

上海聯合水泥有限公司 Shanghai Allied Cement Co., Ltd.



上海聯合水泥有限公司所生產的II型硅酸鹽水泥52.5和普通硅酸鹽水泥42.5榮獲ISO 9001: 2000版質量管理系統認證證書及ISO 14001: 2004版環境管理系統認證證書。

Shanghai Allied Cement Co., Ltd. has been awarded the Certification of ISO 9001: 2000 Quality Management System and ISO 14001: 2004 Environmental Management System on its manufacture of Portland Cement 52.5 Type II and Ordinary Portland Cement 42.5.

「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



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



上海地鐵九號線
Shanghai Metro Line No. 9



上海中環線
Shanghai Middle Ring Road



山東聯合王晁廠房之夕陽美景
Sunset view of the factory buildings of Allied Wangchao



山東聯合王晁中央控制室
Central Control Room of Allied Wangchao



山東聯合王晁京杭運河貨運碼頭
Beijing-Hangzhou Great Canal Cargo Terminal of Allied Wangchao



員工通訊「上聯之聲」
Staff News - "The Voice of SAC"



山東聯合王晁水泥有限公司及山東上聯水泥發展有限公司所生產的「泰立牌」水泥和熟料獲中國質量監督檢驗協會頒發中國馳名品牌榮譽證書
Shandong Allied Wangchao Cement Limited and Shandong Shanghai Allied Cement Co., Ltd. have been awarded the China Famous Brand 2006 Certificate of "Titan" brand cement and clinker by China Quality Supervision Inspection Committee (中國質量監督檢驗協會)

管理層討論與分析

Management Discussion and Analysis

按第15頁所載，本集團已於此回顧年末終止石材和瓷磚業務，因此，綜合財務報表之表述格式也作出相應改變。

截至二零零六年十二月三十一日止年度，本集團來自持續經營業務之營業額為港幣384,931,000元，比上年增加11%，來自持續經營業務之除稅前溢利為港幣17,744,000元，而上年除稅前虧損為港幣25,058,000元。本年度來自已終止經營業務之虧損為港幣3,343,000元（二零零五年：港幣7,099,000元），詳細資料已列載於綜合財務報表附註10。本公司股東應佔溢利為港幣387,000元，而上年本公司股東應佔虧損為港幣35,233,000元。每股基本盈利為0.05港仙，上年每股虧損為4.83港仙。經濟效益之提升主要得益於集團之四個利潤中心均實現盈利，以及集團推行精細化管理奏效，加上宏觀經濟環境之改善。

As noted on page 15, the Group has discontinued the stone and ceramic tile business by the end of the year under review. The presentation of the consolidated financial statements has been changed accordingly.

For the year ended 31st December, 2006, the Group's turnover from continuing operations amounted to HK\$384,931,000, representing an increase of 11% as compared to the previous year. The profit from continuing operations before taxation was HK\$17,744,000 as compared to the loss before taxation of HK\$25,058,000 for the previous year. Loss for the year from discontinued operation amounted to HK\$3,343,000 (2005: HK\$7,099,000), details of which are set out in note 10 to the consolidated financial statements. Profit attributable to equity holders of the Company was HK\$387,000, as compared to the loss attributable to equity holders of the Company of HK\$35,233,000 for the previous year. Basic earnings per share was 0.05 HK cent, as compared to basic loss per share of 4.83 HK cents for the previous year. Economic benefit improved mainly due to four profit centres of the Group all yielding profits, the success of the Group in promoting fine management and the improvement of macro-economic environment.

業務回顧

本集團主要持續經營業務為分銷及製造熟料、水泥及礦渣粉。

水泥業務

年度營業額港幣367,691,000元，比上年增長10%。水泥及熟料銷量218.6萬噸，比上年增長23%，分類溢利港幣32,790,000元（二零零五年：分類虧損港幣9,083,000元）。

二零零六年華東地區水泥市場趨於理性，各水泥企業在經過長達一年多的惡性競爭後各方均付出沉重代價，有意尋求對話，通過溝通共同構築和諧、有序的水泥市場。因此價格逐步回升。PO42.5水泥平均售價比上年增長超過5%。

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and distribution of clinker, cement and slag powder for its continuing operations.

Cement Business

Turnover for the year was HK\$367,691,000, representing an increase of 10% as compared to the previous year. The sales volume of cement and clinker amounted to 2,186,000 tonnes, representing an increase of 23% as compared to the previous year. The segment profit amounted to HK\$32,790,000 (2005: segment loss of HK\$9,083,000).

The cement market in eastern China became rational in 2006. After more than one year's cut-throat competition, all cement companies paid a heavy price for it and were willing to seek dialogue and to jointly build a harmonious and orderly cement market through communication. Cement price therefore gradually recovered, and the average selling price of the PO42.5 cement increased more than 5% as compared to the previous year.

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68.0萬噸及95.6萬噸，分別比上年減少2.8%及7.2%；分類溢利港幣24,616,000元，上年分類虧損為港幣1,480,000元。

上海市二零零六年水泥用量再創新高達2,620.3萬噸，比上年增加4.8%。固定資產投資人民幣3,925億元，比上年增长10.8%。由此可見，儘管宏觀調控的背景，但由於上海GDP增長達到12%，市政基礎設施建設達人民幣1,125億元，比上年增长27%，所以帶動水泥用量增加，給水泥企業帶來新的機會。上海水泥改變品種結構，提升PII52.5水泥比重，使自身優勢得以進一步發揮。

年度內還實行精兵簡政、提高效率、降低成本。積極參與上海及長三角地區規範水泥市場之工作，水泥行業避免惡性競爭。水泥價格比上年有明顯回升。

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 680,000 tonnes and 956,000 tonnes respectively, representing a decrease of 2.8% and 7.2% respectively as compared to the previous year, and its segment profit was HK\$24,616,000. Segment loss of last year was HK\$1,480,000.

The cement consumption in Shanghai reached a record high of 26,203,000 tonnes in 2006, representing an increase of 4.8% as compared to the previous year. The fixed assets investment amounted to RMB392.5 billion, representing an increase of 10.8% as compared to the previous year. It demonstrated that despite the background of macro-economic regulation measures, Shanghai's GDP growth was 12% and the civil infrastructure construction amounted to RMB112.5 billion, representing an increase of 27% as compared to the previous year, driving up the cement consumption and providing new opportunities for cement companies. Shanghai SAC adjusted its product mix, increased the proportion of the PII52.5 cement and further exploited its own strength.

During the year, Shanghai SAC also initiated a streamlining programme to boost efficiency and reduce costs. Shanghai SAC actively participated in the regulation of cement markets in Shanghai and Yangtze River Delta to avoid cut-throat competition amongst cement enterprises. Accordingly, cement price noticeably recovered as compared to the previous year.



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」)

山東水泥年度銷售水泥36.8萬噸，與上年基本持平，分類溢利為港幣3,709,000元，上年分類虧損則為港幣7,218,000元。山東水泥積極開拓本地及蘇北市場，使「泰立」牌水泥在市場上更具活力。山東水泥將生料磨改成水泥磨，使水泥生產基本不用高峰電，成本比上年下降人民幣3.6元／噸，山東水泥還在南水北調等多項重點工程中標，確立了自身的市場地位。

3. 山東聯合王晁水泥有限公司 (「聯合王晁」)

聯合王晁年度生產熟料88.7萬噸，比上年增加45.4%，分類溢利港幣4,465,000元，上年分類虧損則為港幣385,000元。聯合王晁利用自備礦山及獨立碼頭之優勢，在成本控制及產品銷售方面處於主動地位。年內產品持續暢銷，質量穩定，自身之競爭逐步顯現。本年度內聯合王晁還生產出低鹼熟料為產品進入京滬高速鐵路等重點工程鋪平道路。

BUSINESS REVIEW (Continued)

Cement Business (Continued)

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

The sales volume of cement of Shandong SAC during the year amounted to 368,000 tonnes, maintaining the same level as that in the previous year. The segment profit amounted to HK\$3,709,000, as compared to a segment loss of HK\$7,218,000 in the previous year. Shandong SAC actively explored the local and northern Jiangsu market to strengthen the competitiveness of its "Titan" brand cement in the market. Shandong SAC replaced raw material grinding with cement grinding, which basically saved the production of cement from using electricity at peak times so as to reduce the cost by RMB3.6 per tonne as compared to the previous year. Shandong SAC also successfully won a number of key tenders in the South-To-North Water Transfer Project and thus gained its market recognition.

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

The clinker output of Allied Wangchao during the year amounted to 887,000 tonnes, representing an increase of 45.4% as compared to the previous year. The segment profit amounted to HK\$4,465,000, as compared to a segment loss of HK\$385,000 in the previous year. Allied Wangchao utilised the strength of its own quarry and separate pier and occupied an advantageous position in cost control and product sales. During the year, the products of Allied Wangchao continuously sold well, with stable quality and its competitiveness gradually revealed. During this year, Allied Wangchao produced low-alkaline clinker, which paved the way for the entry of its products to the key construction projects such as the Beijing-Shanghai High Speed Railway.



業務回顧(續)

礦渣粉磨細業務

北京上聯首豐建材有限公司
(「北京上聯」)

年度銷售磨細礦渣粉12.8萬噸，營業額港幣17,240,000元，上年為港幣12,029,000元。分類溢利為港幣3,303,000元，比上年增加407%。年內北京上聯管理水準有所提高、產品暢銷、並得到政府部門給予的優惠政策，其競爭力有所提升。本集團進一步按上聯集團之企業文化及管理理念加強對該公司之管理。

石材和瓷磚業務

經檢討後，本集團於回顧年末已決定及終止石材和瓷磚業務，並將專注發展水泥和磨細礦渣粉業務。

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。本集團資產負債情況保持良好，流動性合理，現金儲備約港幣67,000,000元(於二零零五年十二月三十一日：港幣83,138,000元)，其中包括港幣24,808,000元(於二零零五年十二月三十一日：港幣44,054,000元)已抵押短期銀行存款。本集團流動比率約1.15(於二零零五年十二月三十一日：1.02)。於二零零六年十二月三十一日，本集團淨資產港幣300,647,000元(於二零零五年十二月三十一日：港幣290,640,000元)。

† 只作識別用途

BUSINESS REVIEW (Continued)

Slag Powder Fine Grinding Business

Beijing Shanglian Shoufeng Construction Materials Limited ("Beijing Shanglian")

The sales volume of fine grinded slag powder of Beijing Shanglian during the year amounted to 128,000 tonnes. The turnover for the year amounted to HK\$17,240,000, as compared to HK\$12,029,000 in the previous year. The segment profit amounted to HK\$3,303,000, representing an increase of 407% as compared to the previous year. During the year, Beijing Shanglian improved its management standard, sold its products well, enjoyed preferential policies from government and boosted its competitiveness. The Group further strengthened the management of this company to fit in with the corporate culture and management philosophy of the Group.

Stone and Ceramic Tile Business

The Group decided and has discontinued the stone and ceramic tile business by the end of the year under review and will focus on development of the cement and slag powder fine grinding businesses.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's capital expenditures 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\$67,000,000 (31st December, 2005: HK\$83,138,000), which included pledged short-term deposits of approximately HK\$24,808,000 (31st December, 2005: HK\$44,054,000). The Group had a current ratio of approximately 1.15 (31st December, 2005: 1.02). As of 31st December, 2006, the net assets of the Group amounted to HK\$300,647,000 (31st December, 2005: HK\$290,640,000).

† for identification purposes only



財務回顧(續)

流動資金、財政來源及資本架構 (續)

負債項下借款共為港幣231,227,000元(於二零零五年十二月三十一日:港幣239,933,000元),其中包括同系公司及一關連公司借款港幣9,000,000元(於二零零五年十二月三十一日:港幣13,000,000元),借款中約46.4%(於二零零五年十二月三十一日:45.2%)為固定息率借款。資產負債率(淨銀行借款/淨資產)為51.6%(於二零零五年十二月三十一日:49.5%)。資產負債率略高,主要由於在二零零四年十二月本集團首次獲得銀行貸款作為聯合王晁之建廠資金。此貸款未到期部份隨後在二零零六年十一月已重組為一筆須於三年內清還的港幣96,000,000元銀行貸款。本集團將會繼續密切控制貸款情況以將資本負債率維持在合理水平。

外匯波動

本集團的營運主要位於中國大陸,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借款餘額外,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

於二零零六年十二月三十一日港幣24,808,000元(二零零五年十二月三十一日:港幣44,054,000元)之銀行存款已抵押給銀行及財務機構,主要以開具短期之應付票據予供應商作為本集團銀行借款之擔保。另外,於二零零五年十二月三十一日,本集團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元之抵押品,於二零零六年度內,該抵押已獲免除。

FINANCIAL REVIEW (Continued)

Liquidity, Financial Resources and Capital Structure (Continued)

The borrowings in liabilities amounted to HK\$231,227,000 (31st December, 2005: HK\$239,933,000), of which borrowings from a fellow subsidiary and a related company amounted to HK\$9,000,000 (31st December, 2005: HK\$13,000,000), and approximately 46.4% (31st December, 2005: 45.2%) of borrowings were at fixed rates. The gearing ratio (net bank borrowings over net assets) was 51.6% (31st December, 2005: 49.5%). The relatively high gearing ratio was the result of a bank loan first obtained in December 2004 for funding the construction of Allied Wangchao plant. The unexpired portion of that bank loan was subsequently restructured in November 2006 to HK\$96,000,000 bank loan repayable within the following three years. The Group will closely monitor its borrowings to maintain the gearing ratio at a reasonable level.

Foreign Exchange Fluctuation

Since the Group's operations were mainly located in the People's Republic of China (the "PRC"), working capital including bank deposits 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 outstanding balance in respect of the bank loan mentioned in the above paragraph which is denominated in Hong Kong Dollar.

Charges on Assets

As of 31st December, 2006, bank deposits of HK\$24,808,000 (31st December, 2005: HK\$44,054,000) were pledged to banks and financial institutions as collateral mainly to secure short-term banking facilities in respect of bills payable to suppliers. In addition, as of 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. This pledged security was discharged during 2006.

財務回顧(續)

或然負債

於二零零六年十二月三十一日，本集團並沒有就同系附屬公司動用之信貸而給予銀行及財務機構擔保(二零零五年十二月三十一日：港幣57,692,000元)。

承擔

於二零零六年十二月三十一日，本集團並沒有已簽約但未在綜合財務報表作準備之購入物業、廠房及設備資本支出(於二零零五年十二月三十一日：港幣5,533,000元)。

業務發展

四年來，中國水泥的生產規模有較大增長，二零零三年中國內地水泥產量86,200萬噸，二零零六年產量為124,000萬噸，增長43.8%，本集團二零零三年水泥銷量約為130萬噸，二零零六年水泥及礦粉銷量為231萬噸，增長77%，比全國水泥多增長33個百分點。幾年來本集團咬緊牙關，克服困難，義無反顧的擴大規模，實現本集團的中期戰略。二零零七年本集團已做好準備，將山東水泥的窖重新開起來，進一步挖掘內部潛力，使集團效益最大化。

在管理方面，集團正致力於第二次創業，充分認識市場不明朗、競爭加劇以及更苛刻的顧客需求，加上宏觀調控等不利的外部環境，對本集團的負面影響，不斷更新自身之觀念，提高危機意識和風險意識，保持集團之特色，使集團更具活力，以應對各種不利因素之影響。同時充分利用國家發改委、國土資源部及中國人民銀行對本集團的支持，在國家循環經濟的戰略實施過程中，扮演更加重要的角色。

FINANCIAL REVIEW (Continued)

Contingent Liabilities

As of 31st December, 2006, no guarantee was given to banks and financial institutions by the Group in respect of facilities utilised by fellow subsidiaries (31st December, 2005: HK\$57,692,000).

Commitments

As of 31st December, 2006, the Group had no capital expenditure contracted but not provided for in the consolidated financial statements in respect of the property, plant and equipment (31st December, 2005: HK\$5,533,000).

BUSINESS DEVELOPMENT

In the past four years, there has been a large increase in cement production in the PRC. Domestically, the output of cement in Mainland China increased from 862 million tonnes in 2003 to 1.24 billion tonnes in 2006, which marked a growth rate of 43.8%. Concurrently, the Group's sales volume of cement was 1.3 million tonnes in 2003 while its sales volume of cement and slag powder amounted to 2.31 million tonnes in 2006, representing an increase of 77%, which was 33 percentage points over the national average growth rate. In the last few years, the Group endeavoured to overcome various difficulties and focused on capacity expansion to achieve its medium-term strategic goals. In 2007, the Group is ready to put the kiln in the plant of Shandong SAC back to operation, so as to further develop its internal potential and yield maximum return.

In management aspect, the Group devotes to reinaugurate its business, and is fully aware of the negative impacts on the Group arising from market uncertainties, severe competition and high demands from customers as well as adverse external environments including macro-economic adjustment. The Group is also fully conscious to innovate its ideas constantly, to enhance its awareness of crisis and risk and to preserve the Group's characteristic, to bring more vitality to the Group and to tackle all adverse impacts derived from various factors. At the same time, the Group will take full advantage of the support given by the State Development and Reform Commission, the Ministry of Land and Resources and the People's Bank of China, and play a more important role in the implementation of recycling economy strategy advocated by the government.



業務發展(續)

二零零七年，上海、蘇北、魯南水泥市場預計將保持適度增長，特別是京滬高速鐵路、南水北調工程、世博會場館等特大型重點工程之建設，為本集團提供了機遇。本集團對市場持謹慎樂觀之態度。另一方面，由於華東地區競爭對手林立，大水泥集團雲集，本集團只有按照自己「不求最大，但求最精」的策略，繼續保持多項經濟技術指標在行業的領先水平，才能求得自身的生存發展空間。

BUSINESS DEVELOPMENT (Continued)

It is anticipated that cement markets in Shanghai, northern Jiangsu and southern Shandong will keep moderate growth in 2007. Particularly, the extra large key construction projects, such as Beijing-Shanghai High Speed Railway, the South-To-North Water Transfer Project and the construction of the World Expo halls, will provide business opportunities to the Group. The Group holds a cautiously optimistic attitude towards the market. On the other hand, despite the fact that eastern China is where quite a number of competitors regard as important and where large-scale cement groups converge, the Group believes that only if it could follow the strategy of "striving for the best rather than the biggest" and keep maintaining its economic and technological standards in a leading position in the industry, the Group would survive the tough competition and make further development.

僱員及薪酬政策

於二零零六年十二月三十一日，本集團(包括其附屬公司但不包括其聯營公司)僱用668名(二零零五年：719名)員工。本集團之薪酬政策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。

EMPLOYEES AND REMUNERATION POLICIES

As of 31st December, 2006, the Group including its subsidiaries but excluding its associates, employed 668 (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.

風險管理

年度內，本集團在各利潤中心建立有關風險控制系統之政策和步驟，及聘用德勤華永會計師事務所有限公司進行內部審計評估。以上皆旨在改良內部監控，從而盡量規避市場、壞賬風險等，保證客戶質素。

RISK MANAGEMENT

During the year, the Group established the relevant risk and credit control policies and procedures for the profit centres and also engaged Deloitte Touche Tohmatsu CPA Ltd. to undertake an internal control assessment. All these aimed to improve overall control system, and mitigate credit risks by ensuring quality control of customers.

承董事會命
行政總裁
黃清海

By Order of the Board
Ng Qing Hai
Chief Executive Officer

香港，二零零七年三月二十二日

Hong Kong, 22nd March, 2007