

BUSINESS REVIEW

During the year under review, the Company and its subsidiaries (collectively, the "Group") earned brilliant achievements in its asset restructuring exercise and started to establish its new business capability. The Group successfully resulted in a profit in 2001, with consolidated profit of HK\$2,992,000, reversing a loss of HK\$947,386,000 in 2000. The Group's operating results were significantly improved, mainly attributable to the gain of HK\$123,028,000 from the disposal of 117,000,000 shares in Hong Kong Construction (Holdings) Limited ("HK Construction"), and the write-back of the provision of HK\$36,927,000 on its remaining 10% interest in HK Construction.

The Group's audited consolidated turnover was HK\$296,358,000, which was 37% lower than last year's HK\$469,692,000, attributable to the slowing economy and the price competition in the timber industry during the year. Gross profit for the year reached HK\$55,821,000, an increase of HK\$2,860,000, or 5%, over last year's HK\$52,961,000. The growth in gross profit is mainly due to the strict cost-control and adjustment of product mix.

HONG KONG CONSTRUCTION

On 15 June 2001, the Group entered into a conditional agreement with Shanghai Construction (Group) General Corporation, a state-owned enterprise established under the laws of the PRC, in relation to the disposal of 114,000,000 shares in HK Construction, representing approximately 22.45% of its issued share capital for a cash consideration of HK\$189,240,000. On 20 June 2001, the Group further sold 3,000,000 shares in HK Construction to Vickers Ballas Hong Kong Limited for a cash consideration of HK\$3,570,000. The Group made a disposal gain of HK\$123,028,000 in these two transactions and wrote back a provision of HK\$36,927,000 for its remaining interests in HK Construction. After netting the Group's share of loss and taxation in HK Construction amounting to HK\$95,235,000, this investment project recorded a net gain of HK\$64,720,000 for the year. The Group will continue to hold the remaining 10% interest in HK Construction on a continuing basis with strategic reasons.

經營業績

回顧去年，本公司及其附屬公司（統稱「本集團」）卓有成效地調整了資產結構，並開始著手建立新的業務能力。本集團在二零零一年度錄得綜合盈利港幣2,992,000元，比較二零零零年的虧損港幣947,386,000元，成功地實現扭虧為盈。本集團的經營業績得以大幅改善，主要是由於出售117,000,000股香港建設（控股）有限公司（「香港建設」）股份錄得港幣123,028,000元的利潤和撥回餘下持有10%香港建設股份的港幣36,927,000元權益撥備。

本年度本集團之經審核綜合營業額為港幣296,358,000元，較去年之港幣469,692,000元減少，減幅為37%。營業額減少主要由於年內全球經濟放緩及國內木材行業價格競爭激烈。本年度之毛利為港幣55,821,000元，較去年之港幣52,961,000元增加港幣2,860,000元，增幅為5%，毛利增加乃由於加強控制成本及調整產品組合所產生的效益。

香港建設

於二零零一年六月十五日，本集團與上海建工（集團）總公司（根據中國法律成立之國有企業）就出售114,000,000股香港建設股份（佔其已發行股本約22.45%）而訂立一項有條件協議，現金代價為港幣189,240,000元。於二零零一年六月二十日，本集團再行出售3,000,000股香港建設股份予唯高達香港有限公司，現金代價為港幣3,570,000元。通過上述兩宗交易，本集團錄得港幣123,028,000元的出售收益及撥回港幣36,927,000元權益撥備。扣減本年度應佔香港建設虧損及稅項之港幣95,235,000元，本年度此投資項目共錄得淨收益港幣64,720,000元。本集團將繼續持有餘下10%的香港建設股份作為長期策略性投資。

TIMBER BUSINESS

In 2001, China's timber industry suffered severe price competition intensified by the global economic slow down. As a result, the operating environment of the timber business had not improved fundamentally. The Group's timber business recorded a loss attributable to equity owners of HK\$48,895,000 for 2001, representing an increase from a loss attributable to equity owners of HK\$26,472,000 in 2000. A provision of approximately HK\$18,983,000 has also been made prudently on fixed assets which have been non-performing for several years.

Facing the competitive operating environment, the Group will further revise the timber operation's business strategies and adjust the product mix to mitigate the negative impact. In the meantime, the Group has implemented various cost control measures including the use of more cost-effective materials and reduction of head count in order to maintain its competitiveness. The management will monitor the market closely and explore opportunities to restructure the timber assets to achieve better returns for shareholders.

INFRASTRUCTURE INVESTMENT

Shenzhen Mawan Power Company Limited ("Mawan Power") continued to contribute profits to the Group. It had generated 3.9 billion kilowatt-hour of electricity in 2001. The turnover of Mawan Power was HK\$1,808,153,000, similar to that of 2000. The Group's share of Mawan Power's profit after taxation was HK\$67,542,000, compared with HK\$75,420,000 in 2000.

The construction of the Fuzhou Qingzhou Bridge has progressed well. The main structure of the bridge has been completed and the bridge is expected to link up with the express motorway and commence operation by the end of 2002. In 2001, the Group shared a profit of HK\$11,276,000 in the project, a decrease of HK\$1,900,000 over the profit of HK\$13,176,000 in 2000. The management believes that the project will bring satisfactory returns to the Group after it commences traffic.

木材業務

二零零一年，全球經濟放緩，中國木材市場出現激烈的價格競爭，本集團木材業務經營環境仍未得到根本改善，全年錄得股東應佔虧損港幣48,895,000元，比較二零零零年的股東應佔虧損港幣26,472,000元有所增加。由於若干固定資產已持續數年未能提供理想效益，故本集團審慎地就此作出港幣18,983,000元的撥備。

面對競爭激烈的經營環境，本集團將進一步重整木材業務策略，並調整其產品組合，以緩和木材業務所承受之負面影響。與此同時，本集團亦實行多項成本控制措施，包括使用更具成本效益的材料及減少人手，以維持競爭力。管理層將密切留意市場情況，並物色良機重組木材資產，為股東帶來良好的回報。

基建投資

深圳媽灣電力有限公司（「媽灣電廠」）經營良好，在二零零一年提供39億千瓦小時的電力。其營業額為港幣1,808,153,000元，與二零零零年相若；本集團錄得應佔媽灣電廠除稅後盈利港幣67,542,000元，而二零零零年的應佔媽灣電廠盈利則為港幣75,420,000元。

福州青洲大橋的建造工程進度理想，主體結構工程已經完工，預計在二零零二年底前可以和高速公路連接通車。在二零零一年，本集團在此項目上錄得港幣11,276,000元盈利，較二零零零年的港幣13,176,000元盈利減少港幣1,900,000元。管理層相信此項目於通車後可為本集團帶來理想回報。

PROPERTY INVESTMENT

Sino Villa Holdings Limited holds a four-storey commercial property in Shenzhen Zhongshan Garden which provides a steady rental income and cash flow to the Group. At present, approximately 14,900 square meters were leased out to Wal-Mart Department Store, Park'N Shop and McDonald Restaurant. The property's car parking spaces were sold back to China Everbright Holdings Company Limited, the Company's ultimate holding company, as previously agreed since the relevant ownership registration certificate could not be obtained from the government. The transaction constituted a connected transaction as defined by the Rules Governing the Listing of Securities ("Listing Rules") issued by the Stock Exchange of Hong Kong Limited and was announced by way of a press announcement by the Company on 15 March 2001.

The Group owns 25% interest in Shanghai Kerry Everbright City, which comprises two office towers and a shopping mall. Due to the improving property market in Shanghai during the year, the overall sold gross floor area was increased. The sold gross floor area of Tower I was 8% which was the same as last year. The sold gross floor area of Tower II increased to 88% from 30% in last year. Increase in sold gross floor area correspondingly reduced the leased area. The leased area in Tower I decreased to 76% from 80% in last year while Tower II fell to 4% from 42% in last year. The Shanghai property market is poised to grow prosperously following China's entry into the World Trade Organization.

Shanghai Trade Square & International Apartments, of which the Group owns a 15% stake, had operating conditions similar to that of 2000. At the Shanghai Trade Square, the leased or sold gross floor area for offices was 95% as compared to 97% for 2000. As for the retail shops, the leased or sold gross floor area was 100%, the same as 2000. At the International Apartment, the leased or sold gross floor area for apartments increased from 99% for 2000 to 100% while for retail shops it rose to 93% from 40%.

物業投資

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、百佳和麥當勞。有關物業的停車場由於未能取得產權證書，已根據以前的約定由本公司之最終控股公司中國光大集團有限公司回購。有關交易構成一項關連交易（定義見香港聯合交易所證券上市規則（「上市規則」））及本集團已於二零零一年三月十五日透過報章予以公布。

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。由於年內上海物業市場之情況有所改善，故此本年度的辦公樓宇已售面積較去年增加，其中第一座有8%與去年相若，第二座則由去年之30%上升至88%。由於已售面積增加，出租面積則相應減少，第一座自二零零零年的80%減少至76%，第二座則由二零零零年的42%減少至4%。隨著中國即將加入世界貿易組織，上海物業市場看來正在走向繁榮。

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二零零零年相若。上海商貿大廈之辦公樓宇已售及已租總面積為95%，二零零零年則為97%；商舖已售及已租總面積為100%，與去年相若。在國際公寓方面，公寓已售及已租總面積由二零零零年之99%增加至100%，商舖已售及已租總面積則由40%增加至93%。

FINANCIAL POSITION

As at 31 December 2001, the Group had total assets of approximately HK\$2,403,399,000. The net assets were HK\$982,271,000 and the net assets per share were HK\$0.39. As at 31 December 2001, the gearing ratio, calculated by dividing the total liabilities by the total assets, was 0.59.

The Group generally finances its operations with internally generated cash flow and loan facilities from banks and from its ultimate holding company. As at 31 December 2001, the Group had total outstanding borrowings of approximately HK\$1,291,358,000, comprising secured bank loans of HK\$113,747,000, unsecured bank loans of HK\$329,039,000, other loans of HK\$123,469,000 and loans from ultimate holding company of HK\$725,103,000. With respect to foreign exchange exposure, the risk is rather low as all of the Group's foreign currency assets and borrowings are denominated in Renminbi and US dollars which are relatively stable against the Hong Kong dollar. The impact of exchange rate fluctuations of these currencies is relatively insignificant to the Group.

PLEDGE OF ASSETS

As at 31 December 2001, the Group pledged unlisted investments and fixed assets with an aggregate net book value of approximately HK\$814,398,000 (2000: HK\$1,027,000,000) to secure general banking facilities granted to the Group.

財務狀況

於二零零一年十二月三十一日，本集團之總資產約為港幣2,403,399,000元。淨資產則為港幣982,271,000元，而每股資產淨值為港幣0.39元。於二零零一年十二月三十一日，資產負債比率為0.59，其以總負債除以總資產計算所得。

本集團基本以其內部現金流量及其往來銀行與最終控股公司提供之貸款為其業務提供資金。於二零零一年十二月三十一日，本集團尚未償還借款總額約為港幣1,291,358,000元，其中包括有抵押銀行貸款港幣113,747,000元，無抵押銀行貸款港幣329,039,000元，其他貸款港幣123,469,000元及最終控股公司貸款港幣725,103,000元。就外匯風險而言，由於本集團所有的外幣資產及借款均以人民幣及美元為單位，兩者兌換港幣相對穩定，故面對之風險較微。對本集團而言，此等貨幣之匯率波動影響相對較輕。

資產抵押

於二零零一年十二月三十一日，本集團將總賬面淨值約港幣814,398,000元（二零零零年：港幣1,027,000,000元）之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。

CONTINGENT LIABILITIES

As at 31 December 2001, there were contingent liabilities in respect of the following:

- (a) Guarantees given to banks by the Company in respect of banking facilities extended to a wholly owned subsidiary of the Company amounting to HK\$38,000,000 (2000: HK\$38,000,000).
- (b) Guarantees given to banks by the Company in respect of its 25% share for banking facilities extended by banks to an associate amounting to HK\$88,979,000 (2000: HK\$95,621,000).

EMPLOYEES AND REMUNERATION

As at 31 December 2001, the Group had a total of approximately 2,200 employees located in Hong Kong and the PRC. Employees are remunerated according to qualification and experience, job nature and performance, as well as market conditions. Apart from discretionary performance bonus, the Group also provides other benefits such as medical insurance cover and provident fund scheme to the employees in Hong Kong. The Group has also adopted a share option scheme on 30 September 1993 under which the directors of the Company, subject to the compliance of the Listing Rules, are authorized to grant share options to any employees including directors as incentives. There were no share option granted to any employee and director during the year.

AUDIT COMMITTEE

The Company has established an audit committee comprising of three independent non-executive directors. The audit committee has reviewed with the management the accounting principles and practice adopted by the Group and discussed internal controls and financial reporting matters including a full review of the audited financial statements for the year ended 31 December 2001.

或有負債

於二零零一年十二月三十一日，或有負債如下：

- (a) 本公司就銀行給予一間全資附屬公司之銀行融資向銀行作出港幣38,000,000元（二零零零年：港幣38,000,000元）之擔保。
- (b) 本公司就銀行給予其聯營公司之銀行貸款額向銀行作出其應佔25%之擔保為港幣88,979,000元（二零零零年：港幣95,621,000元）。

僱員薪酬

於二零零一年十二月三十一日，本集團在香港及中國合共僱用了約2,200名員工。僱員之薪酬乃根據資歷、經驗、工作性質、表現以及市場情況計算釐定。除了酌情花紅外，本集團亦提供其他福利予香港僱員，例如醫療保險及公積金計劃。此外，本集團亦於一九九三年九月三十日採納了優先認股權計劃，據此，本公司董事獲授權根據上市規則酌情授出優先認股權予任何僱員（包括董事）作為獎勵。年內，並無授出任何優先認股權予任何僱員或董事。

審核委員會

本公司經已成立審核委員會，其由三名獨立非執行董事組成。審核委員會已與管理層一起審閱本集團所採納之會計原則及慣例，並討論內部控制及財務申報事宜，包括全面審閱截至二零零一年十二月三十一日止年度之經審核財務報表。

BUSINESS OUTLOOK

Looking ahead, the Group will make further adjustments to its asset structure, and enhance its capability to nurture and develop new businesses. At the end of 2001, the Group signed a letter of intent on strategic co-operation with a world renowned environmental technology services company. The Group is now seeking suitable co-operation projects in the green environmental protection industry, with the aim to nurture and develop relevant projects to build up the Group's sustained competitiveness. It is envisaged that the Group will establish a good reputation in its chosen area of strategic development. Equipped with clear development strategies and a fine management team, the Group will further highlight its core business and develop into a competitive business group in the environmental sector.

Chen Xiaoping

Chief Executive Officer

Hong Kong, 24 April 2002

業務展望

展望未來，本集團將進一步調整資產結構，加大培育和拓展新的業務發展能力。在二零零一年年底，本集團與一家在世界環保領域享有盛譽的技術服務公司簽署了戰略合作意向書。本集團會繼續物色及挑選合適的綠色環保領域項目，通過培養和發展相關項目培育本集團的持續競爭力，預計在不遠的將來，能在本集團確定的戰略發展領域建立起良好的品牌聲譽。在具有明確的發展戰略和良好的管理團隊的基礎上，本集團將進一步突出核心業務，發展成為一家在綠色環保產業領域具有競爭力的產業集團。

陳小平

行政總裁

香港，二零零二年四月二十四日