

總裁報告書

President's Statement

本人謹此代表董事會（「董事會」）向全體股東提呈上海聯合水泥股份有限公司（「本公司」）與其附屬公司統稱「本集團」之截至二零零五年十二月三十一日止年度之業績。

業績

二零零五年的業績由於受到過去兩年中國大陸推行宏觀調控措施所造成的影響，令本集團的水泥業務毛利大幅下降。此外，因於年度內本集團採納新的會計準則（詳情見於財務報表附註2及14），對商譽的會計處理有所改變，加上於上海水泥市場存在一些不明朗情況，因此，本集團於年度內為商譽減值港幣14,139,000元。值得注意的是商譽的減值不會對本集團的資金流帶來影響。二零零五年本集團的營業額為港幣349,437,000元，較上年減少7.5%，本公司股東應佔虧損為港幣35,233,000元，上年則為溢利港幣10,414,000元。

股息

董事會決議不派發截至二零零五年十二月三十一日止年度之末期股息（二零零四年：無）。

On behalf of the board of directors (the "Board"), I am pleased to present to all shareholders the results of Shanghai Allied Cement Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31st December, 2005.

RESULTS

Due to the effects caused by the macro-economic adjustments in the PRC over the past two years on the 2005 results, gross profit of the Group's cement business dropped significantly. In addition, as the Group during the year has applied new accounting standards (details of which can be referred to notes 2 and 14 of the financial statements), the accounting treatment for goodwill has been changed; also, as there existed uncertainty in the state of the Shanghai cement market, the Group has a goodwill impairment loss of HK\$14,139,000 during the year as a result. It should be noted that impairment loss recognised in respect of goodwill does not have any effect on the Group's cash flow. The Group's turnover for 2005 amounted to HK\$349,437,000, representing a decrease of 7.5% as compared to the previous year, the loss attributable to equity holders of the Company was HK\$35,233,000 (2004: profit of HK\$10,414,000).

DIVIDEND

The Board resolved not to recommend any final dividend for the year ended 31st December, 2005 (2004: nil).

展望

據國家發改委資料：「二零零五年中國內地水泥產量10.6億噸，按年增長9.3%，增速比上年回落3.2個百分點。二零零六年水泥產業工作重點是：水泥工業不再鋪新攤子，而以重點改造現有企業為主，同時還要加快淘汰落後小水泥步伐」。這些政策的落實，有利於水泥行業的健康發展。另一方面由於國家強調GDP增長質素，推行可持續發展戰略，客觀上抑制水泥生產規模的盲目擴大，而江、浙、滬的財政實力不斷加強，無不制定出宏偉的基礎建設計劃，以上海為例，到2010年要建成400公里軌道交通樞紐、世博場館建設啟動、洋山港工程擴建、崇明島建設等都不失為水泥行業的福音。本集團所面對的蘇北、魯南及上海市場，經濟仍具相當活力。集團已實現第一步水泥發展戰略目標，今後將加強對各個項目的管理、堅持技術革新、擇優採購及加強品牌建設，從而提升本集團之核心競爭力，本集團對未來充滿信心。

致謝

謹此感謝客戶、股東及員工對本集團的理解和支持。

總裁
黃清海

香港，二零零六年三月二十三日

PROSPECTS

According to the State Development and Reform Commission: "in 2005, the cement production in Mainland China reached 1.06 billion tonnes representing a 9.3% year-on-year increase and a 3.2 percentage point drop in growth rate as compared to the year before. The key works for cement industry in 2006 are: size of the industry shall not be expanded, but major reform on existing enterprises shall continue while the pace of fading out backward smaller cement plants shall speed up". Implementation of these policies will be beneficial to the healthy development of the industry. On the other hand, the fact that the country emphasises on GDP's growth quality and implementation of sustainable development strategy has objectively restrained the irrational expansion in cement production scales. However, financial strength in Jiangsu, Zhejiang and Shanghai continuously gains ground, all setting up ambitious infrastructure construction plans. For example, in Shanghai, a 400 kilometer railway network to be completed by 2010, the construction of the World Expo halls, the extension project of Yangshan Port and the construction of Chongming Island, all are good news for the industry. The economies of northern Jiangsu, southern Shandong and Shanghai, which are targeted markets of the Group, are still exuberant. The Group has achieved the first goal of its cement development strategy, and henceforth the Group will strengthen the management on individual projects. By sticking to technology renovation, selective purchases on quality items and strengthening its brand building, the Group's core competitive edges will be enhanced. The Group is full of confidence in its future development.

APPRECIATION

We would like to extend our sincere thanks to our customers, shareholders and staff for their understanding and support.

Ng Qing Hai
President

Hong Kong, 23rd March, 2006