another phase of elimination. The Group will adjust the portfolio of domestic and foreign manufacturers in accordance with the market demand and consolidate and develop the market by introducing new products and improving our service quality. Following the commencement of project works and the relevant ancillary construction works for the 2008 Olympic Games and 2010 World Expo, the demand for imported materials and domestic quality materials will benefit in the future.

Slag Powder Business

It is expected that given the persistent growth in the domestic real estate market and development of infrastructure in the future, in particular in Beijing and its surrounding areas, the demand for relevant materials will continue to grow. The Group has formulated a set of marketing strategies to capture market share.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2004, the Group including its subsidiaries but excluding its associates, employed 804 employees. The remuneration policies of the Group are based on the prevailing remuneration level in the market and the performance of respective companies and individual employees.

By Order of the Board

Ng Qing Hai
Chief Executive Officer

Hong Kong, 23rd March, 2005