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*Mr. Yang Chunshu,
Chairman*

Statement from the Chairman

DIVIDENDS

No interim dividend was paid for the six months ended 30 June 2000 (1999 - nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2000 (1999 - nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 7 May 2001 to 14 May 2001 both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for attending the annual general meeting to be held on 14 May 2001, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong,

Central Registration Hong Kong Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 4 May 2001.

BUSINESS REVIEW AND PROSPECTS

Business Review

The Group turned around in 2000. After having sustained losses of approximately HK\$145,340,000, HK\$39,769,000 and HK\$9,892,000 in 1998, 1999 and the first half of 2000 respectively, the Group returned to profit of approximately HK\$1,439,000 for the entire year in 2000.

Whilst the turnover for the year ended 31 December 2000 of approximately HK\$240 million

Statement from the Chairman

is relatively lower than HK\$282 million in 1999, turnover of approximately HK\$73 million for the first six months in 2000 was increased significantly to approximately HK\$240 million by the end of the year due to increased business volume in the second half of 2000. Gross profit was significantly increased from approximately HK\$13.5 million in 1999 to approximately HK\$42.2 million in 2000, a healthy improvement largely due to strengthening in project management and material procurement control measures. Taking advantage of the keen competition in the building supplies market, the Group has been able to lower the material costs substantially. Furthermore, during the year, the expansion of the Group's production facilities in the Mainland as well as the reinforcement of the design capabilities there have contributed to a significant reduction in the costs of production and manpower. Accordingly, effective cost controls enabled the Group to lower the overall project costs and resulted in contingencies previously budgeted for the completion of certain projects being no longer needed.

The operating expenses for 1999 consist mainly of substantial provisions for doubtful debts and in respect of diminution in value of the Group's properties held for sale and the loss on disposal of the Group's factories in Yuen Long in the aggregate amount of HK\$9.45 million. The loss on disposal of the factories at Wah Shing Centre, Hong Kong as described below was approximately HK\$642,000 and no further material provisions were required for the year for doubtful debts and in respect of diminution in value of the rest of the Group's properties held for sale. This explains

the substantial reduction in other operating expenses from HK\$12.2 million in 1999 to HK\$5.3 million in 2000.

As announced on 19 July 2000, taking the first step in its diversification plan to broaden its earning base, the Group acquired at a cash consideration of approximately HK\$64.5 million from Speed Profit Enterprises Limited ("Speed Profit"), the then fellow subsidiary of the Company, a 31% interest (the "31% Acquisition") in Hangzhou Sealand Electric Power Company Limited ("Hangzhou Sealand"), which is principally engaged in the generation and sale of electricity and water steam for heating and hot water purposes to the factories in the regional industrial areas of Hangzhou in the Mainland. The 31% Acquisition, completed in September 2000, was able to generate a pre-tax profit contribution to the Group of approximately HK\$1.67 million for the year referred to as share of profit of an associate in the consolidated profit and loss account.

During the year, the Group secured new contracts with an aggregate value of approximately HK\$588 million. Major new contracts include the following:—

1. Proposed Commercial/Residential Development at K.I.L. 11055, Wan Hoi Street, Hunghom, Kowloon

Statement from the Chairman



Mr. Wang Xinyan, Deputy Chairman

2. Proposed Residential Development at Aldrich Bay Reclamation, S.K.W.I.L. 843, Hong Kong
3. Proposed Residential Development at No. 41C Stubbs Road, I.L. 8870, Hong Kong
4. Tung Chung Station Development - Package Two
5. Science Park, Pak Shek Kok, Phase 1a, New Territories
6. Proposed Commercial/Residential Development at K.I.L. 11086, Junction of Canton Road and Austin Road, Kowloon
7. Proposed Hotel Development at S.T.T.L. 461, Ma On Shan, New Territories

8. Beijing Zhong Shan Building, Beijing, PRC
9. Residential Development at I.L. 2425, Po Shan Road, Hong Kong

As at 31 December 2000, the Group's total value of contracts on hand amounted to approximately HK\$582 million. Majority of these contracts are to be completed in 2001 and 2002.

In short, 2000 marks a year of profound significance to the Group, both in terms of recovery from previous losses and the remarkable achievements in its diversification endeavours set out in this report.

Prospects

The overall economic conditions in Hong Kong showed sign of recovery during 2000 since the Asian financial crisis in 1997. However, the pace of economic recovery has been very slow and in the foreseeable future the building industry as a whole, including the building facade contracting works sector, continues to face difficult operating environment. Far East Aluminium Works Company Limited ("Far East Aluminium"), the principal operating subsidiary of the Company in building facade contracting works, suffered serious setbacks in both 1998 and 1999. The management in response to the changing market conditions has implemented effective measures to strengthen both project and cost management, enabling Far East Aluminium to turn around in 2000 and

Statement from the Chairman

emerge as an even more viable and reliable contractor in the marketplace. Amidst keen competition and little leeway in profit margin, Far East Aluminium continues to focus on maintaining its competitiveness in the market, further strengthening controls on project costs and delivering quality projects on time. With substantial contracts on hand and its well-established position in the market, Far East Aluminium is expected to make further contribution to the Group.

As set out above, the Group has accomplished a number of fund raising and diversification exercises in the past year and, accordingly, has successfully enlarged its capital base and widened its earning base. The directors believe that the steady, recurrent income to be generated from the investments and acquisitions set out in this report, particularly the 70% owned power plant of Hangzhou Sealand, will cushion the cyclic nature of the building facade business sector as may be affected by the volatile ups and downs of the construction industry so as to set a strong foundation for steady growth in the financial performance of the Group as a whole in the long run.

Looking ahead, the Group, whilst continuing to maintain and develop its existing business in building facade contracting works, remains firmly committed to the strategy of diversification into technology-related businesses. With strong backing from the parent company, China National Aero-Technology Import & Export Corporation, a conglomerate with aero-technology as its backbone and diversified interests in aero and



Mr. Shan Zumao, Deputy Chairman & Chief Executive Officer

non-aero trading and manufacturing, and other high-value-added investments, the Group, in its long-term development, will be endeavouring to explore and capitalize on suitable investment opportunities, thereby enabling it to develop into an aero-technology based diversified enterprise and adding value to the shareholders of the Company.

APPRECIATION

I would like to take this opportunity to express my appreciation to my fellow directors and all our staff for their support, hard work and dedication over the past year.

By Order of the Board

Yang Chunshu

Chairman

Hong Kong, 28 March 2001