

管理層討論與分析

Management Discussion and Analysis

截至二零零五年十二月三十一日止年度，本集團營業額為港幣349,437,000元，比去年減少7.5%，經營虧損為港幣19,621,000元，本公司股東應佔虧損為港幣35,233,000元，每股虧損港幣4.83仙（去年每股盈利港幣1.43仙）。年度內虧損主要是上半年水泥價格持續低迷，煤炭價格高企，以及本集團新生產線山東聯合王晁水泥有限公司日產2,500噸熟料的新型幹法生產線及北京上聯首豐建材有限公司年產15萬噸之礦渣粉磨細生產線一季度投產，處於調試階段所致。

For the year ended 31st December, 2005, the Group's turnover amounted to HK\$349,437,000, representing a decrease of 7.5% as compared to the previous year. The operating loss was HK\$19,621,000, while the loss attributable to equity holders of the Company was HK\$35,233,000, and loss per share was HK4.83 cents (earnings per share of the previous year: HK1.43 cents). The loss for the year was mainly due to several factors which included continuing low cement price and soaring coal price in the first half of the year as well as the fact that the Group's new production lines, namely the new dry production line at Shandong Allied Wangchao Cement Limited with a daily output of 2,500 tonnes of clinker and the fine-grinding production line of slag powder at 北京上聯首豐建材有限公司 (Beijing Shanglian Shoufeng Construction Materials Limited) with an annual output of 150,000 tonnes just commenced production in the first quarter and were at test run stage.

業務回顧

本集團主要業務為分銷及製造熟料、水泥及礦渣粉以及分銷石材及瓷磚之業務。

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and distribution of clinker, cement and slag powder, and the distribution of stones and ceramic tiles.

水泥業務

二零零五年水泥價格前低後高，上半年由於宏觀調控使水泥市場備受衝擊，價格持續低迷。三季度逐步企穩。而四季度由於宏觀調控效果顯著，經濟開始恢復正常，水泥價格有明顯提升，加上本集團之降低成本措施逐步到位，而煤炭價格有所回落，本集團經濟效益逐步好轉，本集團下屬之四個工廠四季度實現盈利。

Cement Business

Cement price started low and ended high in 2005. The macro-economic regulation measures dealt enormous impact on the cement market in the first half of the year, keeping the cement price at the bottom. The price gradually became firm in the third quarter. In the fourth quarter, as the macro-economic regulation measures started to yield considerable results and began to bring the economy back to normal, the price of cement sprang up significantly. Moreover, with the Group's cost-control measures being gradually implemented and coal price starting to drop, the cost effectiveness of its operation improved and the four factories run by the Group all reported profits in the fourth quarter.

年度營業額港幣333,271,000元，比上年減少7%。水泥及熟料銷量177.8萬噸，比上年增長22%。經營虧損港幣6,480,000元。

Annual turnover in this operation was HK\$333,271,000, representing a decrease of 7% as compared to the previous year. The sales volume of cement and clinker amounted to 1,778,000 tonnes, representing an increase of 22% as compared to the previous year. The operating loss was HK\$6,480,000.

業務回顧(續)

水泥業務(續)

1. 上海聯合水泥有限公司(「上海水泥」)

上海水泥生產熟料及銷售水泥分別為70萬噸及103.4萬噸，比上年增加2.2%及6.0%，經營溢利港幣13,010,000元，比上年減少69%。

上海房地產市場於二零零五年上半年在宏觀調控的大背景下出現調整，房價有所下跌，而居民買房積極性不高，投資及投機於房市者稅負過重，使房產市場由旺轉淡。這是水泥業的不利因素，然而政府大規模增加經濟適用房建設投入，以及重點工程投資增長，又使水泥業獲得機會，因此上海水泥市場PO42.5水泥之價格由上半年人民幣250元／噸的低位上升到年末為人民幣280元／噸。

BUSINESS REVIEW (Continued)

Cement Business (Continued)

1. *Shanghai Allied Cement Co., Ltd. ("Shanghai SAC")*

Shanghai SAC's clinker production and cement sales volume amounted to 700,000 tonnes and 1,034,000 tonnes respectively, representing an increase of 2.2% and 6.0%, and its operating profit was HK\$13,010,000, representing a decrease of 69% as compared to the previous year.

The real estate market in Shanghai came under adjustments in the first half of 2005, as generally affected by the macro-economic regulation measures. Property price declined and buyers were reluctant to go into deals. As investors and speculators were subject to heavy tax burdens, the market sentiment turned from heated to cool. Despite the unfavourable influences mentioned above, business opportunities for cement industry returned as the government injected more fund into economical housing construction and investment in key projects increased. As a result, the price of PO42.5 cement in Shanghai rose from a low point of RMB250/tonne in the first half of 2005 to RMB280/tonne at the end of the year.

業務回顧 (續)

水泥業務 (續)

1. 上海水泥 (續)

上海水泥一如既往地開展技術革新，年初對分解爐的改造，使噸熟料原煤耗比上年下降2.56公斤，節約人民幣95萬元。而窯的運轉率也比上年提升3.52%，增產熟料1.5萬噸。而噸水泥製造成本比上年下降人民幣14.61元，節約成本人民幣1,400餘萬元，42.5水泥售價每噸下降人民幣53.79元，減利人民幣5,540萬元，使公司效益比二零零四年有較大幅度下降。

值得一提的是上海水泥市場經過一年多的惡性競爭後，水泥同業已逐步恢復理性。市場逐步規範，水泥價格穩中有升。

BUSINESS REVIEW (Continued)

Cement Business (Continued)

1. Shanghai SAC (Continued)

Shanghai SAC is committed to technology innovation as always, its reconstruction on the decomposing furnace at the beginning of the year has brought down the clinker/coal consumption ratio per tonne by 2.56 kg as compared to the previous year, which resulted in saving of RMB950,000. The kiln productivity also increased by 3.52% as compared to the previous year, bringing the production of clinker up by 15,000 tonnes. The manufacturing cost of cement per tonne dropped by RMB14.61 as compared to the previous year, resulting in saving of over RMB14,000,000. The price of the 42.5 cement per tonne dropped by RMB53.79, which resulted in a decrease of profit by RMB55,400,000 and a sharp decline in its profit margin as compared to the previous year.

A fact to note is that after one year's cut-throat competition prevailing in the cement market in Shanghai, the cement manufacturers have returned to sanity. The market is gradually regulated, driving the price of cement up steadily.

業務回顧(續)

水泥業務(續)

2. 山東上聯水泥發展有限公司
(「山東水泥」)

山東水泥年度生產熟料13.8萬噸，比上年減少63%。水泥產量為37.1萬噸，比上年減少16.9%，經營虧損港幣7,218,000元，上年則為盈利。年度內雖然煤炭價格有所下降，與正常年份相比，價格仍處於高位。山東水泥為了揚長避短，於下半年暫停熟料生產，為山東聯合王晁水泥有限公司之熟料生產線配套生產水泥。目前運轉正常。山東水泥還增加水泥品種，開拓本地及蘇北市場，隨著「泰立」牌水泥在眾多重點工程中標，本集團之市場策略已按計劃實施。品牌建設在當地達到預定目標。集團之市場分佈趨於合理。而水泥磨產能的提高有利於避高峰用電，降低成本。

3. 山東聯合王晁水泥有限公司
(「聯合王晁」)

聯合王晁是集團旗下之新的企業，其擁有之日產2,500噸熟料生產線，經過調試已全面達標。年度內生產熟料61萬噸。由於該生產線有自備礦山及碼頭，加上技術含量高，具有較強的競爭力。經過調試，每日產量已達2,800噸，比設計能力提升12%。在管理方面，聯合王晁實行績效掛鉤，末位淘汰等制度，發揮員工之進取精神。員工也樂於為公司獻計獻策，把自身之人生目標和公司發展目標相結合。因此公司體現出一定活力。對此集團深感欣慰。

BUSINESS REVIEW (Continued)

Cement Business (Continued)

2. *Shandong Shanghai Allied Cement Co., Ltd.*
(*“Shandong SAC”*)

Shandong SAC's clinker output for the year amounted to 138,000 tonnes, representing a decrease of 63% as compared to the previous year. The output of cement amounted to 371,000 tonnes, representing a decrease of 16.9% as compared to the preceding year. The operating loss amounted to HK\$7,218,000, as compared to the operating profit in the previous year. Despite a slight drop in the year, coal price remained at higher level as compared to normal years. In order to enhance strong points and avoid weaknesses, Shandong SAC has temporarily suspended production of clinker during the second half of the year, and produced cement in line with the clinker production line of Shandong Allied Wangchao Cement Limited. At present, it is under normal operation. Shandong SAC has also added new cement products to explore the local and northern Jiangsu market. After winning bids for its "Titan" brand cement in numerous major projects, the Group has implemented its market policy as planned. Brand name building has achieved its target in the local market. At present, the Group's market coverage becomes reasonable. Furthermore, enhanced capacity in cement grinding can save the Group from using electricity at peak time so as to reduce the cost.

3. *Shandong Allied Wangchao Cement Limited*
(*“Allied Wangchao”*)

Allied Wangchao is a new subsidiary under the Group and its clinker production line with daily output of 2,500 tonnes has, after adjustments and tests, reached production standards in full scale. The gross clinker output of Allied Wangchao during the year amounted to 610,000 tonnes. Supported by its own quarry and pier and equipped with advanced technology, the production line is highly competitive. After adjustments and tests, its daily capacity has amounted to 2,800 tonnes and its output designed capability has improved by 12%. In management policy, Allied Wangchao adopted a performance-linked system, including the elimination of the worst performers, aiming to bring staff's spirit of enterprise into full play. Staff are also willing to contribute to the Allied Wangchao with their ideas and efforts, and integrate their personal goals with the Company's development objectives. As such, Allied Wangchao shows great corporate vitality, which is highly appreciated by the Group.

業務回顧 (續)

礦渣粉磨細業務

本集團在北京的磨細礦渣粉生產線一季度開始調試，本年度營業額港幣12,029,000元，盈利為港幣653,000元。該項業務有一定前景，但是客戶選擇、生產效率之提升是兩大關鍵因素。本集團將按照上聯之先進理念，不斷提升其管理水平，使其成為本集團之新的利潤中心。

石材和瓷磚業務

本集團將重點發展水泥和磨細礦渣粉業務，而石材及瓷磚業務將會減少。

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貸款。集團資產負債情況仍保持良好，流動性合理，現金儲備約港幣83,138,000元，其中包括約港幣44,054,000元已抵押短期銀行存款。本集團流動比率約1.02（於二零零四年十二月三十一日：1.38）。於二零零五年十二月三十一日，本集團淨資產港幣290,640,000元。負債項下借款共為港幣239,933,000元，其中包括同系公司及一關連公司借款港幣13,000,000元，借款中約45.2%為固定息率借款。資產負債率（淨銀行借款／淨資產）為49.5%（於二零零四年十二月三十一日：50.7%）。本集團二零零四年年底安排之三年期銀行借款港幣105,000,000元，主要作為山東聯合王昉之建廠資金，因此導致資產負債處較高水準，集團將密切控制借款情況以便將資本負債率維持在合理水平。

BUSINESS REVIEW (Continued)

Slag Powder Fine Grinding Business

The Group's slag powder fine grinding production line in Beijing plant commenced adjustments and tests in the first quarter of the year. The turnover for the year amounted to HK\$12,029,000, and the profit amounted to HK\$653,000. The business is promising, but is subject to two key factors, namely client's choice and improvement of productive efficiency. Following its forward concept, the Group will continuously improve the management standard of the Beijing plant to make it a new profit centre of the Group.

Stone and Ceramic Tile Business

The Group will focus on development of the cement and slag powder fine grinding businesses, while the stone and ceramic tile business is being scaled down.

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 approximately HK\$83,138,000, which included approximately HK\$44,054,000 of pledged short-term bank deposits. The Group had a current ratio of approximately 1.02 (as of 31st December, 2004: 1.38). As of 31st December, 2005, the net assets of the Group amounted to HK\$290,640,000. The borrowings in liabilities amounted to HK\$239,933,000, of which borrowings from a fellow subsidiary and a related company amounted to HK\$13,000,000, and approximately 45.2% of borrowings were at fixed rates. The gearing ratio (net bank borrowings over net assets) was 49.5% (as of 31st December, 2004: 50.7%). At the end of 2004, the Group arranged a bank loan in the amount of HK\$105,000,000 mainly for funding the construction of Allied Wangchao plant, resulting in a higher gearing ratio. The Group will closely monitor its borrowings to maintain the gearing ratio at a reasonable level.

財務回顧(續)

外匯波動

本集團的營運主要位於國內，營運資金包括銀行存款及借款，均以人民幣計算，因此除上段所述之港幣銀行借款，外匯波動之風險對本集團營運並無重大直接影響。

抵押資產

於二零零五年十二月三十一日，存款約港幣43,277,000元已抵押予銀行及財務機構以開具應付票據予供應商。另外，於二零零五年十二月三十一日，本集團已將一間附屬公司，聯合王晁之95%權益作為銀行借款港幣105,000,000之抵押品。

或然負債

於二零零五年十二月三十一日，本集團只有就同系附屬公司動用之信貸而給予銀行擔保港幣57,692,000元(於二零零四年十二月三十一日：港幣75,472,000元)。已貼現商業票據為港幣零元(於二零零四年十二月三十一日：港幣18,208,000元)。

承擔

於二零零五年十二月三十一日，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港幣5,533,000元(於二零零四年十二月三十一日：港幣34,921,000元)。

FINANCIAL REVIEW (Continued)

Foreign Exchange Fluctuation

Since the Group's operations were mainly located in Mainland China, working capital including bank deposit and borrowings was primarily denominated in Renminbi. As such, the foreign exchange exposure will have no significant direct impact to the Group's operations, except for the Hong Kong Dollar bank loan mentioned in the above paragraph.

Charges on Assets

As of 31st December, 2005, deposits of about HK\$43,277,000 were pledged to banks and financial institution as collateral for securing bills payable issued to suppliers. In addition, on 31st December, 2005 the Group pledged 95% equity interest of a subsidiary, Allied Wangchao, as collaterals for securing bank borrowings in the amount of HK\$105,000,000.

Contingent Liabilities

As of 31st December, 2005, guarantees were given to banks by the Group in respect of facilities utilised by fellow subsidiaries of HK\$57,692,000 (as of 31st December, 2004: HK\$75,472,000). The discounted commercial bills amounted to Nil (as of 31st December, 2004: HK\$18,208,000).

Commitments

As of 31st December, 2005, the Group's capital expenditure contracted but not provided for in the financial statements in respect of the property, plant and equipments was HK\$5,533,000 (as of 31st December, 2004: HK\$34,921,000).

僱員及薪酬政策

於二零零五年十二月三十一日，本集團(包括其附屬公司但不包括其聯營公司)僱用719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。

風險管理

本集團正在對各項風險，包括客戶信用評估、政府政策風險、資金管理等各項制度作出相應修改以加強風險管理力度。

承董事會命

行政總裁
黃清海

香港，二零零六年三月二十三日

EMPLOYEES AND REMUNERATION POLICIES

As of 31st December, 2005, the Group including its subsidiaries but excluding its associates, employed 719 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.

RISK MANAGEMENT

The Group is making modification to its various risk management systems, including customer credit assessment, government policy risk, treasury management etc, in order to enhance its risk management.

By Order of the Board

Ng Qing Hai
Chief Executive Officer

Hong Kong, 23rd March, 2006

「泰立」牌水泥經典項目 Major projects for "TITAN" cement

山東項目 Shandong Projects



中國礦業大學
China University of Mining & Technology in Xuzhou



徐州望景花園
Xuzhou Wangjing Garden



徐州濱湖花園
Xuzhou Binhu Garden



徐州和平橋
Xuzhou Heping Bridge

上海項目 Shanghai Projects



五洲大道
Wuzhou Avenue



高橋鎮改造
Reconstruction of Gaoqiao Town



上海環球金融中心
Shanghai World
Financial Centre



中環線
The Centre Ring Road

「賽華」牌瓷磚及石材經典項目
Major project for "TRIWA" tiles and stone



華為技術有限公司－深圳總部外觀
External view of the Headquarters of Huawei Technologies Co., Ltd. in Shenzhen

山東聯合王晁廠房
Factory buildings of Allied Wangchao in Shandong



聯合王晁廠房
Factory buildings of Allied Wangchao



聯合王晁廠房
Factory buildings of Allied Wangchao



山東省建材行業優質工程證書
Certificate of Quality Project in the Building Material Industry of Shandong Province