

## BUSINESS REVIEW

In Year 2000 the Company and its subsidiaries (collectively the “Group”) has achieved improvement in operations, especially in infrastructure and property business. Nonetheless, Hong Kong Construction (Holdings) Limited (“HK Construction”), an associate of the Group, incurred a significant loss and drew the Group’s bottom line into red.

In Year 2000 the Group had a turnover of HKD470 million, a decrease of HKD166 million from that of 1999, and recorded a consolidated loss of HKD947 million, compared with the loss of HKD888 million in 1999. Infrastructure investments recorded a profit of HKD120 million, compared with HKD38 million in 1999; property development and investment recorded a profit of HKD5 million, compared with the loss of HKD37 million in 1999. The Group’s share of Everbright Timber Industry (Shenzhen) Company Limited’s (“SETI”) operating loss and various provisions amounted to a loss of HKD20 million, significantly reduced from the loss of HKD347 million in 1999. The Group’s share of HK Construction’s operating loss and various provisions amounted to HKD426 million, compared with the loss of HKD453 million in 1999. Meanwhile, to be cautious and taking into account uncertainties over HK Construction, the Board of Directors made a provision of HKD543 million.

The Group delightedly witnessed an improvement in operation effectiveness after restructuring current portfolio of business and the enhancement of operational, financial, and risk management. In Year 2000 the Group had a gross profit of HKD53 million, compared with HKD18 million in 1999, and a 267% gross profit margin improvement to 11% from 3% in 1999. Other income was HKD59 million, an increase of HKD26 million from HKD33 million in 1999, mainly due to the profits on the disposal of Xiazhang Toll Road; distribution expense was HKD17 million, a decrease of HKD9 million or 35% from that of 1999. Administration expense had a reduction of 34% or HKD19 million from that of 1999. The Group recorded a profit from operations of HKD33 million in Year 2000, compared with a loss of HKD124 million in Year 1999.

## 業務狀況

二零零零年本公司及其附屬公司（統稱「本集團」）在業務經營上取得了進步，尤其在基建及物業方面。儘管如此，本集團的聯營公司即香港建設（控股）有限公司（「香港建設」）再次出現嚴重虧損，使本集團綜合經營成果出現虧損。

本集團二零零零年度營業額為港幣4.7億元，比去年下降了港幣1.66億元；並錄得綜合虧損為港幣9.47億元，比較一九九九年錄得的港幣8.88億元虧損。其中基建盈利合共港幣1.2億元，比較一九九九年錄得的港幣38百萬元盈利；物業發展和投資盈利港幣5百萬元，比較一九九九年錄得的港幣37百萬元虧損；本集團應佔光大木材工業（深圳）有限公司（「光大木材」）的經營虧損和各項撥備較去年顯著減少，錄得港幣20百萬元，比較一九九九年錄得的港幣3.47億元虧損。本集團應佔香港建設經營虧損和各項撥備港幣4.26億元，比較一九九九年應佔的港幣4.53億元虧損；同時，董事會以審慎原則出發，考慮到香港建設仍有一些不確定因素，從而做出撥備準備港幣5.43億元。

隨著資產架構的調整和企業內部經營管理、財務管理、風險控制機制的加強，本集團的經營效益和業績已逐漸開始體現。本年本集團毛利為港幣53百萬元，相比一九九九年港幣18百萬元。毛利率由一九九九年的3%增加至11%，增長267%；其他收入為港幣59百萬元，比一九九九年港幣33百萬元增加了港幣26百萬元，主要為出售廈漳公路收益。分銷成本為港幣17百萬元，亦比去年下降了港幣9百萬元，比一九九九年減少了35%；行政費用亦比一九九九年減少了港幣19百萬元，下降了34%；本集團在二零零零年錄得經營盈利港幣33百萬元，相比一九九九年經營虧損港幣1.24億元。

## HK CONSTRUCTION

HK Construction reported a loss of HKD1,153 million of which HKD314 million is operating loss, HK\$294 million is finance costs, and HKD564 million represents its share of loss of associates and jointly controlled entities, losses on revaluation of assets, projects, and provisions for associates. The Group's share of the loss amounted to HKD426 million, without which and the provision for HK Construction of HKD543 million, the Group could have had a profit before tax of HKD15 million in 2000.

HK Construction has since 1998 embarked on a business restructuring to focus on its core construction business. The process involves the disposal of non-core assets, one of which is a large investment in the Yangpu power plant in Hainan province. On 29 November 2000, KPMG Corporate Finance was appointed to review the company's financial and trading position and assist in negotiation for a standstill agreement with its banks and note-holding creditors.

HK Construction had in hand many valuable construction contracts at the end of 2000, including two government contracts for the construction of five schools in the territory, one government joint venture contract for Penny's Bay reclamation stage I, three West Rail projects, the widening of Tolo Highway, improvement works at Tuen Mun Wong Chu Road, design and construction of Shatin Government Offices, Island Harbourview development at Olympic Station, Polytechnic University phase VI development, residential development at 41C Stubbs Road, the Qingzhou Min River Bridge in Fuzhou, and a Chinese government joint venture contract for main construction of the National Grand Theatre in Beijing. The directors of HK Construction are confident all projects will be completed; provisions have been made for those where losses may be incurred due to delays.

The Group has announced that since mid-February 2001, discussion has taken place between the Group and an independent third party, an unlisted state-owned enterprise in PRC and a subsidiary of which is listed on the stock exchange of Shanghai, in relation to a possible acquisition by such an independent third party of certain shareholding interest in HK Construction. The discussion is still in progress.

## 香港建設

香港建設錄得港幣**11.53**億元的虧損，其中港幣**3.14**億元為經營虧損，港幣**2.94**億元為財務費用，港幣**5.64**億元為應佔聯營公司及合營公司的虧損、重估資產、項目的撥備及聯營公司的減值準備。本集團應佔香港建設虧損為港幣**4.26**億元；若不計此項虧損及本集團對香港建設的減值準備港幣**5.43**億元，本集團其餘業務總體稅前盈利為港幣**15**百萬元。

該公司自一九九八年開始業務重組，以期集中發展核心的建築業務。重組工作涉及非核心資產的轉讓，其中包括海南洋浦電廠這項大型投資的出售。二零零零年十一月二十九日，集團委任畢馬威會計師事務所調研集團的財務及貿易狀況，並協助集團與銀行及票據債權人商議暫緩還款安排。

至二零零零年底該公司手頭具有許多有價值的建築合約，包括本港五所學校的兩項政府合約、竹篙灣一期填海工程的一項政府合約、三項西鐵工程、吐露港公路拓寬工程、屯門黃珠路改善工程、沙田政府合署之設計及建造、奧運站維港灣商住項目發展、理工大學第六期發展、司徒拔道**41**號C住宅項目發展、位於福州的青洲閩江大橋的建設、以及中國政府批出的總承包北京國家大劇院的合營合約。該公司董事有信心完成所有工程，對於可能由於工程延誤造成的虧損已作出相應撥備。

本集團已公告自二零零一年二月中起本集團與獨立第三者（一家於中華人民共和國非上市的國有企業，但其一子公司為上海聯合交易所上市）洽商有關由該獨立第三者收購香港建設部份股權權益的可能性。該洽商仍在進行當中。

## TIMBER BUSINESS

Even though the competition for timber products was fierce, the Group managed an operating loss substantially lower than the year before. SETI recorded a loss of HKD26 million in 2000, a significant reduction from the loss of HKD173 million in 1999. The loss included an operating loss of HKD18 million and an inventory provision of HKD8 million.

Sales dropped 27% to HKD455 million compared with HKD621 million in 1999, mainly due to a shift to sophisticated timber products from simple timber commodities without competitive advantages. Despite a decreased sale in 2000, gross profit margin had improved to 8% from 2% in 1999.

The management however has reassessed its business strategy and is developing oversea markets, possible strategic alliances, and new business models. The manufacturing unit has developed new products and implemented further cost control measures. The management also intends to restructure timber assets and develop the related business of sustainable use of natural resources.

## INFRASTRUCTURE INVESTMENT

Shenzhen Mawan Power Co. Ltd had an excellent year and generated 3.32 billion kilowatt hour of electricity in 2000. Turnover was HKD1.8 billion, and profit after tax (after adjustments made in accordance with accounting principles generally accepted in Hong Kong) was HKD503 million, an increase of HKD240 million or 91% over 1999. The Group's share of profit was HKD75 million.

In connection with Fuzhou Qingzhou Bridge project the Group recorded a profit of HKD13 million compared to a loss of HKD17 million last year. The bridge will be complete by the end of 2001. Related construction of Fuzhou Airport Expressway was halted last year and necessary provisions were then booked.

## 木材業務

儘管木材市場競爭激烈，本集團有關業務的虧損較去年顯著減少。光大木材在二零零零年出現港幣26百萬元的虧損，較一九九九年港幣1.73億元的虧損顯著減少。其中經營虧損和存貨撥備分別為港幣18百萬元和港幣8百萬元。

銷售收入與去年相比減少了27%，為港幣4.55億元，一九九九年為港幣6.21億元，主要由於產品發生變化，減產或停產技術含量低、無競爭優勢的大路商品，轉而研發和生產技術要求高的木材產品。在二零零零年，儘管銷售收入減少了，毛利率卻從一九九九年的2%上升為二零零零年的8%。

管理層對有關發展戰略作了進一步的評估，將會致力開拓海外市場，建立策略聯盟，創新商業模式。生產部門發展了新產品和執行了進一步的成本控制措施。管理層還準備將木材資產進一步重組，並開拓相關的自然資源可持續利用的產業領域。

## 基建投資

深圳媽灣電力有限公司經營良好，在二零零零年提供33.2億千瓦小時的電力。其營業額為港幣18億元，較一九九九年上升20%；按香港公認會計準則調整後全年稅後利潤為港幣5.03億元，較一九九九年增加港幣2.40億元，上升91%；本集團錄得股東應佔盈利港幣75百萬元。

本集團就福州青洲大橋出現港幣13百萬元的利潤，而去年則虧損港幣17百萬元。大橋工程將於二零零一年底完工。相關公路工程即福州機場專用公路已於去年停工並作了相應撥備。

**INFRASTRUCTURE INVESTMENT (Continued)**

The Group disposed of its interest in Xiamen Xiazhang Toll Road during the year for HKD250 million, the sale proceed has been received in Hong Kong dollars, and a gain of HKD54 million was recorded. The sale has considerably strengthened the cash position of the Group.

**PROPERTY DEVELOPMENT AND INVESTMENT**

Sino Villa Holdings Ltd. holds a four-storey commercial property in Shenzhen Zhongshan Garden and generates a steady annual rental income and cash flow for the Group. The approximate area of 14,900 square meters were leased to Wal-Mart Department Store, Park'N Shop, McDonald's Restaurant and a domestic airline ticketing office. The property's car parking space was sold back to China Everbright Holdings Company Ltd., the ultimate holding company, since relevant ownership registration certificate could not be obtained from the government.

Shanghai Kerry Everbright City, of which the Group owns 25%, comprised two office towers and a shopping mall. Gross floor area sold remains the same as last year, i.e. 7.65% in Tower I and 30.17% in Tower II. Leased floor area has improved to 80% in Tower I and 42% in Tower II, from 67.15% and 32.81% respectively in 1999. It appeared that property market in Shanghai has begun to rebound slowly following China's imminent entry into World Trade Organisation ("WTO").

Shanghai Trade Square & International Apartments, of which the Group owns 15%, demonstrated operating results similar as that of 1999. At Shanghai Trade Square the leased or sold gross floor area for office was 96% (1999: 86%) and for retail shops sold or leased gross floor area was 100%, same as 1999. As for International Apartments the lease or sold gross floor area for apartments was 99%, same as 1999, and for retail shop it was 40% (1999: 97%).

**基建投資 (續)**

在二零零零年本集團將廈門廈漳公路作價港幣2.5億元出售，資金已全部以港幣收妥，其中取得了港幣54百萬元的盈利。是項交易大幅改善了本集團的現金狀況。

**物業發展及投資**

**Sino Villa Holdings Limited**持有位於深圳中山花園的四層商業樓宇，其給本集團帶來穩定的租金收入和現金流量。目前約**14,900**平方米的面積分別租賃給沃爾瑪、百佳、麥當勞、和一家國內航空公司的售票處。有關物業的停車場由於未能取得產權證書，已被售還與中國光大集團有限公司。

本集團擁有上海嘉里不夜城的**25%**股權，其包括兩座辦公樓宇及一座商業廣場。在二零零零年辦公樓宇已售面積與去年一樣，即第**1**座有**7.65%**，第**2**座有**30.17%**已售；出租面積則有所增加，第**1**座自一九九九年的**67.15%**上升到**80%**，第**2**座則由一九九九年的**32.81%**上升為**42%**。隨著中國即將加入世界貿易組織（「世貿」），上海物業市場看來正在緩慢復甦。

本集團擁有**15%**股權的上海商貿大廈及國際公寓業務狀況與一九九九年類似。在上海商貿大廈辦公樓宇已售或已租面積為**96%**（一九九九年為**86%**），商舖已售或已租面積為**100%**，與一九九九年一樣。在國際公寓方面，公寓已售或已租面積與一九九九年一樣為**99%**，商舖已售或已租面積則為**40%**（一九九九年為**97%**）。

## BUSINESS PROSPECT

Looking into the future, the Group will continue to restructure current portfolio of business, increase operation effectiveness, enhance corporate governance, improve business and management models, and formulate standard investment appraisal and decision-making procedures. Meanwhile, the Group will be watchful for worldwide economic changes and China's imminent entry into WTO, make full use of its own advantages including a leading position in the timber industry and abundant experience in infrastructure investments, to penetrate into the related business of sustainable use of natural resources and urban environmental infrastructure. The Group will gradually build a portfolio of core business and strive to develop into a successful conglomerate with world class competency in green and environment business.

## FINANCIAL POSITION

As at 31 December 2000, the Group's consolidated net assets were approximately HKD950 million, representing a decrease of 47% as compared to those at 31 December 1999. The consolidated net asset value per share was about HKD0.37 at the end of 2000. Total bank loans were 70% of the shareholders' funds and 27% of total assets, compared to 37% and 21% respectively last year.

## CONTINGENT LIABILITIES

At 31 December 2000, guarantee given to banks by the Group in respect of banking facilities extended by banks to third parties amounting to HK\$54 million (1999: HK\$80 million). On the other hand, the Group was guaranteed by the third parties in respect of banking facilities amounting to HK\$47 million (1999: HK\$56 million).

## 業務展望

展望未來，本集團仍將繼續資產架構的調整和深化內部經營管理的效益，並在完善公司治理結構、優化業務及管理模式、建立規範化的投資評估及決策程序的同時，密切關注世界經濟的變化和中國加入世貿的巨大商機，充份揮本集團之各種優勢，包括在木材行業的領先地位及基建投資方面之豐富經驗，契機進入相關的自然資源可持續利用和綠色環保產業以及相關的基礎設施，逐步突出核心主業，將本集團致力發展成為一家在相關行業具有競爭力的產業集團。

## 財務狀況

於二零零零年十二月三十一日，本集團綜合資產淨值約為港幣9.5億元，與一九九九年十二月三十一日比較，下跌47%，主要由於本年度的虧損及撥備準備。於二零零零年年結日，每股綜合資產淨值約為港幣0.37元。銀行借貸總額分別為股東權益總額之70%及為資產總額之27%，比較去年同期之37%及21%。

## 或有負債

於二零零零年十二月三十一日，本集團就銀行給予第三方之銀行融資向銀行作出港幣54百萬元（一九九九年：港幣80百萬元）之擔保。另一方面，第三方就本集團金額達港幣47百萬元（一九九九年：港幣56百萬元）之銀行融資向銀行作出擔保。

## PLEDGE OF ASSETS

At 31 December 2000, the Group pledged listed, unlisted investment and fixed assets with an aggregate net book value of approximately HK\$1,027 million (1999: HK\$1,809 million) to secure general banking facilities granted to the Group.

By Order of the Board  
**Zhu Yanlan**  
*Chief Executive Officer*

Hong Kong, 25 May 2001

## 資產抵押

於二零零零年十二月三十一日，本集團將總賬面淨值約港幣**10.27**億元（一九九九年：港幣**18.09**億元）之上市及非上市投資及固定資產作為本集團之一般銀行融資之抵押品。

承董事會命  
**朱妍蘭**  
行政總裁

香港，二零零一年五月二十五日