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PROSPECTS AND FUTURE INVESTMENT PLANS

With the State's determination to enhance overall efficiency and cost-effectiveness of the cement industry and its growing emphasis on environmental protection, there is expected to be intensified measures to eliminate inefficient small scale cement operations. According to a notice issued by the State's National Development and Reform Commission, China will have to replace 250 million metric tonnes of cement capacity from small plants by 2010. In Fuzhou and Guangdong, where the Group has operations, 10 million metric tonnes and 30 million metric tonnes of capacity will be phased out respectively between 2007 and 2010.

Given the Group's established presence and growing significance in the South China market, it is well-poised to fill in the market vacuum left behind by the elimination of small inefficient vertical kiln.

Cement price began to improve in the fourth quarter of 2006, with the arrival of the industry's peak season. Cement prices reflected an improvement in the first quarter of 2007 when comparing with that of the corresponding period last year. With stabilized cement price and optimum utilization of its additional capacity for the full year, we believed the Group's operation efficiency will be further improved in the year 2007.

Demand for slag powder is expected to remain strong in the highly-urbanized coastal cities and their peripheral areas. To meet the growing requirement from major infrastructure facilities and high-rise buildings, the Group will further intensify Anhui King Bridge Cement Co. Ltd.'s ("AKB") penetration of the economically affluent cities in the Anhui Province. Capitalizing on its existing customer base and sales channel, AKB will continue to broaden its export sales.

展望及未來投資計劃

鑒於中國決意提升水泥行業之整體效率及成本效益，加上國家日益重視環境保護，預期當局將會採取更加嚴謹之措施以清除低效率及規模細小之水泥廠。根據國家發展及改革委員會發出之通知，中國將須於二零一零年前取代小型廠合共250,000,000公噸之水泥產能。本集團於福州及廣東經營業務，於二零零七年至二零一零年間，福州及廣東將分別有10,000,000公噸及30,000,000公噸產能被逐步取替。

鑒於本集團於華南市場經已穩佔據點，加上集團於該等市場之地位日顯重要，本集團經已準備就緒，定可填補因消除小型低效率立窯而導致市場出現真空狀態之佔有率。

隨著行內踏入旺季，水泥價格於二零零六年第四季逐步上升。於二零零七年第一季，水泥價格較去年同期有所增長。本集團相信，由於水泥價格穩定，加上集團於整個年度能夠充分發揮額外增加之產能，相信本集團將可於二零零七年進一步提高營運效率。

由於沿海城市及相關周邊地區迅速都市化發展，預期該等地區對礦渣粉之需求仍然強勁。為了滿足興建大型基建設施及高樓大廈所需礦渣粉之持續增長，本集團將進一步增加安徽朱家橋水泥有限公司（「安徽朱家橋」）於安徽省內經濟較為富裕之城市之礦渣粉銷量。憑藉現有之客戶基礎及銷售渠道，安徽朱家橋將繼續擴大其出口銷售量。

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With less competition and lower raw material costs, the Liuzhou joint venture is expected to continue to generate favorable contribution to the Group. In order to satisfy substantial demand for slag powder in Guangdong and Guangxi Provinces, the Group is expediting the development of an additional production line with an annual capacity of 700,000 metric tonnes in Liuzhou. Construction of the new production line will be completed in the fourth quarter of 2007.

The Group aims to bring the Fuzhou cement grinding plant to its full capacity in 2007, compared to a close to 80% utilization in 2006. The construction of a new production line with an annual capacity of 750,000 metric tonnes is underway and is expected to be completed in the third quarter of 2007. Upon completion, the Fuzhou plant's total annual capacity will be increased by 50% and reach 2.25 million metric tonnes. The upsurge in capacity will place our Fuzhou plant among the largest cement suppliers in the Fujian Province, and enabling it to extend its sales to other buoyant cities of the Province such as Putian, Quanzhou and Xiamen.

Our Yingde plant, which is the Group most significant and ambitious development project in Mainland China, commenced commercial operation in the second half of 2006. It will be operating at its design capacity for the first full year in 2007. With increased output and higher efficiency brought along by optimum utilizations, we expect to further reduce the unit cost of the plant's output, and will thus further enhance its cost-effectiveness and efficiency. We expect the Yingde plant to become a major profit centre in the near future. The Group has commenced the Yingde plant's second phase expansion in 2006, allowing it to further enlarge its market share in the Southern China market. A new production line with an annual capacity of 2.25 million metric tonnes will be completed by the end of 2007. A second new production line with an additional 2.25 million metric tonnes capacity is scheduled to become operational in the first half of 2008. By then our Yingde plant will become one of the largest cement production bases in Guangdong.

由於競爭較少，加上原材料成本較低，預期柳州合營企業將可繼續為本集團帶來理想之貢獻。廣東及廣西省對礦渣粉之需求甚殷，為了滿足需求，本集團正加快步伐於柳州額外興建一條年產能達700,000公噸之生產線。新生產線之興建工程預期將於二零零七年第四季竣工。

本集團銳意於二零零七年全面利用福州水泥研磨廠之產能，相比二零零六年之使用率接近80%。本集團目前正興建一條年產能達750,000公噸之新生產線，有關工程預期將於二零零七年第三季竣工。於完成後，福州廠之總年產能將可增加50%，達到2,250,000公噸。隨著福州廠產能顯著增加，福州廠勢將成為福建省內規模最大之水泥供應商之一，並且將擴大銷售網絡至福建省內之其他富庶城市，例如莆田、泉州及廈門。

本集團對於英德廠之發展具有一定雄心，此乃集團於中國大陸一個最重要之發展項目。該項目已於二零零六年下半年開始投入商業營運。英德廠將於二零零七年整個年度首次以其設計產能營運。隨著英德廠之水泥產出量有所增加，營運效率得以提高以及達到最佳使用率，本集團預期該廠之水泥產出量之單位成本將可進一步下降，因而進一步提高本身之成本效益及營運效率。本集團預期，英德廠於可見未來將會成為集團之主要溢利來源。英德廠第二期擴建工程已於二零零六年展開，此舉將有助英德廠進一步擴大其於華南市場之佔有率。新建第一條年產能達2,250,000公噸之生產線，將於二零零七年底完工。預計第二條年產能達2,250,000公噸之新生產線，將於二零零八年上半年投入營運。屆時，本集團之英德廠將會成為廣東區內規模最大之水泥生產基地之一。

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The Group's massive investment in capacity expansion during the past three years is expected to pay off in the current and coming years. With close to optimum utilization of its additional capacities of slag powder, clinker and cement, and a broadened customer base, the Group will be able to further strengthen its profitability benefiting from its economies of scale. To accelerate its growth momentum, the Group is moving full steam ahead to further enlarge its capacity and market coverage. These efforts will lay the platform for the Group's sustainable development. By the first half of 2008, the Group will have a comprehensive annual capacity of slag powder, clinker and cement of 13 million metric tonnes, cementing its leading position in the rapidly expanding Southern China market.

於過去三年，本集團已作出巨額投資以提升產能，預期有關投資將於本年度及未來數年帶來回報。本集團就生產礦渣粉、熟料及水泥而額外增加之設施如能達到較佳營運效率，加上成功擴大客戶基礎，本集團將可受惠於規模經濟效益，繼而進一步提高本身之盈利能力。為了加強增長之動力來源，本集團正全力進一步提升產能，同時積極擴大市場版圖，該等行動將可為本集團建立持續發展之平台。截至二零零八年上半年，本集團將擁有礦渣粉、熟料及水泥綜合年產能13,000,000公噸，相信可進一步鞏固集團於迅速增長之華南市場中之領導地位。