

CHAIRMAN'S STATEMENT

主席報告書

OEI Tjie Goan 黃志源
Chairman 主席



Our well-balanced business profile in China's property, alternative energy and infrastructure sectors create a very positive outlook for the Group over the next few years.

本集團在中國物業、替代能源及基建各業務上穩若磐石、兼收並蓄，勢必為本集團於未來數年創造美好前景。

WANG Jun 王軍
Honorary Chairman 名譽主席



YU Ching Po 于鏡波
Honorary Chairman 名譽主席



A NEW LANDSCAPE

The year 2006 saw HKC achieve a number of significant milestones in the transformation that has been ongoing since the Group changed ownership and brought in new management in 2004. Continuing its good performance of the previous year, the Group's business grew, with total turnover rising to HK\$395.7 million, and profit before income tax increasing to HK\$574.3 million. These encouraging results were achieved on the back of an aggressive yet prudent strategy for developing our property, alternative energy and infrastructure businesses in China. In appreciation of the support of our shareholders, the Board has proposed the payment of a final dividend of HK6.0 cents per share for the year ended 31st December 2006. Together with the interim dividend of HK4.5 cents per share paid in aggregate, the total dividend paid and payable for the year will be HK10.5 cents per share.

One of the highlights of the year was the redomicile of the Group's holding company from Hong Kong to Bermuda. The move gives us greater flexibility and security, by creating a greater level of independence for each of our business segments. The Group has also changed its name from 'Hong Kong Construction' to 'HKC'. The aim of this change was to spearhead our new business focus on property development, and to allow us to better position ourselves more effectively to investors.

The Group achieved 60.8% profit growth as it completed its transformation into a major China property developer

The Group's efforts in property investment and development over the past few years have been highly productive, with its property activities contributing over 60% of the Group's operating profits for 2006. This is a clear sign that the Group's rapid transformation from a construction company into a property-driven enterprise has been a successful one.

嶄新里程

於二零零六年度，香港建設在業務轉型方面奠下多項重大里程碑，業務轉型自二零零四年本集團擁有權轉變及引薦新管理層以來一直進行。本集團秉承去年之理想表現，業務持續上揚，收益及所得稅前溢利分別上升至395,700,000港元及574,300,000港元。能達致此令人鼓舞業績，全賴本集團於發展中國物業、替代能源及基建業務方面制定進取而審慎之策略。為感謝股東之鼎力支持，董事會建議就截至二零零六年十二月三十一日止年度派付末期股息每股6.0港仙，連同中期股息每股4.5港仙，本年度已派及應派股息總額合共將為每股10.5港仙。

年內重點之一為本集團之控股公司由香港遷冊至百慕達。此舉令各業務分部更能獨立運作，為本集團帶來較高靈活性及保障。本集團另將其名稱由「Hong Kong Construction」更改為「HKC」，旨在專心致志開拓物業發展之新業務，致使本集團能有效於投資業界中奠定更穩固地位。

本集團於成功轉營為主要中國物業發展商後錄得溢利增長60.8%

過去數年，本集團於物業投資與發展方面付出不懈努力，令物業業務於二零零六年為本集團經營溢利帶來逾60%貢獻，成果豐碩可觀。此情況清楚顯示本集團由建造公司急速轉型為以物業為主導企業之舉措，非常成功。

Now developing a landmark development along the North Bund, one of Shanghai's most attractive sites

In early 2006 the Group successfully bid for a 10% stake in one of the most desirable undeveloped sites in Shanghai. This property, located along the Huangpu River, will be the site of a major five-star hotel, offices, and a commercial complex with unobstructed views of the historical Bund district and Pudong. Moreover, in a move reflecting the strong commitment of the Sinar Mas Group ("Sinar Mas") to help HKC become a major property company in China, in early 2007 Sinar Mas, a company controlled by the Oei Family, injected an additional 15% stake in the property into HKC at a very favourable 12% discount. With the Sinar Mas's strong relationships throughout the country, HKC may be able to acquire additional properties for its land bank at favourable prices in prime areas of China.

Alternative energy to be a future growth driver

Meanwhile, our investments in alternative energy will soon bear fruit as our wind and waste-to-energy projects come into operations in 2007. We are very confident of their future potential given China's emphasis on reducing pollution and creating sustainable growth. In 2006, China missed its pollution targets by a wide margin, and in 2007 it is expected to put new policies in place for improving the environment, policies that should benefit HKC's alternative energy projects. Currently these projects remain in the investment phase, and revenues are just beginning to come on tap. We expect the contributions from these sources to become more significant in the next couple of years as the projects are completed.

Meanwhile, our infrastructure and construction segments continue to perform solidly. The former is providing us with a stable source of income, while the latter is generating synergies with the Group's property business. In particular, our construction business is taking on a consultant-contractor role for our major greenfield property development projects.

With recent fundraisings, the Group is well positioned to take advantage of new real estate opportunities

In November 2006, the Group conducted a highly successful capital raising exercise that clearly demonstrated widespread investor confidence in the Group. This has been followed just recently, in February 2007, by another and even more successful share offering. These two share placements have allowed the Group to raise significant funds at time ideal for taking advantage of the growth of the property market in China. From our point of view, these successes are clear endorsements from the capital market of our management team's capabilities and vision. The same investor confidence can be seen in the rise in the Group's market capitalisation from less than HK\$1.0 billion three years ago to over HK\$6.0 billion today.

目前正在發展上海其中一個最具吸引力的地段－北外灘發展地標

本集團於二零零六年初成功投得上海其中一項商家必爭尚且正待發展地段之10%股權。該物業座落於黃浦江沿岸，將成為一幢五星級酒店、寫字樓及綜合中心的所在地，更坐擁優美景觀，具歷史特色之外灘及浦東區一覽無遺。此外，於二零零七年初，由黃氏家族控制之金光集團（「金光」），按非常優惠之12%折讓價將該物業之額外15%股權注入香港建設，反映金光協助本集團成為中國主要物業公司之堅定決心。金光於全中國開拓廣闊業務關係，而透過此等關係，香港建設擬進一步能以優惠價格在中國購入黃金地段，增加其土地儲備。

替代能源將帶動未來增長

與此同時，隨著風力及垃圾發電項目於二零零七年開始投入運作，本集團於替代能源之投資即將有所回報。鑑於中國銳意減少污染及達致持續增長，本集團對此等業務之未來潛力充滿信心。於二零零六年，中國距離達致多個污染目標的路程甚遠，預期將於二零零七年著力施行新政策，令環境得到改善，而該等政策將有利於香港建設之替代能源項目。目前，此等項目仍處於投資階段，收益才剛開始實現。預期隨著項目完成，源自此等項目之貢獻於未來數年將更加顯著。

與此同時，本集團之基建及建造業務繼續表現穩健，前者帶來穩定收入來源，後者則與本集團物業業務產生協同效益。特別是本集團之建造業務現正就主要仍未動工之物業發展項目擔當顧問兼承建商之角色。

近期集資後，本集團整裝待發在房地產業務嶄新機遇受惠

於二零零六年十一月，本集團進行集資活動，成績非常美滿，清楚顯示廣泛投資者對本集團抱有高度信心。隨後，於最近，即二零零七年二月，本集團進行另一項股份發售活動，更見成功。此兩項股份配售均令本集團能抓緊中國物業市場增長之理想時機，籌集龐大資金。本集團認為，於資本市場取得如此成就，印證管理層具雄厚實力，高瞻遠矚。本集團市值由三年前不足10億港元，增至目前逾60億港元，亦足見投資者之信心。

Addition of Mr. Wang Jun to management team brings the Group exceptional China experience and relationships

In December 2006, the Group was privileged to welcome Mr Wang Jun as Honorary Chairman and Non-executive Director. The former Chairman of CITIC Group in Beijing, Mr Wang is a well-known and highly-regarded business leader who has accumulated experience across a wide scope of businesses, and has been involved in the financial industry, industrial investment, and service industries in China. We believe that Mr Wang's vast experience in and familiarity with the China market represents a significant advantage to the Group as it grows. Under the strategic direction and advice of Mr Wang and Mr Yu Ching Po, who is one of the Group's founders and has been another of the Group's Honorary Chairmen since 1999, we believe that HKC is on track for even higher achievements and greater levels of success.

OUTLOOK

Given the ongoing prosperous economic growth in China and the government's current economic policies, we plan to maintain our strategic focus of tapping the China market. Our well-balanced business profile in China's property, alternative energy and infrastructure sectors means that the outlook for the Group over the next few years is very positive.

Our management has combined their vision with astute business insights and strong networks to acquire a series of premium properties for development, including valuable strategic sites in Shanghai and Tianjin. Using its networks, HKC is looking to further increase the size of its land bank, and we are currently evaluating opportunities in Shanghai, Tianjin, Guilin, Chengdu and Wuhan. The Group is also looking to sell certain of its non-core properties where HKC has a minority stake, and to use the proceeds to invest in higher-yield properties.

With the growing demand for renewable energy resources, the Group will also be exploring the possibility of investing further in wind power stations in the PRC. We are currently testing wind conditions in Inner Mongolia. If test results prove positive, the Group plans to construct one of the largest wind farms in China there, with a total potential generation capacity of up to 1,500MW.

We are particularly excited about the potential for biodiesel. In January 2007, the Group signed a letter of intent with Sinar Mas and CNOOC Limited ("CNOOC") to develop one million hectares of land in Indonesia for the production of palm oil for biodiesel. With the world looking to increase its use of biofuels, we predict demand for biodiesel to become very strong.

We expect the China economy to keep growing and opportunities for development in the vibrant urban China environment to escalate. We have already proven our ability to negotiate prime land for development on excellent terms. Now, we look forward to continuing to provide shareholders with strong returns and stable growth as we take on significant premium development projects in the future.

王軍先生加盟管理層團隊，為本集團帶來處理中國業務的超凡經驗及往來關係

於二零零六年十二月，本集團深感榮幸能委任王軍先生出任名譽主席兼非執行董事。作為北京中信集團前主席，王先生為信譽昭著且備受認同之商業翹楚，於廣泛商業範疇內累積寶貴經驗，並曾涉足中國金融界、工業投資及服務行業。本集團深信，王先生於中國市場具備豐富經驗，且通曉當地情況，對本集團業務增長能錦上添花。憑藉王先生與本集團創辦人之一及自一九九九年起一直為本集團另一名名譽主席于鏡波先生之策略性指引及意見，本集團相信香港建設現正朝著更卓越成就及更盈滿業績之路邁進。

前景

鑑於中國經濟持續向好，加上政府現行經濟政策之推動，本集團計劃維持專注進軍中國市場之策略目標。本集團於中國物業、替代能源及基建各範疇之業務組合分佈平衡，表示本集團未來數年之前景一片秀麗。

管理層將其遠大視野、敏銳商業觸覺及龐大網絡揉合起來，以購入一系列優質物業供發展用途，當中包括於上海及天津甚具價值之策略地段。香港建設正藉著運用其網絡尋求進一步增加其土地儲備規模，目前正評估上海、天津、桂林、成都及武漢之商機。此外，本集團亦正致力尋求出售若干香港建設於當中擁有少數股權之非核心物業，所得款項將用以投資利潤較為可觀之物業。

隨著可循環再用能源資源之需求與日俱增，本集團亦將發掘進一步投資於中國風力發電站之可能性，而現時正測試內蒙古之風力狀況。倘測試結果良好，本集團計劃在該處興建中國其中一個最大規模之風力發電場，其潛在總產能高達1,500,000千瓦特。

本集團對生物柴油之發展潛力特別雀躍。於二零零七年一月，本集團與金光及中國海洋石油有限公司（「中國海洋石油」）簽署意向書，開發印尼一幅面積為1,000,000公頃之土地，作為提煉生物柴油而生產棕櫚油。因應全球皆增加使用生物燃料，本集團預期生物柴油之需求將大幅飆升。

本集團預期，中國經濟將繼續增長，而中國百業興旺，於當地發展業務之機會將不斷湧現。本集團已證明實力，能就發展之黃金地段磋商優厚條款。本集團現冀望，隨著日後承接重大優質發展項目，繼續向股東提供豐碩回報及穩健增長。