

Interim Report
2006
中 期 報 告



上海聯合水泥股份有限公司
Shanghai Allied Cement Limited

(Stock Code 股份代號: 1060)

目錄

CONTENTS

頁次
Page

公司資料	Corporate Information	2
簡明綜合收益表	Condensed Consolidated Income Statement	8
簡明綜合資產負債表	Condensed Consolidated Balance Sheet	9
簡明綜合權益變動表	Condensed Consolidated Statement of Changes in Equity	10
簡明綜合現金流量表	Condensed Consolidated Cash Flow Statement	11
簡明財務報表附註	Notes to the Condensed Financial Statements	12
中期股息	Interim Dividend	22
管理層討論與分析	Management Discussion and Analysis	22
展望	Prospects	29
董事權益	Directors' Interests	30
購股權	Share Options	31
主要股東及其他人士權益	Interests of Substantial Shareholders and Other Persons	32
企業管治	Corporate Governance	34
審核委員會之審閱	Audit Committee Review	36
購回、出售或贖回股份	Purchase, Sale or Redemption of Shares	36



公司資料

董事會

執行董事

黃清海 (總裁及行政總裁)
高成明 (副總裁)
李志剛

非執行董事

李兆忠

獨立非執行董事

陳靜
金惠志
李澤雄

執行委員會

黃清海 (主席)
高成明
李志剛

薪酬委員會

陳靜 (主席)
金惠志
李澤雄

審核委員會

李澤雄 (主席)
陳靜
金惠志
李兆忠

公司秘書

容綺媚

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ng Qing Hai (*President and Chief Executive Officer*)
Ko Sing Ming (*Vice-President*)
Li Chi Kong

Non-Executive Director

Lee Siu Chung, Steven

Independent Non-Executive Directors

Chen Ching
Jin Hui Zhi
Li Chak Hung

EXECUTIVE COMMITTEE

Ng Qing Hai (*Chairman*)
Ko Sing Ming
Li Chi Kong

REMUNERATION COMMITTEE

Chen Ching (*Chairman*)
Jin Hui Zhi
Li Chak Hung

AUDIT COMMITTEE

Li Chak Hung (*Chairman*)
Chen Ching
Jin Hui Zhi
Lee Siu Chung, Steven

COMPANY SECRETARY

Yung Yee Mei, Cindy

公司資料 (續)

註冊辦事處

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

香港總辦事處及 主要營業地點

香港
灣仔
告士打道138號
聯合鹿島大廈
22樓

電話：(852) 2877 8313
傳真：(852) 2511 3696
電郵：info@sacl.com.hk

律師

胡百全律師事務所

核數師

德勤 • 關黃陳方會計師行

銀行

香港
中信嘉華銀行有限公司
富邦銀行(香港)有限公司
中國工商銀行(亞洲)有限公司
大眾銀行(香港)有限公司
渣打銀行(香港)有限公司
東亞銀行有限公司

中國
中國農業銀行
中國銀行
交通銀行
中國建設銀行
招商銀行
中國民生銀行
中信實業銀行
中國工商銀行

CORPORATE INFORMATION (continued)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22nd Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Tel : (852) 2877 8313
Fax : (852) 2511 3696
E-mail : info@sacl.com.hk

SOLICITORS

P. C. Woo & Co.

AUDITORS

Deloitte Touche Tohmatsu

BANKERS

In Hong Kong
CITIC Ka Wah Bank Limited
Fubon Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Public Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited

In the PRC
Agricultural Bank of China
Bank of China
Bank of Communications
China Construction Bank Corporation
China Merchants Bank
China Minsheng Banking Corp., Ltd.
CITIC Industrial Bank
Industrial and Commercial Bank of China



公司資料 (續)

主要股份過戶 及登記處

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

香港股份過戶 及登記分處

秘書商業服務有限公司
香港
皇后大道東28號
金鐘匯中心26樓

新加坡股份過戶代理人

Lim Associates (Pte) Limited
10 Collyer Quay
#19-08 Ocean Building
Singapore 049315

股份代號

香港聯合交易所有限公司
股份代號：1060

新加坡證券交易所
股份代號：ShanghaiAC 2k HK\$

CORPORATE INFORMATION (continued)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

SINGAPORE SHARE TRANSFER AGENT

Lim Associates (Pte) Limited
10 Collyer Quay
#19-08 Ocean Building
Singapore 049315

STOCK CODE

Stock Code on The Stock Exchange of
Hong Kong Limited: 1060

Stock Code on Singapore Exchange Securities
Trading Limited: ShanghaiAC 2k HK\$



公司資料 (續)

其他公司資料

上海聯合水泥有限公司

中國

上海市

龍水南路1號

郵政編碼：200232

電話：(86-21) 5409 0945

傳真：(86-21) 5409 0826

網址：www.sac-cement.com

電郵：sac@sac-cement.com

山東聯合王晁水泥有限公司

中國

山東省

棗莊市

台兒莊區

潤頭集鎮

頓莊村

郵政編碼：277405

電話：(86-632) 6812 890

傳真：(86-632) 6818 521/6818 696

電郵：sac@sdsac.com

山東上聯水泥發展有限公司

中國

山東省

棗莊市

台兒莊區

孫蘇莊

郵政編碼：277405

電話：(86-632) 6818 686

傳真：(86-632) 6818 521/6818 696

電郵：sac@sdsac.com

北京上聯首豐建材有限公司

中國

北京市

豐台區

射擊場路5號

郵政編碼：100072

電話：(86-10) 8384 4805

傳真：(86-10) 8384 4636

CORPORATE INFORMATION (continued)

OTHER CORPORATE INFORMATION

Shanghai Allied Cement Co., Ltd.

1 Long Shui Nan Road

Shanghai

China

Post Code：200232

Tel：(86-21) 5409 0945

Fax：(86-21) 5409 0826

Web-site：www.sac-cement.com

E-mail：sac@sac-cement.com

Shandong Allied Wangchao Cement Limited

Dunzhuang Cun

Jiantouji Town

Taierzhuang District

Zaozhuang

Shandong

China

Post Code：277405

Tel：(86-632) 6812 890

Fax：(86-632) 6818 521/6818 696

E-mail：sac@sdsac.com

Shandong Shanghai Allied Cement Co., Ltd.

Sunsuzhuang

Taierzhuang District

Zaozhuang

Shandong

China

Post Code：277405

Tel：(86-632) 6818 686

Fax：(86-632) 6818 521/6818 696

E-mail：sac@sdsac.com

北京上聯首豐建材有限公司

5 Shooting Pitch Road

Fengtai District

Beijing

China

Post Code：100072

Tel：(86-10) 8384 4805

Fax：(86-10) 8384 4636



山東聯合王晁水泥有限公司
SHANDONG ALLIED WANGCHAO CEMENT LIMITED



山東聯合王晁水泥有限公司之廠房
The Plant of Shandong Allied Wangchao Cement Limited

「泰立」牌水泥經典項目 MAJOR PROJECTS FOR "TITAN" CEMENT



上海環球金融中心
Shanghai World Financial Center



上海地鐵九號線
Shanghai Metro Line No. 9



上海金滙豪庭公寓
Shanghai Jin Hui Hao Ting Apartment



上海聯合水泥股份有限公司（「本公司」）之董事會（「董事會」）公佈本公司及其附屬公司（統稱「本集團」）截至二零零六年六月三十日止六個月之未經審核綜合業績如下：

The board of directors (the "Board") of Shanghai Allied Cement Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2006 were as follows:

簡明綜合收益表

截至二零零六年六月三十日止六個月

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2006

		截至六月三十日止六個月	
		Six months ended 30th June,	
		二零零六年	二零零五年
		2006	2005
		港幣千元	港幣千元
		HK\$'000	HK\$'000
		(未審核)	(未審核)
		(unaudited)	(unaudited)
營業額	Turnover	180,453	141,454
銷售成本	Cost of sales	<u>(162,125)</u>	<u>(140,560)</u>
毛利	Gross profit	18,328	894
其他收入	Other income	8,403	8,062
分銷成本	Distribution costs	(3,370)	(3,376)
行政開支	Administrative expenses	(12,775)	(11,717)
呆壞帳準備	Allowance for bad and doubtful debts	(1,176)	(7,040)
融資成本	Finance costs	4	(4,313)
除稅前溢利(虧損)	Profit (loss) before taxation	5	(17,490)
稅項	Taxation	6	(1,397)
本期溢利(虧損)	Profit (loss) for the period	<u>608</u>	<u>(18,887)</u>
下列各項應佔：	Attributable to:		
本公司股東	Equity holders of the Company	(1,293)	(16,513)
少數股東權益	Minority interests	1,901	(2,374)
		<u>608</u>	<u>(18,887)</u>
		港仙	港仙
		HK cent	HK cents
每股基本虧損	Basic loss per share	7	(2.26)

附註
Notes



簡明綜合資產負債表

於二零零六年六月三十日

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2006

	附註 Notes	於二零零六年 六月三十日 At 30th June, 2006 港幣千元 HK\$'000 (未審核) (unaudited)	於二零零五年 十二月三十一日 At 31st December, 2005 港幣千元 HK\$'000 (經審核) (audited)
非流動資產			
物業、廠房及設備	8	454,046	457,399
土地使用權之預付租賃款項		14,098	14,136
商譽		69,479	69,479
採礦權		7,008	7,013
所佔一間共同控制機構權益		-	-
所佔一間聯營公司權益		-	-
會所債券		330	330
		544,961	548,357
流動資產			
待售物業		5,410	5,354
土地使用權之預付租賃款項		351	348
存貨		34,204	32,964
貿易及其他應收款項	9	193,431	189,654
按金及預付款項		15,695	24,613
應收同系附屬公司款項		1,913	707
已抵押短期銀行存款		16,662	44,054
銀行結存及現金		23,884	39,084
		291,550	336,778
流動負債			
貿易及其他應付款項與按金	10	99,906	154,103
應付最終控股公司款項		-	6,150
應付一間同系附屬公司款項		831	9,322
應付一少數股東款項		4,373	2,623
應付一少數股東股息		1,334	4,668
應付關連公司款項		7,682	4,958
稅項負債		1,535	1,552
於一年內到期之 融資租賃承擔		1	5
於一年內到期之銀行借款	11	171,889	148,183
		287,551	331,564
流動資產淨額		3,999	5,214
總資產減流動負債		548,960	553,571
股本及儲備			
股本		182,349	182,349
儲備		109,640	108,291
本公司股東應佔權益		291,989	290,640
少數股東權益		163,248	159,822
總權益		455,237	450,462
非流動負債			
應付一少數股東款項		403	368
應付同系附屬公司款項		9,166	152
應付最終控股公司款項		6,145	-
於一年後到期之銀行借款	11	52,500	78,750
遞延稅項		25,509	23,839
		93,723	103,109
		548,960	553,571



簡明綜合權益變動表

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

截至二零零六年六月三十日止六個月 For the six months ended 30th June, 2006

本公司股東應佔

Attributable to equity holders of the Company

	股本 贖回儲備								累計溢利	少數 股東權益	
	股本 Share Capital	資本 Redemption Reserve	實繳盈餘 Contributed Surplus	匯兌儲備 Translation Reserve	合併儲備 Merger Reserve	股本儲備 Capital Reserve	其他儲備 Other Reserves	總額 Total		Minority Interests	總額 Total
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於二零零五年一月一日											
At 1st January, 2005	182,349	918	44,203	(3,656)	1,799	824	12,927	81,980	321,344	160,908	482,252
本期虧損	-	-	-	-	-	-	-	(16,513)	(16,513)	(2,374)	(18,887)
Loss for the period	-	-	-	-	-	-	-	(16,513)	(16,513)	(2,374)	(18,887)
已付予一少數股東之股息	-	-	-	-	-	-	-	-	-	(5,355)	(5,355)
Dividend paid to a minority shareholder	-	-	-	-	-	-	-	-	-	(5,355)	(5,355)
轉至儲備	-	-	-	-	-	-	1,181	(1,181)	-	-	-
Transfer to reserves	-	-	-	-	-	-	1,181	(1,181)	-	-	-
於二零零五年六月三十日											
At 30th June, 2005	182,349	918	44,203	(3,656)	1,799	824	14,108	64,286	304,831	153,179	458,010
於二零零六年一月一日											
At 1st January, 2006	182,349	918	44,203	873	1,799	824	14,108	45,566	290,640	159,822	450,462
本期虧損	-	-	-	-	-	-	-	(1,293)	(1,293)	1,901	608
Loss for the period	-	-	-	-	-	-	-	(1,293)	(1,293)	1,901	608
換算外地業務而於權益中 直接確認之匯兌差額	-	-	-	2,235	-	-	-	-	2,235	1,525	3,760
Exchange difference arising on translation of foreign operation recognised directly in equity	-	-	-	2,235	-	-	-	-	2,235	1,525	3,760
本期已確認之收支總額	-	-	-	2,235	-	-	-	(1,293)	942	3,426	4,368
Total recognised income and expense for the period	-	-	-	2,235	-	-	-	(1,293)	942	3,426	4,368
長期負債隱含利息之調整	-	-	-	-	-	-	407	-	407	-	407
Imputed interest adjustment on long term liabilities	-	-	-	-	-	-	407	-	407	-	407
於二零零六年六月三十日											
At 30th June, 2006	182,349	918	44,203	3,108	1,799	824	14,515	44,273	291,989	163,248	455,237

附註：其他儲備包括上海聯合水泥有限公司及山東上聯水泥發展有限公司之儲備基金及企業發展基金，合共港幣14,108,000元，並包括於初始確認應付最終控股公司之免息金額時對公平值調整之影響。當企業出現虧損時，儲備基金可於特殊情況下用作填補不可收回之虧損。企業發展基金乃用作擴展業務，並可在獲得批准之情況下用作增加資本。

Note: Other reserves comprise reserve fund and enterprise expansion fund of Shanghai Allied Cement Co., Ltd. and Shandong Shanghai Allied Cement Co., Ltd. totalling HK\$14,108,000 and the effect of fair value adjustment at initial recognition of interest-free amount due to ultimate holding company. The reserve fund is to be used to expand the enterprise's working capital. When the enterprise suffers losses, the reserve fund may be used to make up unrecovered losses under special circumstances. The enterprise expansion fund is to be used for business expansion and, if approved, can also be used to increase capital.

簡明綜合現金流量表

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

截至二零零六年六月三十日止六個月 For the six months ended 30th June, 2006

截至六月三十日止六個月
Six months ended 30th June,
二零零六年 二零零五年
2006 2005
港幣千元 港幣千元
HK\$'000 HK\$'000
(未審核) (未審核)
(unaudited) (unaudited)

經營業務所耗用之現金淨額	NET CASH USED IN OPERATING ACTIVITIES	(27,341)	(5,313)
投資活動	INVESTING ACTIVITIES		
已抵押銀行存款之 減少(增加)	Decrease (increase) in pledged bank deposits	27,819	(5,387)
其他投資現金流	Other investing cash flows	(3,721)	(39,358)
投資活動所產生(耗用)之 現金淨額	NET CASH FROM (USED IN) INVESTING ACTIVITIES	24,098	(44,745)
融資活動	FINANCING ACTIVITIES		
新造銀行貸款	New bank loans raised	66,908	103,661
償還銀行貸款	Repayments of bank loans	(70,412)	(57,588)
其他融資現金流	Other financing cash flows	(8,135)	2,126
融資活動所(耗用) 產生之現金淨額	NET CASH (USED IN) FROM FINANCING ACTIVITIES	(11,639)	48,199
現金及等同現金項目 減少淨額	NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,882)	(1,859)
期初現金及等同現金項目	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	39,084	62,051
外幣匯率變動之影響	Effect of foreign exchange rate changes	(318)	—
期終現金及等同現金項目， 銀行結存及現金	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	23,884	60,192



簡明財務報表附註

截至二零零六年六月三十日止六個月

1. 呈報基準

簡明財務報表乃根據香港聯合交易所有限公司證券上市規則(「上市規則」)附錄16所適用之披露規定，以及由香港會計師公會(「香港會計師公會」)頒佈之香港會計準則(「香港會計準則」)第34號「中期財務報告」之規定而編撰。

2. 主要會計政策

簡明財務報表已按原成本基礎編撰。

編製簡明財務報表所採用之會計政策與編製本集團截至二零零五年十二月三十一日止年度之年度財務報表所採用者一致。

在本中期期間，本集團首次採納香港會計師公會頒佈之若干項新準則、修訂及詮釋(「新香港財務報告準則」)，該等新準則於二零零五年十二月一日或二零零六年一月一日或以後開始之會計期間生效。採納新香港財務報告準則不會對已編製或已呈列之本期間或先前會計期間之業績造成重大影響。因此，無需作出先前期間調整。

已頒佈但未生效之準則、修訂或詮釋

本集團並無提早採納以下已頒佈但未生效之新準則、修訂或詮釋。本公司董事(「董事」)估計採納此等新準則、修訂或詮釋將不會對本集團之業績及財務狀況造成重大影響。

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2006

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis.

The 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 31st December, 2005.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Standard, amendment or interpretations issued but not yet effective

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company (the "Directors") anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

簡明財務報表附註 (續)

截至二零零六年六月三十日止六個月

2. 主要會計政策 (續)

香港會計準則第1號 (經修訂)	資本披露 ¹
香港財務報告準則第7號	金融工具：披露 ¹
香港(國際財務報告詮釋 委員會)－詮釋第7號	採用香港財務報告 準則第29號之重列 方式－在惡性通脹 經濟環境下之 財務報告 ²
香港(國際財務報告詮釋 委員會)－詮釋第8號	香港財務報告準則 第2號之範圍 ³
香港(國際財務報告詮釋 委員會)－詮釋第9號	重估內在衍生工具 ⁴

- ¹ 於二零零七年一月一日或以後開始之年度期間生效。
- ² 於二零零六年三月一日或以後開始之年度期間生效。
- ³ 於二零零六年五月一日或以後開始之年度期間生效。
- ⁴ 於二零零六年六月一日或以後開始之年度期間生效。

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2006

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-Int 8	Scope of HKFRS 2 ³
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁴

- ¹ Effective for annual periods beginning on or after 1st January, 2007.
- ² Effective for annual periods beginning on or after 1st March, 2006.
- ³ Effective for annual periods beginning on or after 1st May, 2006.
- ⁴ Effective for annual periods beginning on or after 1st June, 2006.



簡明財務報表附註 (續)

截至二零零六年六月三十日止六個月

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2006

3. 分類資料

就管理而言，本集團之業務目前由三項經營業務組成－(1)分銷及製造水泥與熟料、(2)分銷及製造礦渣粉以及(3)分銷瓷磚、花崗石及雲石產品。本集團業務主要集中在香港及中華人民共和國(「中國大陸」或「中國」)其他地區。按業務劃分之本集團收入及分類業績分析如下：

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions – (1) distribution and manufacturing of cement and clinker, (2) distribution and manufacturing of slag powder and (3) distribution of ceramic tiles, granite and marble products. The Group's operations are principally located in Hong Kong and other areas in the People's Republic of China ("Mainland China" or the "PRC"). An analysis of the Group's revenue and segment results by business segments is as follows:

	分銷及製造 水泥與熟料 Distribution and manufacturing of cement and clinker 港幣千元 HK\$'000 (未審核) (unaudited)	分銷及製造 礦渣粉 Distribution and manufacturing of slag powder 港幣千元 HK\$'000 (未審核) (unaudited)	分銷瓷磚、 花崗石及 雲石產品 Distribution of ceramic tiles, granite and marble products 港幣千元 HK\$'000 (未審核) (unaudited)	綜合 Consolidated 港幣千元 HK\$'000 (未審核) (unaudited)
--	---	--	--	--

截至二零零六年
六月三十日止六個月

For the six months ended
30th June, 2006

分類收入	Segment revenue	171,069	7,800	1,584	180,453
分類業績	Segment results	12,418	696	(1,143)	11,971
未能分攤費用	Unallocated expenses				(2,561)
融資成本	Finance costs				(7,340)
除稅前溢利	Profit before taxation				2,070
稅項	Taxation				(1,462)
本期溢利	Profit for the period				608

截至二零零五年
六月三十日止六個月

For the six months ended
30th June, 2005

分類收入	Segment revenue	135,597	4,246	1,611	141,454
分類業績	Segment results	(6,953)	320	(2,951)	(9,584)
未能分攤費用	Unallocated expenses				(3,593)
融資成本	Finance costs				(4,313)
除稅前虧損	Loss before taxation				(17,490)
稅項	Taxation				(1,397)
本期虧損	Loss for the period				(18,887)

簡明財務報表附註 (續)

截至二零零六年六月三十日止六個月

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2006

4. 融資成本

		截至六月三十日止六個月 Six months ended 30th June,	
		二零零六年 2006 港幣千元 HK\$'000 (未審核) (unaudited)	二零零五年 2005 港幣千元 HK\$'000 (未審核) (unaudited)
以下項目之利息：	Interest on:		
須於五年內全數償還 之銀行借款	Bank borrowings wholly repayable within five years	7,327	5,242
應付同系附屬公司及少數股東 之隱含利息	Imputed interest on amounts due to fellow subsidiaries and a minority shareholder	12	11
融資租賃承擔	Obligations under a finance lease	1	1
總借貸成本	Total borrowings costs	7,340	5,254
減：撥充資本之金額	Less: amounts capitalised	-	(941)
		7,340	4,313

5. 除稅前溢利(虧損)

		截至六月三十日止六個月 Six months ended 30th June,	
		二零零六年 2006 港幣千元 HK\$'000 (未審核) (unaudited)	二零零五年 2005 港幣千元 HK\$'000 (未審核) (unaudited)
除稅前溢利(虧損)乃經 扣除(計入)以下項目 後計算：	Profit (loss) before taxation has been arrived at after charging (crediting) :		
採礦權之攤銷 (包括在 行政費用內)	Amortisation of mining right (included in administrative expenses)	74	12
土地使用權之預付租賃 款項之釋出	Release of prepaid lease payments on land use rights	176	109
物業、廠房及設備之 折舊	Depreciation of property, plant and equipment	11,868	8,256
利息收入	Interest income	(554)	(211)



簡明財務報表附註 (續)

截至二零零六年六月三十日止六個月

6. 稅項

本期間稅項
遞延稅項

Current tax
Deferred tax

截至六月三十日止六個月	
Six months ended 30th June,	
二零零六年	二零零五年
2006	2005
港幣千元	港幣千元
HK\$'000	HK\$'000
(未審核)	(未審核)
(unaudited)	(unaudited)
16	8
1,446	1,389
1,462	1,397

由於在香港經營之集團公司在兩個期間內並無任何應課稅溢利，故並無就香港利得稅撥備。

中國所得稅乃按分別適用於各附屬公司之稅率計算。根據適用於外資企業之稅務法例，若干中國附屬公司可由首個經營獲利年度起計兩年內獲豁免繳付中國所得稅，而其後三年則獲寬減50%中國所得稅。

No provision for Hong Kong Profits Tax is made as the group companies operating in Hong Kong do not have any assessable profit for both periods.

The PRC income tax is calculated at the rates applicable to respective subsidiaries. In accordance with the tax legislations applicable to foreign investment enterprises, certain subsidiaries in the PRC are entitled to exemptions from PRC income tax for the two years commencing from the first profit-making year of operation and thereafter, entitled to a 50% relief from PRC income tax for the following three years.

7. 每股虧損

本公司股東應佔每股基本虧損乃根據以下數據計算：

7. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

截至六月三十日止六個月			
Six months ended 30th June,			
二零零六年	二零零五年		
2006	2005		
港幣千元	港幣千元		
HK\$'000	HK\$'000		
(未審核)	(未審核)		
(unaudited)	(unaudited)		
虧損	Loss		
計算每股基本虧損之虧損	Loss for the purposes of basic loss per share	(1,293)	(16,513)
股份數目	Number of shares		
計算每股基本虧損之普通股數	Number of ordinary shares for the purposes of basic loss per share	729,395,043	729,395,043

由於本公司購股權之行使價高出股份平均市價，故並無就該兩段期間呈列每股攤薄虧損。

No diluted loss per share has been presented for both periods, because the exercise price of the Company's share option was higher than the average market price of shares.

簡明財務報表附註

(續)

截至二零零六年六月三十日止六個月

8. 物業、廠房及設備變動

其內，本集團購入港幣4,576,000元之物業、廠房及設備。

9. 貿易及其他應收款項

本集團給予其貿易客戶之信貸期一般由30日至120日不等。貿易及其他應收款項乃包括貿易應收款項港幣180,232,000元(於二零零五年十二月三十一日：港幣178,039,000元)，其帳齡分析如下：

零-90日
91-180日
181-365日
超過1年

0-90 days
91-180 days
181-365 days
Over 1 year

於二零零六年 六月三十日 At 30th June, 2006 港幣千元 HK\$'000 (未審核) (unaudited)	於二零零五年 十二月三十一日 At 31st December, 2005 港幣千元 HK\$'000 (經審核) (audited)
112,582	133,590
47,314	31,128
13,541	6,108
6,795	7,213
<u>180,232</u>	<u>178,039</u>

於二零零六年六月三十日，貿易應收款項中包括已貼現及有追索權之應收票據約港幣22,252,000元(於二零零五年十二月三十一日：港幣17,541,000元)及有追索權之已讓售貿易應收款項為零(於二零零五年十二月三十一日：港幣19,231,000元)。

As at 30th June, 2006, discounted bills receivable with recourse of approximately HK\$22,252,000 (at 31st December, 2005: HK\$17,541,000) was included in trade receivables. Besides, trade receivables of nil (at 31st December, 2005: HK\$19,231,000) has been factored with recourse.

10. 貿易及其他應付款項與按金

貿易及其他應付款項與按金乃包括貿易應付款項約港幣50,878,000元(於二零零五年十二月三十一日：港幣93,782,000元)，其帳齡分析如下：

零-90日
91-180日
181-365日
超過1年

0-90 days
91-180 days
181-365 days
Over 1 year

於二零零六年 六月三十日 At 30th June, 2006 港幣千元 HK\$'000 (未審核) (unaudited)	於二零零五年 十二月三十一日 At 31st December, 2005 港幣千元 HK\$'000 (經審核) (audited)
39,404	78,697
6,719	10,809
3,141	1,019
1,614	3,257
<u>50,878</u>	<u>93,782</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2006

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of HK\$4,576,000.

9. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing its trade customers credit periods normally ranging from 30 days to 120 days. Included in trade and other receivables are trade receivables of HK\$180,232,000 (at 31st December, 2005: HK\$178,039,000) and their aged analysis is as follows:

10. TRADE AND OTHER PAYABLES AND DEPOSITS

Included in trade and other payables and deposits are trade payables of approximately HK\$50,878,000 (at 31st December, 2005: HK\$93,782,000) and their aged analysis is as follows:



簡明財務報表附註 (續)

截至二零零六年六月三十日止六個月

11. 銀行借款

期內，本集團獲得新造銀行借款港幣66,908,000元及償還銀行借款港幣70,412,000元。銀行借款用作本集團業務之融資。於二零零六年六月三十日銀行借款中包括已貼現及有追索權之應收票據港幣22,252,000元。

12. 經營租約承擔

於二零零一年六月，本集團與中國大陸第三者訂立協議租用其水泥生產設施，為期二十年。根據與該中國第三者訂立之補充協議，本集團有權於提出三個月通知期後每兩年內終止上述租約。現時本集團無意終止該租約。

於二零零六年六月三十日，本集團根據上述安排及其他不可撤銷之物業經營租約而須於未來支付之最低租金承擔如下：

一年內
超過一年
但少於五年
超過五年

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2006

11. BANK BORROWINGS

During the period, the Group obtained new bank loans of HK\$66,908,000 and repaid bank loans of HK\$70,412,000. The bank loans are used to finance the operations of the Group. Included in bank borrowings as at 30th June, 2006, there were discounted bills receivable with recourse of HK\$22,252,000.

12. OPERATING LEASE COMMITMENTS

In June 2001, the Group entered into an arrangement with a third party in the PRC to lease the production facilities for manufacture of cement with a term of twenty years. Under a supplemental agreement with the third party in the PRC, the Group has an option to terminate the said lease once every two years provided that a notice period of three months is given. The Group has no current intention to terminate the lease.

At 30th June, 2006, the Group had commitments for future minimum lease payments under the above arrangement and other non-cancellable operating leases for premises which fall due as follows:

	於二零零六年 六月三十日 At 30th June, 2006 港幣千元 HK\$'000 (未審核) (unaudited)	於二零零五年 十二月三十一日 At 31st December, 2005 港幣千元 HK\$'000 (經審核) (audited)
一年內	2,120	1,942
超過一年 但少於五年	1,625	1,831
超過五年	224	371
	<u>3,969</u>	<u>4,144</u>

13. 資本承擔

於二零零六年六月三十日，本集團之承擔如下：

就物業、廠房及設備之
已簽約但並無
於簡明財務報表
作出撥備
之資本開支

13. CAPITAL COMMITMENTS

At 30th June, 2006, the Group had the following commitments:

	於二零零六年 六月三十日 At 30th June, 2006 港幣千元 HK\$'000 (未審核) (unaudited)	於二零零五年 十二月三十一日 At 31st December, 2005 港幣千元 HK\$'000 (經審核) (audited)
就物業、廠房及設備之 已簽約但並無 於簡明財務報表 作出撥備 之資本開支	5,272	5,533

簡明財務報表附註 (續)

截至二零零六年六月三十日止六個月

14. 或然負債

就同系附屬公司已動用
之銀行融資向
銀行及財務機構
作出擔保

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2006

14. CONTINGENT LIABILITIES

於二零零六年 六月三十日 At 30th June, 2006 港幣千元 HK\$'000 (未審核) (unaudited)	於二零零五年 十二月三十一日 At 31st December, 2005 港幣千元 HK\$'000 (經審核) (audited)
--	--

Guarantees given to banks
and financial institutions
in respect of banking
facilities utilised by
fellow subsidiaries

29,126

57,692

15. 有關連人士交易

(1) 於一九九五年十二月十六日，本公司之附屬公司上海聯合水泥有限公司（「上海水泥」）與持有上海水泥40%權益之上海水泥廠（「上海水泥廠」）訂立租約協議。根據租約協議，上海水泥每年應向上海水泥廠支付租用費，其中包括(1)固定資產租用費（主要根據按租約協議租用之物業、廠房及設備之折舊另加約10%溢價計算）；及(2)使用費（主要根據訂約協議各方於簽署租約協議時同意出售之原料數量及有關原料之適當單價計算）。截至二零零六年六月三十日止半年度內，上海水泥支付之租用費總額為港幣2,659,000元（截至二零零五年六月三十日止六個月：港幣1,835,000元）。

(2) 於二零零二年七月，本公司與天安中國投資有限公司（「天安」）就作出對應擔保安排訂立總協議。據此，本集團向於中國大陸之天安附屬公司（「天安集團」）之若干借款提供若干擔保，而天安集團則向於中國大陸之本集團若干借款提供擔保。有關各方可按擔保本金總額收取年息1厘之擔保費。於二零零六年六月三十日，上海水泥為天安集團於中國之借款提供港幣29,126,000元（於二零零五年六月三十日：港幣75,377,000元）之擔保，而天安集團則為上海水泥於中國之借款提供港幣32,932,000元（於二零零五年六月三十日：港幣58,853,000元）之擔保。所收取及支付之擔保費收入詳情載於下表。於期內，本公司兩名董事亦為天安之董事。

15. RELATED PARTY TRANSACTIONS

(1) On 16th December, 1995, a leasing agreement was entered into between Shanghai Allied Cement Co., Ltd. ("Shanghai SAC"), a subsidiary of the Company and Shanghai Cement Factory ("SCF"), which held a 40% interest in Shanghai SAC. According to the leasing agreement, Shanghai SAC should pay to SCF an annual leasing fee which consisted of (1) a fixed asset leasing fee mainly based on the depreciation of the property, plant and equipment leased under the leasing agreement plus a mark-up of about 10%; and (2) a usage fee mainly based on the volume of raw materials off-load and the applicable unit rate for the relevant raw materials agreed by the parties when the leasing agreement was signed. During the period ended 30th June, 2006, Shanghai SAC paid a total leasing fee of HK\$2,659,000 to SCF (six months ended 30th June, 2005: HK\$1,835,000).

(2) In July 2002, the Company entered into a master agreement with Tian An China Investments Company Limited ("Tian An") for a reciprocal arrangement of guarantee. Accordingly, the Group provides guarantees to secure certain borrowings of subsidiaries of Tian An (the "Tian An Group") in Mainland China and Tian An Group provides guarantees to secure certain borrowings of the Group in Mainland China. A guarantee fee of 1% per annum on the principal amount of the guarantees is chargeable between the relevant parties. At 30th June, 2006, Shanghai SAC provided guarantees of HK\$29,126,000 (at 30th June, 2005: HK\$75,377,000) to secure borrowings of the Tian An Group in the PRC and the Tian An Group provided guarantees of HK\$32,932,000 (at 30th June, 2005: HK\$58,853,000) to secure borrowings of Shanghai SAC in the PRC. Details of the guarantee fee income and expense are set out in the table below. During the period, two directors of the Company were also directors of Tian An.



19

簡明財務報表附註 (續)

截至二零零六年六月三十日止六個月

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2006

15. 有關連人士交易 (續)

再者，本集團曾進行下列有關連人士交易：

15. RELATED PARTY TRANSACTIONS (continued)

In addition, the Group has entered into the following related party transactions:

		截至六月三十日止六個月 Six months ended 30th June,	
		二零零六年 2006 港幣千元 HK\$'000 (未審核) (unaudited)	二零零五年 2005 港幣千元 HK\$'000 (未審核) (unaudited)
(i)	同系附屬公司		
	利息支出	508	71
	管理費	325	315
	擔保費收入	213	373
	擔保費開支	177	206
	銷售瓷磚、花崗石 及雲石產品	1,648	1,319
(ii)	持有本公司		
	最終控股公司		
	重大實益權益之		
	一間公司之		
	附屬公司		
	辦公室清潔費用、		
	維修及保養	16	17
	辦公室租金開支及		
	管理費	260	217
	保險費用	90	96
	利息支出	228	-
	辦公室額外		
	空調費	12	11
(iii)	持有本公司最終		
	控股公司重大		
	實益權益		
	之公司		
	管理費	468	-
(iv)	前獨立非執行董事		
	為合夥人		
	之律師行		
	法律及專業費用	120	196
(v)	主要管理人員		
	之酬金		
	薪酬及其他	938	1,511
	短期福利		
	退休福利	44	44
(i)	Fellow subsidiaries		
	Interest charge	508	71
	Management fee	325	315
	Guarantee fee income	213	373
	Guarantee fee expense	177	206
	Sales of ceramic tiles, granite and marble products	1,648	1,319
(ii)	Subsidiaries of a company which has significant beneficial interests in the Company's ultimate holding company		
	Office cleaning charges and repairs and maintenance	16	17
	Rental expenses and office management fee for office	260	217
	Insurance expense	90	96
	Interest charge	228	-
	Additional air conditioning charges for office	12	11
(iii)	Company which has significant beneficial interests in the Company's ultimate holding company		
	Management fee	468	-
(iv)	A law firm in which a former independent non-executive director is a partner		
	Legal and professional fees	120	196
(v)	Key management compensation		
	Salaries and other short-term benefits	938	1,511
	Post-employment benefits	44	44

簡明財務報表附註 (續)

截至二零零六年六月三十日止六個月

15. 有關連人士交易 (續)

本集團若干主要管理人員從一間為新鴻基有限公司控股股東的公司或其全資附屬公司收取酬金。該公司向本集團提供收取費用的管理服務，該費用已披露在此附註(iii)部份上列之管理費中，此管理服務由該等主要管理人員及其他非集團主要管理人員所提供。

上述管理費用在二零零五年下半年內開始收取，計算管理費用以管理人員於集團事務上所使用的時間作為參考，及可以分配至該等主要管理人員。該等分配總額於二零零六年為港幣181,000元，已包括於以上主要管理人員報酬內。

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30th June, 2006

15. RELATED PARTY TRANSACTIONS (continued)

Certain key management personnel of the Group received remuneration from a company which is a controlling shareholder of Sun Hung Kai & Co., Limited, or its wholly-owned subsidiary. Such company provided management services to the Group and charged the Group a fee, which is included in management fee as disclosed above in part (iii) of this note, for services provided by those personnel as well as others who are not key management personnel of the Group.

The above-mentioned management fee commenced to be charged during the second half of 2005 and is calculated by reference to the time devoted by the management personnel on the affairs of the Group and can be apportioned to the above key management personnel. The total of such apportioned amounts, which have been included in the key management personnel compensation above for 2006, is HK\$181,000.



中期股息

董事會決議不宣派截至二零零六年六月三十日止六個月之中期股息（截至二零零五年六月三十日止六個月：無）。

管理層討論與分析

截至二零零六年六月三十日止六個月，本集團營業額為港幣180,453,000元，比去年同期增加27.6%，本公司之股東應佔虧損為港幣1,293,000元，去年同期為虧損港幣16,513,000元。虧損明顯減少的主要原因為本集團之毛利率得到改善。每股虧損為港仙0.18，而去年同期為每股虧損港仙2.26。

業務回顧

本集團主要業務為分銷及製造熟料、水泥及礦渣粉業務，並以中國大陸為主要市場。

水泥業務

期內營業額港幣171,069,000元，比去年同期增加26.2%。水泥及熟料銷量1,078,000噸，比去年同期增長54.7%。分類業績溢利港幣12,418,000元，去年同期為分類業績虧損港幣6,953,000元。

1. 上海聯合水泥有限公司 (「上海水泥」)

上海水泥生產熟料及水泥分別為320,000噸及418,000噸，比去年同期減少5.6%及增加0.2%，期內水泥銷量464,000噸，比去年同期增加5.2%。分類業績溢利港幣7,744,000元，去年同期為分類業績虧損港幣138,000元。期內煤耗下降4.44公斤／噸熟料。但期內進行一次大型修理，修理費用港幣4,143,000元，對上半年分類業績有一定影響。

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2006 (six months ended 30th June, 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th June, 2006, the Group's turnover amounted to HK\$180,453,000, representing an increase of 27.6% as compared to the corresponding period of the previous year. The loss attributable to the equity holders of the Company was HK\$1,293,000 as compared to the loss of HK\$16,513,000 for the corresponding period of the previous year. The significant reduction in loss is mainly due to the improvement in gross profit margin of the Group. Loss per share was HK0.18 cent, as compared to loss per share of HK2.26 cents for the corresponding period of the previous year.

BUSINESS REVIEW

The Group is principally engaged in the distribution and manufacturing of clinker, cement and slag powder with its major market in Mainland China.

Cement Business

Turnover for the period was HK\$171,069,000, representing an increase of 26.2% as compared to the corresponding period of the previous year. The sales volume of cement and clinker amounted to 1,078,000 tonnes, representing an increase of 54.7% as compared to the corresponding period of the previous year. The segment profit amounted to HK\$12,418,000, while the segment loss for the corresponding period of the previous year was HK\$6,953,000.

1. Shanghai Allied Cement Co., Ltd. (“Shanghai SAC”)

The clinker and cement produced by Shanghai SAC amounted to 320,000 tonnes and 418,000 tonnes respectively, representing a decrease of 5.6% and an increase of 0.2% as compared to the corresponding period of the previous year, and sales volume of cement during the period was 464,000 tonnes, representing an increase of 5.2% as compared to the corresponding period of the previous year. The segment profit amounted to HK\$7,744,000 as compared to the segment loss of HK\$138,000 for the corresponding period of the previous year. During the period, the consumption of coal decreased by 4.44 kg per tonne of clinker. However, an overhaul was performed during the period with expenses of HK\$4,143,000, and had effect on the segment results for the first half year.

管理層討論與分析 (續)

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」)

山東水泥期內改為水泥粉磨站，加工水泥。水泥生產為191,000噸，比去年同期增加14.4%，期內銷量194,000噸，比去年同期增加7.2%，分類業績溢利港幣801,000元，去年同期為分類業績虧損港幣5,637,000元。

3. 山東聯合王晁水泥有限公司 (「聯合王晁」)

聯合王晁日產2,500噸熟料廠期內熟料產量及銷售分別為424,000噸及420,000噸，分類業績溢利港幣3,873,000元，去年同期為分類業績虧損港幣1,178,000元。聯合王晁生產線技術含量高，煤耗低，且鄰近石灰石礦山及自備碼頭，具有較高競爭力。

礦渣粉業務

本集團礦渣粉業務期內產量及銷售同為52,000噸，銷售額為港幣7,800,000元，分類業績溢利港幣696,000元，去年同期為分類業績溢利港幣320,000元。

石材和瓷磚業務

期內營業額港幣1,584,000元，較去年同期減少1.7%，分類業績虧損港幣1,143,000元，去年同期為分類業績虧損港幣2,951,000元。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繼續減少。

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Cement Business (continued)

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

During the period, Shandong SAC was restructured as grinding station for cement processing. Production of cement amounted to 191,000 tonnes, an increase of 14.4% from the corresponding period of the preceding year. During the period, the sales volume was 194,000 tonnes, an increase of 7.2% from the corresponding period of the preceding year. The segment profit amounted to HK\$801,000 as compared to the segment loss of HK\$5,637,000 for the corresponding period of the previous year.

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

During the period, the output and sales volume of the plant of Allied Wangchao which produced 2,500 tonnes of clinker per day amounted to 424,000 tonnes and 420,000 tonnes respectively. The segment profit amounted to HK\$3,873,000, as compared to the segment loss of HK\$1,178,000 for the corresponding period of the previous year. The production line of the plant of Allied Wangchao is competitive as it is located near a limestone quarry and has its own pier and is technologically more advanced with less coal consumption.

Slag Powder Business

During the period, both the output and sales volumes of the Group's slag powder business were 52,000 tonnes, and the sales amount was HK\$7,800,000. The segment profit amounted to HK\$696,000, as compared to the segment profit of HK\$320,000 for the corresponding period of the previous year.

Stone and Ceramic Tile Business

During the period, the turnover was HK\$1,584,000, representing a decrease of 1.7% as compared to the corresponding period of the preceding year. The segment loss amounted to HK\$1,143,000 as compared to the segment loss of HK\$2,951,000 for the corresponding period of the previous year. The Group will focus on development of the cement and slag powder fine grinding businesses, while the scale-down of the stone and ceramic tile business will continue.



管理層討論與分析 (續)

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。本集團保持合理的資金流動性，現金儲蓄約港幣40,546,000元，其中包括約港幣16,662,000元已抵押短期銀行存款。本集團流動比率約1.01（於二零零五年十二月三十一日：1.02）。於二零零六年六月三十日，本集團淨資產港幣291,989,000元。負債項下借款共為港幣239,389,000元，其中包括來自一間同系附屬公司及一間關連公司借款合共港幣15,000,000元，借款中約37.2%為固定息率借款。資產負債率（淨銀行借款／淨資產）為63.0%（於二零零五年十二月三十一日：49.5%）。

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，而人民幣與港幣的匯率變動相對穩定，因此外匯波動之風險對本集團並無重大影響。

抵押資產

於二零零六年六月三十日，港幣15,878,000元之存款已抵押給銀行及財務機構以開具短期之應付票據予供應商。另外，於二零零六年六月三十日，本集團已將一間附屬公司－聯合王晁之95%權益作為港幣94,500,000元銀行借款之抵押品。

資本承擔

有關資本承擔詳情，請參閱第十八頁簡明財務報表附註第十三項。

或然負債

有關或然負債詳情，請參閱第十九頁簡明財務報表附註第十四項。

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's capital expenditure, daily operations and investments were funded by cash generated from internal operations and loans by principal bankers. The Group maintained reasonable liquidity and had cash reserves of approximately HK\$40,546,000, which included pledged short-term bank deposit of approximately HK\$16,662,000. The Group had a current ratio of approximately 1.01 (at 31st December, 2005: 1.02). At 30th June, 2006, the net assets of the Group amounted to HK\$291,989,000. The borrowings in liabilities amounted to HK\$239,389,000, of which borrowings from a fellow subsidiary and a related company amounted to HK\$15,000,000, and approximately 37.2% of borrowings were at fixed rates. The gearing ratio (net bank borrowings over net assets) was 63.0% (at 31st December, 2005: 49.5%).

Foreign Exchange Fluctuation

Since the Group's operations were mainly located in Mainland China, transactions carried out were primarily denominated in Renminbi. As the fluctuation in exchange rates of Renminbi against Hong Kong dollars was relatively stable, the foreign exchange exposure will have no significant impact to the Group.

Charges on Assets

As of 30th June, 2006, deposits of HK\$15,878,000 were pledged to banks and financial institution as collateral to secure short-term bills payable issued to suppliers. In addition, on 30th June, 2006, the Group pledged 95% equity interest of a subsidiary, Allied Wangchao, as collaterals for securing bank borrowings in the amount of HK\$94,500,000.

Capital Commitments

Details regarding the capital commitments are set out in note 13 to the condensed financial statements on page 18.

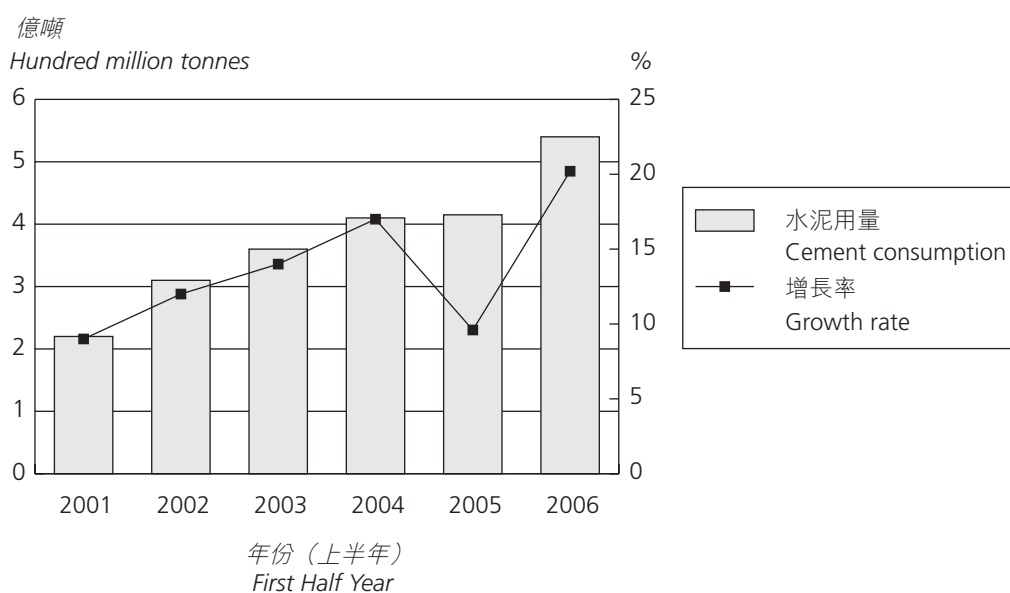
Contingent Liabilities

Details regarding the contingent liabilities are set out in note 14 to the condensed financial statements on page 19.

二零零六年上半年，全國水泥總產量5.4億噸，比去年同期增長20.9%，產量和增速為歷年同期最高，請看下圖：

As shown in the chart below, for the first half of 2006, the total cement production in the PRC amounted to 540 million tonnes, representing an increase of 20.9% over the corresponding period of last year. Cement production reached a record high in terms of output and growth rate.

二零零一年至二零零六年國內上半年水泥用量及增長率圖
Chart of cement consumption level and growth rate
in the PRC during the first halves from 2001 to 2006



(資料來源：中國建材報)

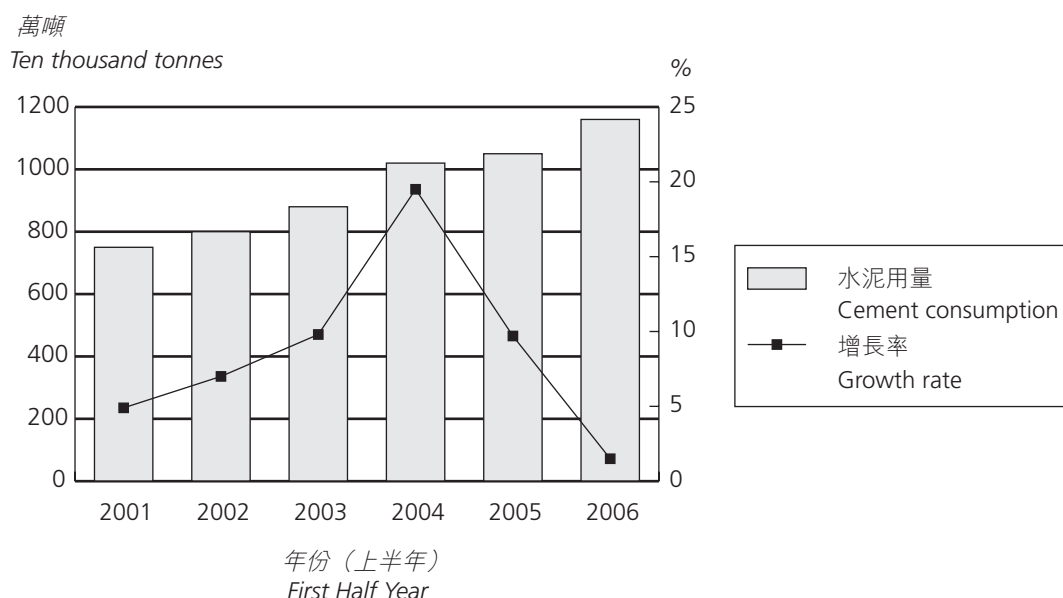
(Source of information: China Building Materials News)

由上圖可見，國內水泥用量仍然處於一個高速增長期，而上海的水泥用量走勢卻和全國有所不同。

As shown in the above chart, the domestic cement consumption is still in a rapid growing period. However, the cement consumption in Shanghai exhibits a trend different from that of the PRC.



二零零一年至二零零六年上海上半年水泥用量及增長率圖
Chart of cement consumption level and growth rate
in Shanghai during the first halves from 2001 to 2006



(資料來源：上海水泥協會)
(Source of information: Shanghai Cement Association)

由上圖可見，上海的水泥用量五年來穩定增長，由二零零一年上半年的750萬噸上升到二零零六年上半年的1,160萬噸。而其增長率卻從二零零四年上半年的19.4%下降到二零零六年上半年的1.4%。也進一步說明上海的宏觀調控是從二零零四年開始實施，現在已明顯見效。這一點從固定資產投資增速的對比中可見一斑。全國上半年固定資產投資增速為29.8%，而上海則只有9.5%，增速比全國平均少20.3個百分點。說明其宏觀調控已基本到位。目前全國新一輪宏觀調控對上海影響相對較小。

As shown in the above chart, for the past five years, cement consumption in Shanghai increased stably from 7.5 million tonnes in the first half of 2001 to 11.6 million tonnes in the first half of 2006. On the other hand, the growth rate went down from 19.4% in the first half of 2004 to 1.4% in the first half of 2006. This reflects the fact that the macro-economic control measures were introduced in 2004 and to date the effects are obvious. A comparison between the growth rates of investment in fixed assets can make this clear. During the first half of the current year, investment in fixed assets of the PRC increased by 29.8% while that of Shanghai increased by merely 9.5%, or 20.3 percentage point less than the average of the country, evidencing that the macro-economic control measures have effectively achieved its purpose. The new round of nation-wide macro-economic control measures is having a relatively mild impact to Shanghai.

管理層討論與分析 (續)

業務發展 (續)

水泥業務 (續)

本集團主要市場在蘇北及上海，水泥市場壓力仍然存在。但是由於江蘇省在保持經濟高速增長的同時，固定投資增長也大大低於全國平均水平。經濟相對健康。本集團在蘇北的水泥市場及水泥品牌地位已經確立。產品持續暢銷，蘇北多條高速公路建設，本集團都得以中標，南水北調工程的皂河船閘、台兒莊船閘也指定使用泰立牌水泥。

本集團作為一個專業水泥製造營銷商積極推動行業內的合作，減少惡性競爭，同時降低成本。山東水泥之PO42.5噸水泥製造成本比去年同期降低人民幣19元，節約人民幣200餘萬元。聯合王晁噸熟料製造成本比去年同期下降人民幣4.43元，節約人民幣187萬元。

本集團還加強精兵簡政工作，從而提高效率，降低成本。尤其是山東水泥及聯合王晁堅持「末位淘汰制」，使員工增加風險意識。

本集團注意到國家新的能源戰略，積極研究在上海水泥及聯合王晁建設利用窯尾和窯頭廢氣排放的餘熱發電，不斷增強成本優勢。

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS DEVELOPMENT (continued)

Cement Business (continued)

As the main markets of the Group are in northern Jiangsu and Shanghai, the Group still faces challenge in the cement business. Although there has been fast economic growth in Jiangsu Province, fixed investment growth has been much lower than the average national rate, maintaining a relatively healthy economic condition. The Group has established goodwill and gained wide recognition for its branded products in the cement market in northern Jiangsu. Its products continue to be well received by the market. The Group successfully won tenders in the construction for a number of expressways in northern Jiangsu. Also, the Group's "Titan" brand cement was designated to be used for the canal ship locks at River Zao and Taierzhuang in the South-To-North Water Transfer Project.

The Group, being a professional cement producer, has been active in promoting cooperation among the participants in the industry, eliminating vicious competition and reducing costs. The production cost of PO42.5 cement from Shandong SAC decreased by RMB19 per tonne over the corresponding period of last year, equivalent to a total cost savings of RMB2 million odd. The production cost of clinker produced by Allied Wangchao decreased by RMB4.43 over the corresponding period of last year, equivalent to a total cost savings of approximately RMB1,870,000.

The Group also initiated a streamlining program to boost efficiency and lower costs. In particular, the "Elimination of the Worst Performers System" implemented in Shandong SAC and Allied Wangchao raised the sense of risk among their workers.

The Group noted the new energy strategies adopted by the State. As a measure to lower costs further, the Group is studying the construction of power generating facilities using the residual heat released by waste gases in both ends of the kilns in the plants of Shanghai SAC and Allied Wangchao.



管理層討論與分析 (續)

業務發展 (續)

水泥業務 (續)

應該指出的是，全國水泥供過於求的現狀一時仍難予改變。據可靠報導，全國水泥產能約為每年13億噸，而需求量為每年11億噸。最近山東省要求關閉年產10萬噸以內的立窯水泥廠。浙江省於今年全部關閉立窯水泥廠。江蘇省也有相同政策出台。這樣對於抑制水泥行業的生產過剩有一定積極作用。另外煤電聯動之政策實施也使電價略有增加，使成本面臨壓力。本集團千方百計提高台時產量，減少高峰時段用電，從而最大限度地降低單位產品電價及電耗。

礦渣粉業務

北京礦渣粉需求仍然暢旺，本集團已委派強有力人士加強內部管理及營銷工作，下一步會加強和同行業合作與配合。

僱員及薪酬政策

於二零零六年六月三十日，本集團(包括其附屬公司但不包括其聯營公司)僱用676名(於二零零五年十二月三十一日：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。

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS DEVELOPMENT (continued)

Cement Business (continued)

It should be noted that the over-supply condition prevailing in the domestic cement industry cannot be changed in the near future. According to reliable sources, total cement production capacity of the PRC is 1,300 million tonnes per year while total demand is 1,100 million tonnes per year. Recently, it was required in Shandong Province to close cement plants using vertical kilns with production capacity of less than 100,000 tonnes per year. All cement plants using vertical kilns will be closed this year in Zhejiang Province and policies to the same effect have been introduced in Jiangsu Province. These policies can help to alleviate the over-supply situation of the cement industry. On the other hand, the implementation of the policy on coal-electricity price linkage also provoked slightly higher electricity prices which exerted higher strain on costs. As far as power consumption is concerned, the Group has been trying its best to raise its production output per hour for each production line and reduce electricity usage during peak hours, with a view to minimizing electricity cost and consumption per unit of product as much as possible.

Slag Powder Business

Slag powder demand in Beijing remained strong and the Group has assigned more experienced staff to strengthen internal management and sales operation. The next move will be to seek further cooperation and co-ordination with other operators in the industry.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2006, the Group including its subsidiaries but excluding its associates, employed 676 (at 31st December, 2005: 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.

管理層討論與分析 (續)

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。

展望

根據國家發改委等八個部委聯合下發「關於加快水泥工業結構調整的若干意見」之文件，到二零一零年水泥預期產量12.5億噸，其中新型幹法水泥比重由現有的40%提高到70%。累計淘汰落後產能2.5億噸；重點支持30至50家大型水泥企業集團。本集團將積極配合政府有關策略，爭取得到更多支持。特別是爭取各項稅收優惠政策，使集團之「不求最大，但求最精」的理念得以繼續實施。

本集團將提高52.5水泥的生產比重，研究特種水泥之工藝及配方，保持各項技術在行業之先進。

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

RISK MANAGEMENT

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

PROSPECTS

In accordance with the document titled "Opinion in relation to the Acceleration of Restructuring of the Cement Industry" jointly issued by eight ministries and commissions including the State Development and Reform Commission, the production volume of cement is expected to be 1,250 million tonnes in 2010, and the proportion of new dry processed cement will increase from the current 40% to 70%; an aggregate outdated production capacity of 250 million tonnes will be phased out; 30 to 50 selected large-scale cement conglomerates will be strongly supported. The Group will actively conform with the relevant policies of the government to seek more support, various taxation concession policies in particular, to continue the implementation of the philosophy of the Group of "Not to Seek the Biggest but the Best".

The Group will increase the proportion of the production of 52.5 cement and study the skill and formula for special cement to uphold its leading technological position in the industry.



董事權益

根據證券及期貨條例(「證券及期貨條例」)第352條保存之登記名冊所載或根據上市發行人董事進行證券交易的標準守則(「標準守則」)須通知本公司及香港聯合交易所有限公司(「聯交所」)之資料，董事於二零零六年六月三十日擁有本公司或其任何相聯法團(定義見證券及期貨條例XV部)之股份、債券或相關股份之權益及淡倉如下：

本公司

董事姓名 Name of Directors	權益性質 Nature of interests	根據購股權持有 之相關股份數目 Number of underlying shares held pursuant to share options	佔已發行股本 之百分比 Percentage to the issued share capital
黃清海 Ng Qing Hai	個人 Personal	4,000,000	0.54%
高成明 Ko Sing Ming	個人 Personal	1,500,000	0.21%
李志剛 Li Chi Kong	個人 Personal	600,000	0.08%

董事及主要行政人員於本公司購股權之權益詳情載於下文購股權一節中。

上述所有權益均為好倉。於二零零六年六月三十日，董事概無擁有載於董事及主要行政人員之權益及淡倉之登記名冊內之任何淡倉(定義見證券及期貨條例)。

DIRECTORS' INTERESTS

As at 30th June, 2006, the interests and short positions of the Directors in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) or which were required, pursuant to section 352 of the SFO to be entered in the register referred therein or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

The Company

董事姓名 Name of Directors	權益性質 Nature of interests	根據購股權持有 之相關股份數目 Number of underlying shares held pursuant to share options	佔已發行股本 之百分比 Percentage to the issued share capital
黃清海 Ng Qing Hai	個人 Personal	4,000,000	0.54%
高成明 Ko Sing Ming	個人 Personal	1,500,000	0.21%
李志剛 Li Chi Kong	個人 Personal	600,000	0.08%

The interests of the Directors and chief executive in the share options of the Company are detailed in the share options section below.

All the interests stated above represent long positions. As at 30th June, 2006, none of the Directors held any short positions as defined under SFO as recorded in the register of directors and chief executives' interests and short positions.

購股權

本公司購股權於截至二零零六年六月三十日止六個月內之變動披露如下：

SHARE OPTIONS

The following table discloses movements in the Company's share options during the six months ended 30th June, 2006:

		購股權數目						
		Number of share options						
購股權 授出日期 Date of grant of share options	行使期間 Exercisable period	每股行使價 Exercise price per share 港幣 HK\$	於二零零六年			於二零零六年		
			一月一日 尚未行使 Outstanding as at 1st January, 2006	期內授出 Granted during the period	期內失效 Lapsed during the period	六月三十日 尚未行使 Outstanding as at 30th June, 2006		
董事姓名 Name of Directors								
黃清海 Ng Qing Hai	二零零三年七月二十八日 28th July, 2003	二零零四年一月二十八日至 二零一三年七月二十七日 28th January, 2004 to 27th July, 2013	0.70	4,000,000	-	-	4,000,000	
高成明 Ko Sing Ming	二零零三年七月二十八日 28th July, 2003	二零零四年一月二十八日至 二零一三年七月二十七日 28th January, 2004 to 27th July, 2013	0.70	1,500,000	-	-	1,500,000	
李志剛 Li Chi Kong	二零零三年七月二十八日 28th July, 2003	二零零四年一月二十八日至 二零一三年七月二十七日 28th January, 2004 to 27th July, 2013	0.70	600,000	-	-	600,000	
僱員 Employees	二零零三年七月二十八日 28th July, 2003	二零零四年一月二十八日至 二零一三年七月二十七日 28th January, 2004 to 27th July, 2013	0.70	15,000,000	-	600,000	14,400,000	
合計 Total				<u>21,100,000</u>	<u>-</u>	<u>600,000</u>	<u>20,500,000</u>	

上述所有購股權均受六個月歸屬期規限。

All share options referred to above are subject to 6 months vesting period.

於回顧期內，概無根據本公司之購股權計劃授出、行使或註銷任何購股權。

No share options were granted, exercised or cancelled under the share option scheme of the Company during the period under review.



主要股東及其他人士權益

於二零零六年六月三十日，根據證券及期貨條例第336條本公司須予保存之登記名冊所載，下列人士擁有本公司股份之權益或淡倉：

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30th June, 2006, the following persons had interests or short positions in the shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

股東名稱	Name of Shareholders	持有之股份數目 Number of shares held	附註 Notes	佔已發行股本之百分比 Percentage to the issued share capital
天安中國酒店房地產投資有限公司 (「天安中國酒店」)	Tian An China Hotel and Property Investments Company Limited ("TACHP")	500,000,000	1, 8	68.54%
Oasis Star Limited (「OSL」)	Oasis Star Limited ("OSL")	43,485,640	2	5.96%
天安工業投資有限公司 (「天安工業」)	Tian An Industrial Investments Company Limited ("TAIICL")	43,485,640	2	5.96%
天安中國投資有限公司 (「天安」)	Tian An China Investments Company Limited ("Tian An")	543,485,640	3	74.51%
新鴻基有限公司(「新鴻基」)	Sun Hung Kai & Co. Limited ("SHK")	543,485,640	4	74.51%
聯合地產(香港)有限公司(「聯合地產」)	Allied Properties (H.K.) Limited ("APL")	543,485,640	5	74.51%
聯合集團有限公司(「聯合集團」)	Allied Group Limited ("AGL")	543,485,640	6	74.51%
Lee and Lee Trust (「LL Trust」)	Lee and Lee Trust ("LL Trust")	543,485,640	7	74.51%
Best Advantage Limited (「BAL」)	Best Advantage Limited ("BAL")	144,000,000	8	19.74%
吳小俊	Ng Siu Chun	144,000,000	8	19.74%
中國網絡資本有限公司(「中國網絡」)	COL Capital Limited ("COL")	72,858,680	9	9.99%
Vigor Online Offshore Limited(「VOOL」)	Vigor Online Offshore Limited ("VOOL")	72,858,680	10	9.99%
China Spirit Limited(「CSL」)	China Spirit Limited ("CSL")	72,858,680	11	9.99%
莊淑洵	Chong Sok Un	72,858,680	12	9.99%

附註：

Notes:

- 該數字指天安之全資附屬公司天安中國酒店所實益擁有之356,000,000股股份以及由吳小俊先生(「吳先生」)向BAL抵押而被視為擁有之144,000,000股股份權益之總和。
- 由OSL持有之股份乃以實益擁有人之身份持有。OSL為天安工業之全資附屬公司，而天安工業則是天安之全資附屬公司。天安工業因此被視為於OSL持有之同一批43,485,640股股份中擁有權益。
- 該數字指OSL所持有之43,485,640股股份、天安中國酒店所持有之356,000,000股股份，及由吳先生向BAL抵押而被視為擁有之144,000,000股股份之總和。
- 新鴻基擁有天安已發行股本約38.65%權益，因此被視為於天安持有之同一批543,485,640股股份中擁有權益。

主要股東及其他人士權益 (續)

5. 聯合地產透過 AP Jade Limited 及 AP Emerald Limited (聯合地產直接及間接全資擁有之附屬公司) 擁有新鴻基已發行股本約 61.42% 權益，因此被視為於新鴻基持有之同一批股份中擁有權益。
6. 聯合集團擁有聯合地產已發行股本約 74.93% 權益，因此被視為於聯合地產持有之同一批股份中擁有權益。
7. 全權信託 LL Trust 之信託人 (即李成輝先生、李淑慧女士及李成煌先生) 合共擁有聯合集團已發行股本約 40.72% 權益，因此被視為於聯合集團持有之同一批股份中擁有權益。
8. 於二零零一年十二月二十日，吳先生與天安中國酒店之全資附屬公司 BAL 訂立股份抵押協議，據此吳先生將 7,200,000,000 股 (自二零零二年十二月二十日起因股份 50 合 1 而調整為 144,000,000 股) 本公司股份抵押予 BAL，作為吳先生適當遵守及履行由 (其中包括) 吳先生與 BAL 所訂立買賣協議及補充協議之保證。
9. 該數字指 Classic Fortune Limited (「CFL」) 之全資附屬公司 Honest Opportunity Limited (「HOL」) 所實益擁有之 72,858,680 股股份，而 CFL 則是中國網絡之全資附屬公司。因此中國網絡被視為於 HOL 持有之同一批股份中擁有權益。
10. VOOL 擁有中國網絡已發行股本約 35.44% 權益，因此被視為於中國網絡持有之同一批股份中擁有權益。
11. CSL 擁有 VOOL 已發行股本約 67.70% 權益，因此被視為於 VOOL 持有之同一批股份中擁有權益。
12. 莊淑洵女士擁有 CSL 已發行股本之全部權益，因此被視為於 CSL 持有之同一批股份中擁有權益。

上文所列之全部權益皆屬好倉。於二零零六年六月三十日，本公司根據證券及期貨條例第 336 條所存置之登記冊內並無淡倉記錄。

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (continued)

5. Through AP Jade Limited and AP Emerald Limited, direct and indirect wholly-owned subsidiaries of APL respectively, APL owned approximately 61.42% interest in the issued share capital of SHK and was therefore deemed to have the same interest held by SHK.
6. AGL owned approximately 74.93% interest in the issued share capital of APL and was therefore deemed to have the same interest held by APL.
7. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of the LL Trust, being a discretionary trust. They together owned approximately 40.72% interest in the issued share capital of AGL and were therefore deemed to have the same interest held by AGL.
8. On 20th December, 2001, Mr. Ng entered into a share charge with BAL, a wholly-owned subsidiary of TACHP whereby Mr. Ng charged his 7,200,000,000 shares (adjusted to 144,000,000 shares for the share consolidation of 50 to 1 with effect from 20th December, 2002) in the Company to BAL to secure the due observance and performance by Mr. Ng of his obligations under a sale and purchase agreement and a supplemental agreement entered among, inter alia, Mr. Ng and BAL.
9. The figure referred to the aggregate holding of 72,858,680 shares beneficially held by Honest Opportunity Limited ("HOL"), a wholly-owned subsidiary of Classic Fortune Limited ("CFL") which in turn was a wholly-owned subsidiary of COL. COL was therefore deemed to have the same interest held by HOL.
10. VOOL owned approximately 35.44% interest in the issued share capital of COL and was therefore deemed to have the same interest held by COL.
11. CSL owned approximately 67.70% interest in the issued share capital of VOOL and was therefore deemed to have the same interest held by VOOL.
12. Ms. Chong Sok Un owned 100% interest in the issued share capital of CSL and was therefore deemed to have the same interest held by CSL.

All the interests disclosed above represent long positions. As at 30th June, 2006, no short positions were recorded in the register kept by the Company under section 336 of the SFO.



企業管治

企業管治常規守則

除下列摘要之部份偏離行為外，本公司於截至二零零六年六月三十日止六個月內，已應用及遵守上市規則附錄十四所載企業管治常規守則（「企業管治守則」）之原則及守則條文：

1. 守則條文A.2.1

守則條文A.2.1規定，主席與行政總裁的角色應有區分，並不應由一人同時兼任。

本公司現時並無在任主席。本公司之總裁兼行政總裁黃清海先生負責本集團之業務營運，以及實踐本集團之策略以求達致整體業務之目標，並兼任主席之部份職務，此構成偏離企業管治守則之守則條文A.2.1。

為遵守該守則條文，本公司正考慮於本集團內部或以外物色一位具備領導才能、知識、技能及資歷之合適人選擔任董事會主席一職。

2. 守則條文A.4.2

守則條文A.4.2規定所有填補臨時空缺而獲委任之董事應在委任後之首次股東大會上接受股東選舉，而每名董事（包括有指定任期之董事）應至少每三年輪值退任一次。

根據本公司於二零零六年五月十一日前仍然有效之細則，在本公司每一屆股東週年大會上，三分之一之當時在任之董事（或，倘其人數並非三之倍數，則最接近但不多於三分之一之數目）須輪值退任，惟本公司董事會主席及／或董事總經理不須按此規定輪值退任。此外，任何填補空缺而獲委任之董事或為董事會新增之成員僅可任職至下屆股東大會為止，屆時彼可膺選連任。

為遵守該守則條文，本公司已於二零零六年五月十一日舉行之本公司股東週年大會上向股東建議修訂其相關細則，而有關修訂亦已獲股東批准。

CORPORATE GOVERNANCE

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June, 2006, the Company has applied the principles of, and complied with, the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

1. Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual.

The Company does not at present have a Chairman. Mr. Ng Qing Hai, being the President and CEO of the Company, is responsible for running the business of the Group and implementation of the Group's strategy in achieving the overall commercial goals as well as part of the duties of Chairman which constitute a deviation from the code provision A.2.1 of the CG Code.

To comply with this code provision, the Company is considering the appointment of a Chairman of the Board if a candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group.

2. Code Provision A.4.2

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 and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company then in effect before 11th May, 2006, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) should retire from office by rotation, provided that the Chairman of the Board and/or the Managing Director of the Company should not be subject to retirement by rotation. Further, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting and would then be eligible for re-election.

To comply with this code provision, relevant amendments to the Bye-laws of the Company were proposed and approved by the shareholders at the annual general meeting of the Company held on 11th May, 2006.

企業管治 (續)

企業管治常規守則 (續)

3. 守則條文B.1.3及C.3.3

守則條文B.1.3及C.3.3規定薪酬委員會及審核委員會在權責範圍方面應最低限度包括相關守則條文所載之該等特定職責。

本公司已採納之薪酬委員會(「薪酬委員會」)之權責範圍乃遵照守則條文B.1.3之規定，惟薪酬委員會僅會就執行董事(不包括高級管理人員)(而非守則條文所述之董事及高級管理人員)之薪酬待遇作出檢討(而非守則條文所述之釐定)，並僅向董事會提出建議。

本公司已採納審核委員會(「審核委員會」)之權責範圍乃遵照守則條文C.3.3之規定，惟審核委員會(i)應就委聘外聘核數師提供非核數服務之政策作出建議(而非守則條文所述之執行)；(ii)僅具備監察(而非守則條文所述之確保)管理層已履行其職責建立有效之內部監控系統之有效能力；及(iii)可推動(而非守則條文所述之確保)內部和外聘核數師之工作得到協調，及檢閱(而非守則條文所述之確保)內部核數功能是否獲得足夠資源運作。

有關上述偏離行為之理由載於本公司截至二零零五年十二月三十一日止財政年度年報之「企業管治報告」一節內。董事會認為薪酬委員會及審核委員會應繼續根據本公司採納之權責範圍運作。董事會將最少每年檢討權責範圍一次，並在有需要時作出適當更改。

就有關企業管治守則之守則條文C.2.1而作出之內部監控年度檢討，將於本公司截至二零零六年十二月三十一日止財政年度之年報中所載之企業管治報告內匯報。

CORPORATE GOVERNANCE (continued)

CODE ON CORPORATE GOVERNANCE PRACTICES (continued)

3. Code Provisions B.1.3 and C.3.3

Code provisions B.1.3 and C.3.3 of the CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the remuneration committee (the "Remuneration Committee") adopted by the Company are in compliance with the code provision B.1.3 except that the Remuneration Committee should review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to Directors and senior management under the code provision).

The terms of reference of the audit committee (the "Audit Committee") adopted by the Company are in compliance with the code provision C.3.3 except that the Audit Committee (i) should recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has discharged its duty to have an effective internal control system; and (iii) can promote (as opposed to ensure under the code provision) the coordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

The reasons for the above deviations are set out in the section "Corporate Governance Report" contained in the Company's annual report for the financial year ended 31st December, 2005. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the terms of reference adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

The annual review of internal controls in respect of the code provision C.2.1 of the CG Code will be reported upon in the forthcoming corporate governance report to be contained in the Company's annual report for the financial year ending 31st December, 2006.



企業管治 (續)

董事進行證券交易之行為守則

本公司已採納上市規則附錄十所載之標準守則，作為其董事進行證券交易之行為準則。經本公司作出特定查詢後，所有董事確認彼等於回顧期內已完全遵守標準守則所定之標準。

審核委員會之審閱

審核委員會連同管理層已審閱本集團所採納之會計原則及慣例，並就內部監控及財務匯報事項進行商討，包括截至二零零六年六月三十日止六個月未經審核中期財務報告之一般審閱。審核委員會倚賴本集團外聘核數師按照香港會計師公會頒佈之標準核數準則第700號所作出之審閱結果及管理層所提交報告而進行上述審閱工作。審核委員會並無進行詳細之獨立核數審查。

購回、出售或贖回股份

本公司或其任何附屬公司概無於截至二零零六年六月三十日止六個月內購回、出售或贖回本公司之任何股份。

謹此謝謝各位股東、客戶、員工對本集團的大力支持和幫助。

承董事會命
行政總裁
黃清海

香港，二零零六年八月二十八日

CORPORATE GOVERNANCE (continued)

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2006. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Statement of Auditing Standards 700 issued by the HKICPA as well as obtaining reports from management. The Audit Committee has not undertaken detailed independent audit checks.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30th June, 2006.

I would like to express appreciation to our shareholders, customers and staff for their great support and assistance to the Group.

By Order of the Board
Ng Qing Hai
Chief Executive Officer

Hong Kong, 28th August, 2006



上海聯合水泥股份有限公司
Shanghai Allied Cement Limited