

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

FINANCIAL REVIEW

2005 marked the first full year since Creator Holdings Limited has assumed its majority interest in Hong Kong Construction (Holdings) Limited (the "Company") and its subsidiaries (the "Group"), having acquired the Company's shares in April 2004. The Board is duly pleased with the remarkable turnaround that the Group has achieved in just less than two years' time.

For the year ended 31st December 2005, the Group's turnover decreased to HK\$248.3 million (2004: HK\$1,006.9 million) and gross profit climbed appreciably by 56.5% to HK\$86.4 million. This was due to the completion of several substantial contracts during the first half of the year, but most importantly from the full-year contributions from Karbony Investment Limited ("Karbony") which is engaged in property leasing of the shopping mall and some of the offices and serviced apartments in Shun Hing Square, Shenzhen. During 2004,

財務回顧

創達集團有限公司於二零零四年四月收購香港建設（控股）有限公司（「本公司」，連同其附屬公司合稱「本集團」）的股份，二零零五年是其取得本公司大部份股權後的首個完整年度。董事會相當滿意本集團在不足兩年間轉虧為盈的卓越表現。

截至二零零五年十二月三十一日止年度，本集團營業額下降至248,300,000港元（二零零四年：1,006,900,000港元），而毛利則上升56.5%至86,400,000港元。這是由於上半年完成數項重大合約所致，但最重要原因在於Karbony Investment Limited（「Karbony」）帶來全年的業績貢獻。Karbony從事深圳信興廣場的商場及若干辦公室及服務式公寓之物業租賃。於二零零四年，



Karborny was an associated company of the Group but it is now a wholly-owned subsidiary. Also contributing to the Group's gross profit figure was the successful implementation of cost control measures and increased operational efficiency under the guidance of the new management.

During the year under review, the Group's profit attributable to equity holders of the Company also climbed by 44.7% to reach HK\$367.8 million (2004: HK\$254.1 million), taking into account the waiver of minority shareholder loans of HK\$206.7 million, plus contributions from property disposal and restructuring of the Group's assets during 2005. Basic earnings per share was reported at HK15.8 cents (2004: HK13.0 cents after adjusting for bonus issue).

Karborny為本集團的聯營公司，現時則為本集團全資附屬公司。再者，本集團成功執行成本控制措施，加上在新管理層領導下提升經營效率，亦為本集團的毛利上升的原因。

於回顧年度，本公司股東權益持有人應佔本集團溢利亦上升44.7%至367,800,000港元（二零零四年：254,100,000港元）。上述純利已計及少數股東貸款206,700,000港元的豁免，以及二零零五年出售物業及重組本集團資產所帶來的貢獻。每股基本盈利為15.8港仙（二零零四年：就發行紅股調整後的13.0港仙）。



MANAGING DIRECTOR AND CEO MR. ERIC OEI
董事總經理兼行政總裁黃剛先生

BUSINESS REVIEW

Building on the solid foundation established by the Group's extensive experience in the construction industry and property investment sector, the new management team has elected to channel its focus towards exploring new opportunities that can generate greater returns for its shareholders. With this aim in mind, the Company has set its major attention on the property, infrastructure and alternative energy sectors in China so as to establish lucrative revenue sources for fueling the Group's sustained growth.

Consistent with this mission, the Group has implemented several measures that have expanded its presence in the aforesaid markets. Consequently, a number of quality projects have been secured by the Group during the review period. At the same time, its traditional construction operations performed well and this has enabled the Group to enjoy the synergies generated among its businesses.

In addressing administration concerns, the new management team has successfully resolved several issues of legacy that have hampered the Group's development since 2000. The newly rejuvenated Group's emphasis on consolidation during this critical stage of development has proven to be so successful that the Group posted its first operating profit in 2004. While changes in ownership normally require a period of transition, solid leadership has enabled the Group to overcome this phase. Under the direction of Mr. OEI Tjie Goan, Chairman, Mr. OEI Kang Eric, Managing Director and Chief Executive Officer and their dynamic management team, the Board has full confidence in the Group's ability to continue building on the steady progress that has been made during 2005.

業務回顧

本集團在建造業及物業投資方面累積豐富經驗，已建立穩固基礎，而新管理層有意專注於發掘可為股東帶來更高回報的新商機。本公司以此為目標，密切留意中國的物業、基建及替代能源行業，為本集團的持續增長建立豐厚的收入來源。

為符合上述宗旨，本集團已實行多項措施，擴大上述市場的佔有率。結果，本集團於回顧期間取得多項優質項目。同時，本集團的傳統業務表現理想，使本集團可受惠於其業務帶來的協同效益。

在改善管理方面，新管理層已成功解決二零零零年以來多項阻礙本集團發展的長期問題。本集團在此關鍵發展階段專注整合業務證實成功，本集團於二零零四年首度錄得經營溢利。儘管擁有權變動一般需要若干時間過渡，惟在堅穩的管理層帶領下，本集團已克服此階段。在主席黃志源先生、董事總經理兼行政總裁黃剛先生及幹練的管理層領導下，董事會有信心本集團可繼續保持二零零五年的穩定增長。

Below is a review of operations for each of the Group's businesses:

Property Investment, Development and Management

The China property business represents one of the Group's core focuses. Key Group holdings include a portfolio of first-class commercial and residential properties in Beijing, Guangzhou and Shenzhen, all of which have continued to generate steady rental revenue during the year under review. The Group also continues to maintain its interest in the prestigious Peninsula Palace and Jing-Guang New World hotels in Beijing.

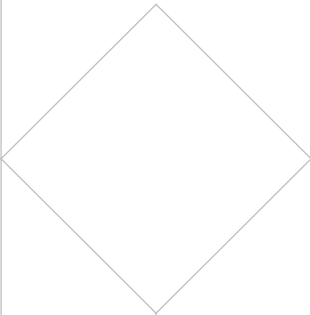
In January 2006, the Group invested RMB290.0 million in acquiring 10% share in a parcel of land located in the north side of the International Passenger Transportation Terminal of Hongkou District of Shanghai Municipality. With the Company planning to both construct and operate the project, the 250,000 square metres, multi-purpose development will provide significant revenue for the Group well beyond its scheduled completion date in 2010. Approval is now being sought for the detailed planning and construction of the shopping arcade, hotel and serviced apartments that will comprise this very prestigious development. If granted approval, construction of this project will commence in late 2006 or early 2007.

以下為本集團的業務回顧：

物業投資、發展及管理

中國物業仍為本集團的核心業務重點。本集團所持的主要物業包括北京、廣州及深圳的一級商業及住宅物業，而此等物業於回顧年度繼續帶來穩定的租金收入。本集團仍然維持享譽盛名的北京王府飯店及京廣新世界飯店的權益。

二零零六年一月，本集團投資人民幣290,000,000元收購上海市虹口區國際客運中心北面一幅土地的10%權益。本公司計劃建設並經營該個面積250,000平方米的多用途發展項目，預期於二零一零年竣工，屆時將為本集團的主要收入來源。該豪華發展項目包括商場、酒店及服務式住宅大廈，有關詳細規劃及建設工程現正有待審批。倘若取得批文，該項目將於二零零六年底或二零零七年初動工。



Infrastructure

The Group's far-sighted views have increased diversification into infrastructure projects as being paramount for sustaining the Group's long-term profitability and success.

One major infrastructure project that is currently under construction by the Group is its wholly owned, RMB 1,189.4 million, Build-Operate-Transfer ("BOT") toll road in Guilin, Southwestern China. On schedule for opening in 2007, the new 40.6 km road is held on a 29-year license, thus providing the Group and its shareholders a long and steady stream of revenue.

Water supply will also be a key driver for the Group's long-term profitability. To this end, the Group acquired a 65% share in the Yangpu Water Supply Co., Ltd., with a design capacity of supplying 250,000 tonnes of raw water daily to the Yangpu Economic Development Zone in Hainan, China. Major customers for this water supply plant include Hainan Jinhai Pulping Industrial Co., Ltd., a subsidiary of Asia Pulp and Paper Co., Ltd., and Sinopec, one of Asia's largest petrochemical conglomerates.

基建

本集團具前瞻性的政策已擴展納入大幅增加基建項目的種類，是維持本集團長遠盈利及成果的重要一環。

本集團的主要基建項目包括位於中國西南部桂林的「建設 — 營運 — 轉讓」（「BOT」）收費公路。該個項目現正施工，由本集團擁有全部權益，投資額達人民幣1,189,400,000元，預計於二零零七年營運通車。本集團持有該條全長40.6公里新建道路的29年特許權，可為本集團及股東帶來穩定收入。

供水業務亦為本集團長期盈利的主要來源。有見及此，本集團收購洋浦供水有限責任公司的65%權益。該公司供水廠的設計容量為每日250,000噸，向中國海南洋浦經濟發展區輸送原水。該供水廠的主要客戶包括亞洲漿紙業有限公司的附屬公司海南金海漿紙業有限公司及亞洲最大型石化集團之一的中國石油化工。

Alternative Energy

Alternative energy is another area that the Group has identified as being an important driver for its future growth. With the world's consumption of fossil fuels running at an all time high, the Group has embarked upon an ambitious and far-reaching program that will lead to the construction of wind power plants in Heilongjiang, Northeastern China. In April 2005, the Group invested approximately HK\$29 million (29% share) and subsequently increased to HK\$64.7 million (64.7% share) in registered capital for Phase One of the project. In July 2005, the Group reaffirmed its confidence in the enormous potential of alternative energy by investing an additional HK\$75 million (75% share) in registered capital in Phase Two of the project.

Such strategic business moves are sure to form the basis for the Group's ongoing success in the years to come.

Construction

The Group's performance in its traditional core business, construction, remained steady.

As of 31st December 2005, the Group had contracts on hand worth HK\$1,188 million (excluding shares held by joint venture partners). The reduced contract amount as compared to the HK\$2,763 million recorded at the end of 2004 reflected the completion of certain projects within the year under review.

替代能源

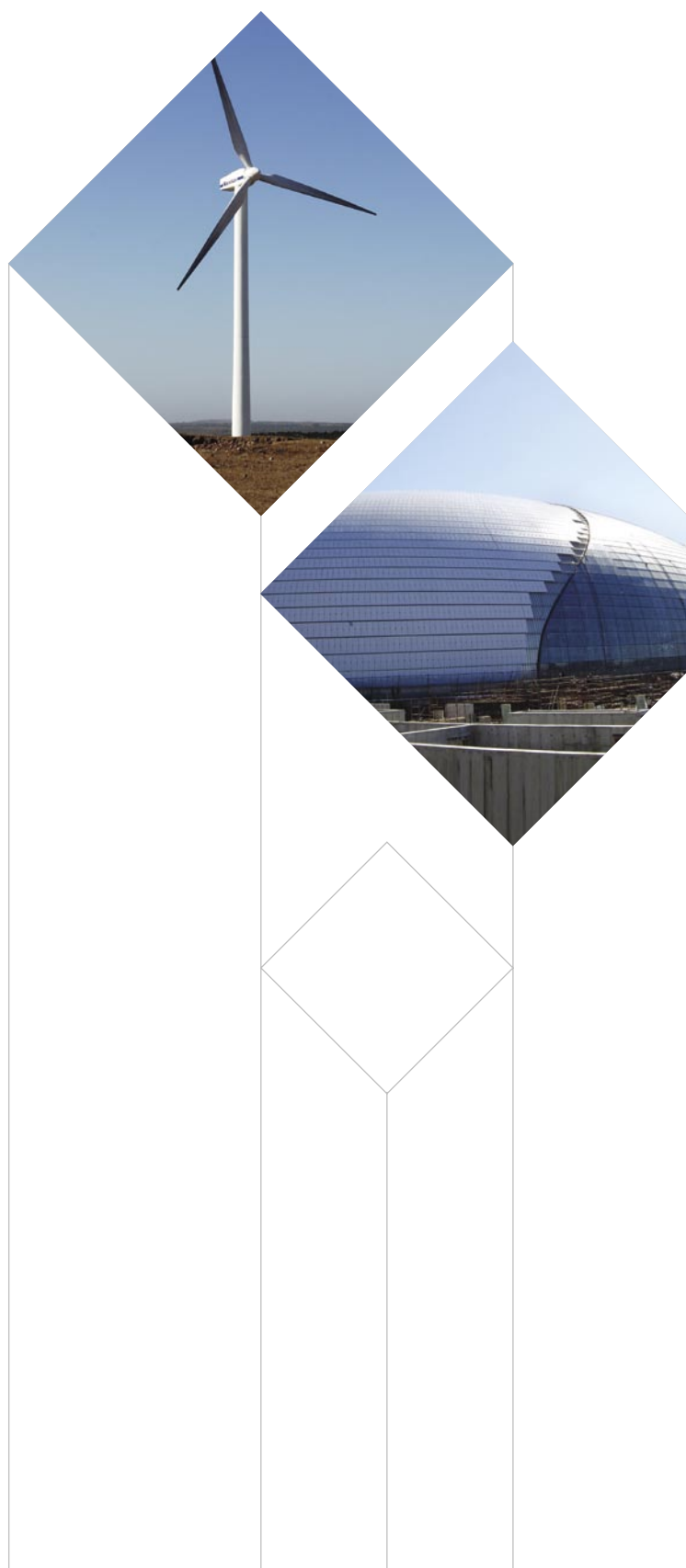
本集團認為替代能源是未來增長的主要動力。隨著全球化石燃料儲備的消耗量持續高企，本集團著手展開鴻圖大計，在中國東北部黑龍江興建風力發電站。二零零五年四月，本集團投資約29,000,000港元（佔29%權益），其後增至64,700,000港元（佔64.7%權益），收購該項目第一期的註冊資本。二零零五年七月，由於本集團對替代能源的龐大發展潛力充滿信心，因此再投資75,000,000港元作為該項目第二期的75%註冊資本。

該等高瞻遠矚的擴展策略是帶領本集團在未來數年持續成功的關鍵。

建築

本集團傳統核心建築業務仍然穩定發展。

截至二零零五年十二月三十一日，本集團現有合約總值1,188,000,000港元（不包括合營夥伴所佔的權益）。合約總值較二零零四年底的2,763,000,000港元有所減少是由於若干項目於回顧年度內完成所致。



Specifically, key projects that were completed during 2005 included residential developments in Tung Chung and Lai Chi Kok. Other major contracts the Group had as of 31st December 2005 included a major contract with the Shenzhen Municipal Government for the construction of the city's new Convention and Exhibition Centre. The Group also held a Joint Venture contract with the Mainland Chinese Government for the construction of the new National Grand Theatre in Beijing.

In the area of construction project management services, the Group's main activities in China during 2005 included work on an Ocean Hot Springs Resort Development in Zhuhai.

OUTLOOK

2006 will be recalled as a year dominated by global concerns over such issues as rising oil prices, and the H5N1 Avian Flu. The continued volatility of Asian currencies and the possibility of interest rate hikes are other factors that regularly made headlines in business media, giving investors genuine cause for concern.

While implementing meticulous risk management and financial control measures over all aspects of its business, the coming year will see the Group continues its successful policy of expansion via diversification. As mentioned, the Group will maintain its strategic focus on property investment, development and management, infrastructure as well as alternative energy operations for bolstering future growth.

具體而言，二零零五年完成的主要項目包括東涌及荔枝角的住宅發展項目。於二零零五年十二月三十一日，本集團的其他主要合約包括與深圳市政府訂立有關建設新會議展覽中心的主要合約。本集團亦與中國政府訂立有關在北京興建新國家大劇院的合營合同。

在建設項目管理服務方面，本集團於二零零五年的中國項目包括珠海海泉灣渡假城的工程。

展望

二零零六年，全球均關注油價飆升及H5N1禽流感等問題。亞洲貨幣持續波動以及利率可能進一步攀升等不時出現各大財經版要聞的其他因素，亦為投資者所關心。

本集團於來年將繼續對所有業務範疇實行審慎的風險管理及財務監控措施，以及貫徹實行已取得成功的多元化擴展政策。按上文所述，本集團仍會專注發展物業投資、發展與管理、基建及替代能源業務，促進增長。

Property Investment, Development and Management

While cautiously optimistic about ongoing trends in the real estate markets in Hong Kong and China, the Group remains determined to increase its property portfolio in the latter. As such, we are continually striving to identify new opportunities that will enable us to add to our growing list of first-class commercial, hotel and residential developments in this burgeoning market.

As it embarks upon its second full year of stewardship, the Group's new management team remains confident in the progress that the Group is making on all fronts. Ultimately, management believes that the systematic integration of strategically relevant activities into its core construction and property interests will give the Group a much better balanced business portfolio.

The Company's ongoing involvement in the construction, and eventual operation, of blue chip development in Shanghai is one way that the Group is delivering on its promise. Ultimately, such project will not only enable the Group to broaden its revenue streams but also create a solid foundation for sustainable long-term development and greater value for shareholders.

物業投資、發展與管理

本集團對香港及中國房地產市場的持續發展審慎樂觀，同時亦決定增加中國內地的物業投資組合。本集團將繼續致力在發展一日千里的市場物色新商機，增加本集團一級商業、酒店及住宅發展項目的數目。

踏入接掌管理權後的第二個年頭，本集團新管理層仍對各項業務的進展感樂觀。新管理層相信，將經策略嚴選的有關業務與核心建築及物業權益進行系統整合，使本集團的業務組合更加平衡。

本公司一直參與上海的工程與大型物業發展業務，足證本集團對該區充滿信心。該等項目將來不僅可擴大本集團的收入來源，亦為可持續長期發展奠定基礎及為股東爭取更佳回報。

Infrastructure

2005 has seen the Group's new management team continue to energetically pursue an ambitious policy of expansion through diversification.

China's phenomenal growth has created significant increase in demand for all types of transportation and the infrastructure needed to support them. The Company has been one of the first companies to anticipate and respond to this need.

The Guilin BOT toll road is set to open in 2007. The new road will link up with China's Western Expressway and will undoubtedly receive strong vehicular - patronage from both the logistic transportation sector as well as the leisure - tourism sector.

The Company will not only construct and maintain the Guilin BOT toll road, but also have a 29-year license to operate the road and collect tolls. As a result, the Group and its investors are set to enjoy a reliable source of revenue which will continue well into the mid-2030s.

基建發展

二零零五年，本集團新管理層繼續積極貫徹實行多元化擴展政策。

中國不斷迅速發展，使交通及基建的需求大幅增加。本公司為少數能預測且回應上述需求的公司之一。

桂林BOT收費道路定於二零零七年通車，新道路將連接中國的西部高速公路，定必深受物流貨運業及旅遊業行車流量的支持。

本公司不僅興建及管理桂林BOT收費道路，亦擁有29年經營道路及收費道路的特許權。因此，本集團及其投資者將可獲得穩定的收入來源至二零三零年代中期。

Alternative Energy

China's significant shortfall in electricity supply is yet another by-product of its rapid industrial and economic growth. And here again, the Company is well ahead of other companies in providing the expertise required to bridge the country's power gap.

While the demand for electricity in China is growing rapidly, the Chinese Government is also fully aware of the dire effects traditional power generating methods have on its environment.

Generating low emissions and little waste, alternative energy has been identified as being the country's best way forward. Effective 1st January 2006, China's Renewable Energy Law requires the State-owned grid to give priority - and pay premium rates - for power generated by privately-owned companies using "Clean" generating methods.

Capitalizing on the business connections the new management brought into the Group, the Company successfully sourced and invested in the Provincial Government-approved wind power plants in Heilongjiang, Northeastern China. The first batch of wind turbine equipment for the 850K/W facility arrived at port in March 2006 and the facility is expected to connect to China's power grid in autumn 2006.

替代能源

工業及經濟迅速發展導致中國電力供應嚴重短缺。本公司再次憑藉豐富的經驗，在解決內地提供電力供應方面較其他公司更具優勢。

雖然中國的電力需求不斷飆升，但中國政府也了解到以傳統發電方式對環境污染做成的惡果。

由於替代能源的排放量及所產生廢物偏低，故此獲認定為中國的最佳發電方法。由二零零六年一月一日起，中國的可再生能源法規，政府為國有電網揀選供電商時，須優先選用「潔淨」方法發電的民營電廠，並會按較高的費率計算支付電費。

憑著新管理層為本集團引入的業務聯繫，本公司成功收購並投資華北黑龍江獲省政府批准的風力發電廠。第一批動力達850K/W的風力發電機設備已於二零零六年三月運抵港口，預期該設備將於二零零六年秋季連接中國的電網。



The Group is already actively exploring the feasibility of new turbine generation projects in the wind-belt areas of Heibei and Inner Mongolia. The Chinese Government's insistence that 70% of all wind turbines must be sourced within China may also see the Company further expand its activities into the area of wind turbine manufacturing.

In order to further underline its commitment to alternative energy, the Group is now in the process of establishing a special "Energy Group". In addition to wind energy, those directions it will explore include the use of domestic and industrial waste to generate electricity. The Group has already succeeded in recruiting several widely respected and vastly experienced professionals for this new business.

Apart from China, the continued, steady recovery of Asia's "Tiger" economies since the late 1990s has also opened up many investment opportunities in markets across the Asia Pacific region. Leveraging its excellent past track record and its new management's close Indonesian family ties, the Group has identified Indonesia as being a core market for possible future developments. Possible expansion areas we are currently studying carefully in the country include infrastructure projects such as toll roads and power plants, both fields in which the Group has already achieved considerable success.

本集團一直積極研究河北及內蒙古風帶區進行新風力發電項目的可行性。由於中國政府規定70%的風力發電機須在國內購買，本公司亦會將業務擴展至風力發電機生產領域。

為進一步履行再生能源的承諾，本集團現正成立專責電力小組。除風力發電外，小組研究以家庭及工業廢料發電等多個方案。本集團已為該項新業務成功聘請數名具聲望及豐富經驗的專家。

除中國外，亞洲四小龍的經濟自九十年代末持續穩定復甦，為亞太區市場帶來大量投資機會。基於突出的往績及新管理層來自印尼，本集團以印尼為未來發展的核心市場。本集團現正審慎研究的潛在發展範疇包括收費道路及電廠等本集團已成功發展的基建項目。

Construction

It is the new management's policy to only bid for construction projects capable of producing acceptable rates of return that will add to its profitability and create value for its shareholders. In considering new projects, the Group will maintain its prudent policy of carefully evaluating the tender documents and carrying out detailed feasibility studies to assess the potential technical and financial risks involved in each project.

The differing maturity levels and mixed outlooks for construction sectors in China, Hong Kong and Macau means the Group will continue to exercise an enthusiastic, yet prudent approach when tendering for new projects in these markets.

Factors that are sure to have a positive impact on the Group's construction activities during 2006 will include the second round of the Closer Economic Partnership Arrangement between China and Hong Kong. Encompassing Hong Kong, Macau and all nine provinces of Western and Southern China, the Pan-Pearl River Delta Regional Co-operation and Development Forum is another development which bodes well for the future of the construction industry.

建築

根據新管理政策，本集團僅會投標可取得合理回報的建築項目，以提升盈利能力及為股東增值。在考慮新項目時，本集團將繼續採取上述政策，審慎評估投標文件，並對每個項目進行詳盡的可行性研究，以評估所涉潛在技術及財務風險。

由於中國、香港及澳門建造業的成熟程度及前景各有不同，故此本集團將繼續積極在上述市場審慎競投新項目。

二零零六年有利本集團建築業務的因素包括香港與中國內地更緊密經貿關係安排第二階段。聯繫香港、澳門及華西華南全部九個省份的泛珠三角區域合作與發展論壇亦為建造業的前景打了一枝強心針。

Mainland China

With consistent, year-on-year GDP growth in the high-single digit level and soaring per-capita purchasing power, China remains probably the world's fastest growing economy. This phenomenal expansion has also created a newly affluent middle class segment that yearns for better housing and better products. This has paved the way for the development of residential, commercial and retail projects on an unprecedented scale. Consequently, while still a booming market, China will continue to be the Group's core focus in the further expansion of its construction business.

The increased demand for facilities resulting from the 2008 Beijing Olympics and 2010 Shanghai World Expo are further accelerating construction activities across the PRC. As a foreign-owned construction company to receive "Main Contractor for Building Construction-Special Grade" and "Main Contractor for Municipal Public Work-First Grade (for roads, bridges and tunnels in city areas)" licenses from the Ministry of Construction in 2004, our wholly owned subsidiary, Hong Kong Construction (China) Engineering Co., Ltd., remains perfectly placed to benefit from this trend. The Chinese Government's adoption of more stringent approval criteria for foreign companies who wish to participate in major construction projects is also sure to further sharpen the Group's competitive edge.

While continuing to actively tender for major projects in first-tier cities such as Beijing and Shanghai, the Group has identified China's second-tier cities as offering the most potential for future growth. To this end, the Group intends to increase its revenue streams by focusing on blue chip property investment projects such as the construction and management of residential, retail and commercial office developments.

中國內地

隨著中國國內生產總值的年增長率保持單位數字的穩定增長，加上人均購買力驟升，中國繼續成為全球經濟發展最快的國家。經濟迅速擴展衍生了一群對房屋及物質有更高要求的富裕中產階層，使全國住宅、商業及零售出現有史以來最大規模的發展。因此，儘管中國的建造業尚處蓬勃發展階段，惟中國將繼續為本集團拓展建築業務的主要市場。

二零零八年北京奧運及二零一零年上海世界博覽會對各項設施的需求進一步刺激中國建造業的發展。本集團全資附屬公司香港建設（中國）工程有限公司作為於二零零四年獲國家建設部發出「房屋建築工程施工總承包特級」及「市政公用工程施工總承包壹級（限城市道路、橋樑及隧道工程）」資質的外資建築公司，正好受惠於上述市場需求。中國政府對有意參與主要工程項目的海外公司採取更嚴格的審批規定，亦進一步提高本集團的競爭優勢。

除繼續積極競投北京及上海等一級城市的大型項目外，本集團認為中國二級城市具龐大發展潛力。本集團計劃透過集中發展住宅、零售及商業辦公大樓的建造與管理等具份量的物業投資項目，增加收入來源。

Hong Kong

While Hong Kong remains a mature, low risk and low return construction market, the ongoing revival of the Territory's property sector is likely to open up many exciting new opportunities for the Company.

The reinstatement of the Company's license by the Environmental, Transport and Works Bureau in 2004 has further added to the Group's competitive edge in this area. The Company remains just one of a selected number of contractors eligible to offer tenders for all five categories included in the Hong Kong Government Works Bureau Group C General Contracts and Group II Specialist Contracts lists. As such, the Group remains ideally positioned to tender for public work-related projects such as buildings, port works, roads and drainage projects, waterworks and site formation contracts.

During 2005, the Group submitted several tenders for a variety of major projects. The competitiveness of our quotes can be measured by the fact that we have been successfully short-listed for several of them. If successful in our tenders, construction of these projects should commence by late 2006 or early 2007.

香港

雖然香港的建造業發展成熟，風險及回報偏低，但該區的物業市場近期開始復甦，為本公司帶來不少商機。

環境、運輸及工務局在二零零四年恢復本公司的牌照，進一步提高本集團在該區的競爭力。本公司仍為少數能競投工務局認可公共工程丙組工程及專門承造商第II組名單所述全部五類工程經甄選承建商之一。因此，本集團仍可投標公共項目，例如建築、海港、道路及渠務、水務及地盤平整工程。

二零零五年，本集團就各類主要項目遞交數份標書，並成為該等項目的候選承建商，足見本集團的報價具競爭力。倘成功投標，該等項目將於二零零六年底或二零零七年初展開工程。

Macau

While currently undergoing a period of unprecedented economic expansion and infrastructure development, Macau continues to be a market with opportunities where returns and risks are both high. The Group is now actively exploring a number of residential projects in this thriving market. The ongoing implementation of massive infrastructure and associated projects around the multi-billion dollar Cotai Strip represents another highly lucrative opportunity that the Group is continuing to monitor very closely.

澳門

澳門現時的經濟及基建發展正經歷前所未見的增長，市場商機處處，回報及風險相對較高。本集團正積極在此蓬勃市場物色多個住宅項目。本集團將繼續密切留意鄰近路氹金光大道所不斷進行市值以數十億計的基建及相關項目，以爭取獲得豐厚回報的機會。



LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2005, the Group's total borrowings was reported at HK\$1,321.3 million. This figure represents a rise of 124.4% when compared against the equivalent figure of HK\$588.7 million for 2004. The 31st December 2005 figure includes Hong Kong Dollar borrowings totaling HK\$272.8 million (2004: HK\$176.3 million), US Dollar borrowings amounting to HK\$194.8 million (2004: HK\$101.1 million) and Renminbi borrowings of HK\$853.7 million (2004: HK\$311.3 million).

The bulk of the Group's outstanding borrowings' maturity dates are spread over the next five years, with HK\$157.0 million repayable within one year or on demand, with HK\$517.0 million repayable within two to five years and HK\$647.3 million repayable after five years.

All of the Group's outstanding borrowings take the form of interest-bearing loans with interest rates fixed at market prices.

As at 31st December 2005, the Group had pledged deposits of HK\$12.6 million whereas unpledged cash and cash equivalents amounted to HK\$597.7 million. These figures compare very favorably to the equivalent respective figures of HK\$10.1 million and HK\$378.4 million recorded in the previous financial year. The Group did not use financial instruments for financial hedging purposes during 2005.

The year 2006 and beyond will see the Group continue in its efforts to establish the optimum financial structure that best reflects the long-term interests of its shareholders. To this end, it will actively consider a variety of alternative sources of funding via which to finance future investments.

流動資金及財務資源

於二零零五年十二月三十一日，本集團的借貸總額為1,321,300,000港元，較二零零四年的588,700,000港元高出124.4%。二零零五年十二月三十一日的金額包括港元借貸272,800,000港元（二零零四年：176,300,000港元）、美元借貸194,800,000港元（二零零四年：101,100,000港元）及人民幣借貸853,700,000港元（二零零四年：311,300,000港元）。

本集團尚未償還的借貸於未來五年內到期，其中157,000,000港元須於一年內或要求時償還；517,000,000港元須於二至五年內償還；而647,300,000港元須於五年後償還。

本集團的所有未償還借貸均屬計息貸款，利率按市價釐定。

於二零零五年十二月三十一日，本集團已抵押存款12,600,000港元，無抵押之現金及現金等價物則為597,700,000港元，分別較上一個財政年度的10,100,000港元及378,400,000港元為高。二零零五年，本集團並無利用金融工具作為金融對沖。

本集團於二零零六年及其後將繼續致力維持理想的財務結構，以有效反映股東的長遠利益。就此，本集團將積極考慮各類融資方法，為日後的投資項目籌集資金。

DETAILS OF CHARGES IN GROUP ASSETS

The year under review saw the Group and certain of its subsidiaries have charged certain of its properties, worth HK\$1,052.6 million (2004: HK\$1,115.1 million), as security for bank and other loans.

GEARING RATIO

The Group's gearing ratio as at 31st December 2005 was 33.5%, compared with 12.5% (restated) at 31st December 2004. This figure is the ratio of total borrowings (excluding the amounts due to minority shareholders) less cash and cash equivalents divided by the total equity.

CONTINGENT LIABILITIES

- The Group had contingent liabilities in respect of banking facilities granted to certain buyers of properties of the Group and its associated companies.
- The Group had contingent liabilities in respect of performance bonds and guarantees under contracts and other agreements entered into in the normal course of business.

本集團資產抵押詳情

於回顧年度，本集團及其若干附屬公司將若干總值1,052,600,000港元（二零零四年：1,115,100,000港元）的物業抵押，作為銀行及其他貸款的擔保。

負債資本比率

本集團於二零零五年十二月三十一日的負債資本比率為33.5%，而二零零四年十二月三十一日則為12.5%（重列），即借貸總額（不包括應付少數股東款項）減現金及現金等價物除以權益總額的比率。

或然負債

- 本集團持有在給予本集團及其聯營公司部份物業買方的銀行備用信貸有關的或然負債。
- 本集團持有在一般業務中簽訂的合約及其他協議下履約保證及擔保有關的或然負債。

- (c) On 22nd November 2005, Smiling Sky Investments Limited, a wholly owned subsidiary of the Company disposed of 8% share interests in First Choice International Development Limited which holds Tower One of Apartments of CITIC Plaza in Guangzhou, the PRC. In accordance with the sale and purchase agreement, the Company provides warranties to indemnify up to 8% of losses arising from cancellation or deprivation of concessions of Profits Tax and Urban Real Estates Tax in the PRC and liabilities not recorded in the Completion Accounts as of 30th November 2005.

INTERNAL CONTROL

In order to deliver on its commitment to add transparency for its shareholders, 2005 saw the Group establish an Internal Control and Risk Management Department ("ICRMD"). Fully compliant with the listing requirements as laid down in Appendices 14 and 23 of the Main Board Listing Rules of the Hong Kong Stock Exchange Limited, the ICRMD is entrusted with undertaking regular, systematic reviews and enhancements of existing internal control frameworks. The new body will also be responsible for providing constant updates on, and early warnings of, significant issues flagged by the Group's risk management mechanisms. The ultimate aim of the ICRMD is to ensure increased financial reporting reliability and achieve better compliance with all applicable rules and regulations governing the running of a publicly listed company.

- (c) 二零零五年十一月二十二日，本公司全資附屬公司Smiling Sky Investments Limited出售所持富財國際發展有限公司（持有中國廣州中信廣場第一座的公司）8%股權。根據買賣協議，本公司會就註銷或失去中國所得稅及城市房產稅優惠所產生的虧損最多8%提供保證，以及並無列於二零零五年十一月三十日完成賬目的負債作出賠償。

內部監控

為履行對股東增加透明度的承諾，本集團於二零零五年成立內部監控及風險管理部門（「內部監控及風險管理部」）。內部監控及風險管理部全面遵守香港聯合交易所有限公司主板上市規則附錄14及23所載有關上市的規定，負責就現時內部監控制度進行定期而有系統的檢討及改善工作，亦負責定期更新本集團風險管理機制所指重大問題的最新資料，以及發出預警。內部監控及風險管理部的最終目標是提高財務申報的可靠程度，以及確保本集團更嚴格遵守公眾上市公司所有適用規則及規定。

The Group's new management is determined to underpin future growth and development through the implementation of a reduction of its capital and share premiums. To this end, the year just ended saw the Group embarked on a capital reorganisation exercise, the application for which was approved by the Court of First Instance of The High Court of the Hong Kong SAR in September 2005. The resultant reorganisation enables the Group to eliminate all accumulated losses standing to its accounts with immediate effect from the date the reorganisation comes into force. The elimination of these accumulated losses enables the Group to distribute dividends for the first time since 1998. The Court's approval also significantly enhances the Group's flexibility in pricing any new equity fund-raising exercises it may decide to mount in the coming years.

EMPLOYEES

At the end of December 2005, the Group's operations in Hong Kong and mainland China employed a total of approximately 300 employees. In addition, the Group has appointed technical and engineering consultants on contract terms for its ongoing construction projects. All employees are remunerated according to the nature of their jobs, their individual performance, the Group's overall performance, and the prevailing market conditions.

本集團新管理層銳意透過削減股本及股份溢價，加強本集團的日後增長及發展。本集團為此於年內著手進行股本重組，並已於二零零五年九月獲香港特別行政區高等法院原訟法庭批准。由重組生效當日起，本集團將可即時撇銷賬目中全部累計虧損。撇銷該等累計虧損後，本集團將自一九九八年以來首次派發股息。法院批准重組亦大大增加本集團為未來數年進行新股本集資活動定價的靈活性。

僱員

截至二零零五年十二月底，本集團在香港及中國內地約有300名僱員。此外，本集團亦以合約形式就持續建築項目委任技術及工程顧問。所有僱員薪酬按其職務性質、個別工作表現、本集團整體業績及當時市況而定。

