

## Management Discussion and Analysis 管理層討論及分析



### OPERATIONS REVIEW

#### Overall results

For the year ended 31 December 2006, the Group reported an audited consolidated revenue of HK\$980.4 million, representing an approximately 135% growth over that of the previous year. The turnover upsurge was mainly attributable to improved utilization of the Group's slag powder plant in Liuzhou and the cement grinding plant in Fuzhou, and the commercial operation of its Yingde plant in the second half of the year. However, as a result of significant initial start up costs and higher unit costs during the first few months of the Yingde plant's operation, the Group reported losses attributable to shareholders of HK\$18.3 million for the year. Without the effect of the Yingde plant and the impairment loss of property, plant and equipment, the Group would have reported a decent profit attributable to shareholders of HK\$45.9 million.

#### Hong Kong

During the year, the cement and concrete market in Hong Kong had been slow, with the supply and demand situation basically remained the same as 2005. There were a limited number of major public sector projects, despite a growth in private sector consumption. The Group's cement operations in Hong Kong reported a 10.3% increase in sales volume during the year, with gross margin reflected a modest increase.

### 業務回顧

#### 整體業績

於截至二零零六年十二月三十一日止年度，本集團錄得經審核綜合收益為980,400,000港元，較去年增加約135%。營業額急升，主要由於本集團於柳州之礦渣粉廠及福州之水泥研磨廠之使用率提升，以及英德廠於本年度下半年投入商業運作。然而，由於英德廠於運作首數月產生龐大開業成本及較高之單位成本，本集團於年內錄得18,300,000港元之股東應佔虧損。倘不計及英德廠與物業、廠房及設備之減值虧損之影響，本集團錄得45,900,000港元之股東應佔溢利。

#### 香港

於年內，香港之水泥及混凝土業務增長緩慢，供求情況基本上與二零零五年相同。儘管私人項目有所增長，惟大型公共項目數目有限。本集團於香港之水泥業務於年內錄得10.3%之銷量增長，而邊際利潤則出現溫和增長。

## Management Discussion and Analysis

### 管理層討論及分析



#### Mainland China

During the year, Anhui King Bridge Cement Co., Ltd. (“AKB”), the Group’s 60%-owned slag powder grinding plant in Anhui, reported a slight decline in profit. Despite a 14.8% growth in sales volume over that of previous year and modest increase in selling price, AKB suffered an adjustment in profit due to shrunk gross margin resulting from surging raw material costs. During the year, the Group continued to increase its sales of slag powder in Anhui Province, in addition to its effort of strengthening the product’s export.

The Group’s 60%-owned slag powder joint venture with Guangxi Liuzhou Steel (Group) Corporation (“Liuzhou Steel”), achieved remarkable results during its first full year of operation, with a sales volume of approximately 620,000 metric tonnes and significant increase in profit after tax. The Liuzhou venture enjoyed a favorable gross margin, due to lower slag costs and more favorable selling price.

At the Group’s cement grinding plant in Fuzhou, Fujian Province, the two grinding lines, with a total annual production capacity of 1.5 million metric tones, became operational for the whole year in 2006. The Fuzhou plant achieved a sales volume of approximately 1.13 million metric tonnes during the year, which was 118% higher than that of the pervious year. The plant began its profit contribution during the year, compared to a loss in 2005.

#### 中國大陸

於年內，本集團擁有60%權益之附屬公司安徽朱家橋水泥有限公司（「朱家橋」）於安徽經營之礦渣粉研磨廠之溢利錄得輕微跌幅。儘管銷量較過去年度增長14.8%及售價溫和上升，朱家橋之溢利因原材料成本上升令毛利率下降而出現調整。於年內，本集團除了鞏固產品之出口外亦繼續增加於安徽省之礦渣粉銷售。

本集團擁有60%權益及與廣西柳州鋼鐵（集團）公司（「柳州鋼鐵」）組成之礦渣粉合資企業於首個完整營運年度取得驕人業績，銷量為約620,000公噸，而除稅後溢利則大幅上升。由於礦渣成本較低及售價較為理想，柳州企業之毛利率較佳。

本集團位於福建省福州之水泥研磨廠之兩條研磨生產線於二零零六年全年投入營運，其總年度產能為1,500,000公噸。福州廠於年內取得約1,130,000公噸之銷量，較去年超出118%。該廠房於年內開始帶來溢利貢獻，而於二零零五年則錄得虧損。

## Management Discussion and Analysis 管理層討論及分析

As a result of higher unit cost due to under-utilization in the initial start-up stage and significant depreciation charges of HK\$47.4 million and financial costs of HK\$18.3 million, the Yingde venture incurred a loss and which constituted a major impact to the Group's overall performance for the year.

The Group's Yingde plant commenced commercial production in July 2006 and reported a sales volume of 2.44 million metric tonnes for the year. As the facilities began to run in and production process being further finetuned in the second half of the year, the Yingde plant began to generate operating profit in the fourth quarter of 2006. The plant will be able to reach its optimum utilization in 2007.

### The Philippines

The Group's cement distribution and handling services facilities in Manila, the Philippines, continued to produce a steady stream of cash inflow and profits to the Group during year.

### Other significant investments held

The Group has partially disposed some held-for-trading investments and recorded a gain of HK\$1.9 million during the year. A net increase in fair value of HK\$12.6 million was recognized for remaining held-for-trading investments upon stating them at market prices as at 31 December 2006.

由於單位成本因初始階段時未達致最高使用率以及折舊支出及融資成本分別高達47,400,000港元及18,300,000港元而被推高，英德企業產生虧損，對本集團年內之整體表現造成重大影響。

本集團之英德廠於二零零六年七月開始其商業生產，並於年內錄得2,440,000公噸之銷量。於本年度下半年，由於設施開始投產及生產程序更為精良，英德廠於二零零六年第四季開始產生經營溢利。該廠之使用率將於二零零七年達致較佳水平。

### 菲律賓

於年內，本集團於菲律賓馬尼拉之水泥分銷及處理服務設施繼續為本集團帶來穩定現金流入來源及溢利。

### 其他所持重大投資

於年內，本集團出售部份持作交易用途之投資及錄得1,900,000港元之收益。於二零零六年十二月三十一日，本集團以市場價格呈列餘下持作交易用途之投資時確認12,600,000港元之公平值淨額增加。





## Management Discussion and Analysis 管理層討論及分析



### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts prudent treasury policies in managing cash resources and bank borrowings.

Total unrestricted cash and bank balances of the Group as at 31 December 2006 amounted to HK\$258.8 million, of which 9.7%, 12.8% and 71.1% were denominated in HK\$, US\$ and RMB respectively. Highly liquid short term investments, classified as held-for-trading investments, with a market value of HK\$540.2 million as at 31 December 2006, were also held by the Group.

The maturity profile of the Group's bank borrowings as at 31 December 2006 are as follows:

### 流動資金、財務資源及資本架構

本集團採用審慎之庫務政策，管理現金資源及銀行借貸。

於二零零六年十二月三十一日，本集團無限制現金及銀行結餘總額為258,800,000港元，其中9.7%、12.8%及71.1%分別以港元、美元及人民幣為貨幣單位。於二零零六年十二月三十一日，本集團同時持有高流通之短期投資，市場價值為540,200,000港元及分類為持作交易用途之投資。

於二零零六年十二月三十一日，本集團銀行借貸之到期詳情如下：

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
<b>Amount repayable:</b>	<b>須於以下期間償還之金額：</b>		
Within one year	一年之內	<b>638,065</b>	574,964
Within two to five years	兩至五年之內	<b>380,545</b>	606,593
Beyond five years	五年之後	<b>560,881</b>	52,486
<b>Total bank loans</b>	<b>銀行貸款總額</b>	<b>1,579,491</b>	1,234,043

## Management Discussion and Analysis 管理層討論及分析

Out of the bank loans as at 31 December 2006, HK\$992.1 million was denominated in HK\$, HK\$55.9 million in US\$ and HK\$531.5 million in RMB. All of the bank loans are of floating rate structures.

The Group's financial position remained healthy, with net current assets of HK\$205.6 million as at 31 December 2006 and gearing ratio, calculated based on total bank borrowings and total assets as at 31 December 2006, of 49.7%.

### CHARGE ON ASSETS

As at 31 December 2006, deposits amounting to HK\$27.5 million have been pledged by the Group as a margin of issuance of letter of credit for the purchase of plant and equipments.

### FOREIGN CURRENCY EXPOSURES

The Group utilised various methods to mitigate foreign currency exposures arising from the currency mismatch of construction material purchases and sales. To protect the benefits of shareholders, cost-efficient hedging methods will be considered in future foreign currency transactions.

No foreign exchange contracts were outstanding as at 31 December 2006.

### EMPLOYEES

As at 31 December 2006, the Group had 554 full-time employees. Total wages and salaries of the Group for the year then ended amounted to HK\$88.4 million. Discretionary bonuses, recommended by management and reviewed by the remuneration committee, are payable to employees in Hong Kong and senior management of overseas subsidiaries based on performance. In addition, the Company's directors may invite employees, including executive directors (in which case approval of independent non-executive directors is required), of the Company or any of its subsidiaries and associates to take up options to subscribe for shares of the Company. During the year, options were granted to directors and certain employees on 31 March 2006.

於二零零六年十二月三十一日之銀行貸款，其中992,100,000港元以港元為貨幣單位，55,900,000港元以美元為貨幣單位，531,500,000港元以人民幣為貨幣單位。所有銀行貸款均為浮動利率模式。

本集團財務狀況維持穩健，於二零零六年十二月三十一日流動資產淨值為205,600,000港元，而於二零零六年十二月三十一日，根據銀行借貸總額及資產總值計算之資產與負債比率為49.7%。

### 質押資產

於二零零六年十二月三十一日，27,500,000港元之存款已由本集團質押作為購置機器及設備信用證之保證金。

### 外幣風險

本集團運用不同方法以避免因買賣建材之不同貨幣所產生之外幣風險。為保障股東利益，日後外幣交易將考慮具有成本效益之對沖方法。

於二零零六年十二月三十一日，並無任何未完成之外匯兌換合約。

### 僱員

於二零零六年十二月三十一日，本集團共有554名全職僱員。本集團於截止該年度止之工資及薪金總額達88,400,000港元。管理層可按香港僱員及海外附屬公司之高級管理層之表現建議向彼等發放酌情花紅，並由薪酬委員會進行審閱。此外，本公司董事可邀請本公司或其任何附屬公司及聯營公司之僱員，包括執行董事（在此情況下須由獨立非執行董事批准），收取可認購本公司股份之購股權。年內，於二零零六年三月三十一日向董事及若干僱員授出購股權。