

CHAIRMAN'S STATEMENT

主席報告書



Mr Shi Liwen, *Chairman*
主席·石禮文先生

FINANCIAL REVIEW AND ANALYSIS

Results

The Group's turnover amounted to \$1.833 billion, representing a decrease of 3% over last year. The Group reported a gross loss for the year of \$116.5 million compared to \$257.3 million for the previous year mainly arising from the additional provision for foreseeable losses of two construction contracts as a result of possible further delay in the work progress. Loss from operations for the year was \$293.9 million compared to \$313.7 million for the previous year. Finance costs for the year was \$217.8 million, a reduction of 26% from the previous year as a result of the reduction in interest rates. A discount of \$123.4 million arose from the auction of bank loans and the floating rate notes ("FRNs"). There was a deficit on revaluation of investment properties of \$76.4 million and the share of losses, impairment losses and revaluation deficits of properties of associates totalled \$324.9 million compared to \$451.6 million for the previous year.

Consequently, the Group reported a consolidated net loss attributable to shareholders of \$836.1 million for the year ended 31st December, 2001. This compares with a loss of \$1.152 billion for the previous year. Loss per share decreased to \$1.51 from \$2.27 in 2000.

財務檢討及分析

業績

年度集團營業額為18.33億元，較上年度減少3%。本集團本年度毛損為1.165億元，而去年的毛損則為2.573億元。毛損的主要原因是由於兩項建築工程有可能進一步延誤而產生的工程虧損而作出額外準備。本年度經營虧損為2.939億元，而去年則為3.137億元。由於利率下跌，本年度融資成本較上年度下跌26%，為2.178億元。銀行貸款及浮息票據拍賣折讓為1.234億元。投資物業重估虧蝕為0.764億元；應佔聯營公司虧損、耗蝕虧損和重估虧蝕合共3.249億元，去年則為4.516億元。

因此，本集團截至二零零一年十二月三十一日止年度的股東應佔虧損淨額為8.361億元，而去年的虧損則為11.52億元。每股虧損由去年之2.27元減少至虧損1.51元。



CHAIRMAN'S STATEMENT *(continued)* 主席報告書 (續)

Debt Restructuring

At the end of 2000, the Group faced liquidity problems and failed to repay its loans when they were due. This included an aggregate indebtedness of \$1.9 billion to its bank creditors in Hong Kong and the FRNs of US\$37 million due for repayment on 13th December, 2000. The Group immediately appointed KPMG Financial Advisory Services as financial adviser for its debt restructuring scheme.

In May, 2001, the Company signed a "Buy-out, Repayment and Release Deed" with a group of banks whose lending to the Company was secured by the Company's construction contracts. The Release Deed enabled the Company to have direct access to progress monies received from all construction contracts.

In June, the Company executed a standstill letter with its bank creditors in Hong Kong and the holders of the FRNs to formalise the informal standstill arrangement to grant a grace period (up to 15th January, 2002) for the Company to negotiate and agree with the participating banks on debt restructure plan which will set out the terms of repayment and interest rates for the loans under restructure. This represents the initial phase of the restructuring scheme. Pursuant to the terms of the standstill letter, the Company is required to ensure the execution and delivery by each of the obligors of a debenture granting fixed and floating charges over their respective assets.

On 30th November, 2001, the Company held a debt auction at which it invited its bank creditors in Hong Kong and the holders of the FRNs to tender for a discounted payment in settlement of the indebtedness owing to them by the Group. As a result of the auction, \$176.2 million of its indebtedness had been satisfied by the payment of \$52.8 million. This represented a discount of \$123.4 million on the full amount.

債務重組

集團於二零零零年底出現資金問題，無法償還到期的貸款，包括當時尚欠香港的債權銀行的債務總額約為19億元，及原須於二零零零年十二月十三日到期償還的為數37,000,000美元的浮息票據本金結餘。集團即時委任畢馬威財務諮詢服務作為財務顧問著手展開債務重組的方案。

於二零零一年五月，本公司與借款予本公司而款項由本公司建築合約作抵押之多家銀行簽訂「全部購入、清償及解除契約」。該份解除契約讓公司得以直接收取所有建築合約之進度款項。

同年六月，本公司與香港的債權銀行與浮息票據持有人簽訂暫緩還款通知書，正式確立非正式暫緩還款安排，以便公司有時間（限期為二零零二年一月十五日）與參與訂約之銀行磋商及議定財務重組計劃，該計劃將定出有關重組貸款之還款條款及利率；此乃公司之重組方案的初期階段。根據暫緩還款通知書的規定，本公司必須達成由各債務人訂立以彼等之資產提供固定及浮動抵押之債券，正式暫緩還款安排始告生效。

本公司於二零零一年十一月三十日進行債務拍賣，邀請其香港的債權銀行和浮息票據持有人投標，以折讓付款方式清償集團尚欠之債務。於債務拍賣後，集團尚欠之債務其中176,200,000元因在支付52,800,000元後得以清償，較全數金額折讓為123,400,000元。

CHAIRMAN'S STATEMENT *(continued)*

主席報告書 (續)

Following the debt auction and pursuant to the requirements of the standstill letter signed in June, the Group on 3rd December, 2001 executed a debenture under which it charged all of its assets and properties by way of fixed and floating charges in favour of the bank creditors in Hong Kong and the holders of the FRNs for the purpose of securing its remaining indebtedness of \$1.85 billion.

The Company and the bank creditors are currently in active negotiations to finalise the terms of the proposed restructuring of its financial obligations. The negotiations between both parties on the repayment arrangement of the indebtedness over the next five years have reached the final stage. The term sheet is close to being finalised.

Overall, we have achieved significant progress on the debt restructuring since the end of 2000, including approximately 36% reduction in total indebtedness net of pledged deposits and cash and cash equivalents and a significant reduction in potential liabilities due to the delay in progress of certain construction contracts.

Furthermore, during the second half of 2001, the Group received the final installment of \$445,000,000 of the disposal proceeds of Yangpu Power Plant in which the Group had a 40% interest. The Group acquired the other 60% interest of this Yangpu company during the year. Part of these proceeds has been used to fund the Group's working capital and the debt auction being held on 30th November, 2001. The unutilised balance is currently being deposited with the bank security trustee.

Liquidity and Financial Resources

The Group's borrowings at the balance sheet date comprised Hong Kong and PRC bank loans of \$1.84 billion and the FRNs of US\$25.4 million. As the Group and the Company were in default of all these borrowings, these amounts became due immediately and were classified as current liabilities.

於債務拍賣後及因應六月時簽訂暫緩還款通知書的規定，本集團亦於二零零一年十二月三日訂立債券以固定及浮動抵押形式將其名下及若干子公司之全部資產和物業押予債權銀行和浮息票據持有人作為其剩餘1,850,000,000元債務之抵押。

本公司現正積極與債權銀行就重組其財務責任訂定條款，雙方就未來五年公司變賣資產以還債的方案作最後磋商，條款可望於短期內訂定。

總的來說，自二零零零年底以來，我們在債務重組方面已取得長足的進展，包括整體債務（扣除抵押存款和現金及現金等價物）減少了約36%和大大地減少了因延遲若干建築合約進度而產生的潛在負債。

此外，在二零零一年下半年期間，集團已收取了售賣當時本集團佔有40%權益的海南洋浦電廠445,000,000元餘款。本集團在年度內已收購其餘60%的權益。該筆款項部份已用作集團的營運資金及資助於二零零一年十一月三十日進行了的債務拍賣；剩餘部份現正存於債權銀行托管人。

流動資金及財務資源

本集團於結算日之借貸包括香港及中國的銀行貸款18.4億元及浮息票據25,400,000美元。由於本集團及本公司已對這些票據及所有銀行借款違約，該等借貸變為即時到期，而列為流動負債。



CHAIRMAN'S STATEMENT *(continued)* 主席報告書 (續)

All these borrowings are interest bearing with interest rates fixed at market rates plus margin at various intervals of time from one month to one year after the previous fixing. The majority of the borrowings are denominated in Hong Kong dollars. As of the balance sheet date the foreign currency borrowings included US\$ borrowings of 12.0%, RMB borrowings of 7.7% and Japanese Yen borrowings of 4.6% approximately of the total borrowings. The Group had pledged deposits of \$216.1 million and cash and cash equivalents of \$433.2 million at the balance sheet date. The Group has not used financial instruments for currency hedging purposes.

Details of Charges on Group Assets

The Company and certain of its subsidiaries have entered into a guarantee and debenture dated 3rd December, 2001, under which all of their assets and properties were charged by way of fixed and floating charges in favour of the bank creditors and the holders of the FRNs for the purpose of securing the Hong Kong bank indebtedness and the FRNs.

Gearing Ratio

The Borrowings to Equity Ratio of the Group as at 31st December, 2001 amounted to 140.8% (2000: 113.5%), being the ratio of "total borrowings and the FRNs less cash and cash equivalents and pledged deposits" divided by "shareholders' equity".

上述所有借貸均於各定息日按參考市場利率釐定不同息率期由一個月至一年不等之固定息率加差距計算利息。大部份借貸以港元為單位。於結算日，外滙借貸中美元借貸約佔總借貸額之12.0%、人民幣借貸約佔7.7%及日圓借貸約佔4.6%。於結算日，本集團已抵押存款216,100,000元及現金和現金等價物433,200,000元。本集團並無利用金融工具作貨幣對沖用途。

集團資產抵押詳情

本公司及若干附屬公司於二零零一年十二月三日訂立一項擔保及債券；據此，本公司及若干附屬公司將其名下全部資產及物業以固定及浮動抵押形式予其債權銀行及浮息票據持有人，作為其於香港剩餘的銀行債務及浮息票據之抵押。

資本負債比率

本集團於二零零一年十二月三十一日之借貸對權益比率為140.8% (二零零零年:113.5%)，該比率之計算方法為將「借貸及浮息票據總額減現金和現金等價物及抵押存款」除以「股東權益」。

CHAIRMAN'S STATEMENT *(continued)*

主席報告書 (續)

BUSINESS REVIEW

Construction

The Group had in hand contracts valued at \$6.6 billion at the end of 2001 (excluding the share of joint venture partners). They included a government contract for the construction of three schools in the territory, one government joint venture contract for Penny's Bay reclamation stage 1, three West Rail projects, the widening of Tolo Highway, improvement works at Tuen Mun Wong Chu Road, residential development at 41C Stubbs Road, construction of Science Park Phase 1A at Pak Shek Kok, Qingzhou Min Jiang Bridge in Fuzhou, Shanghai Expo Centre, Shanghai Outer Ring Tunnel project, and a Chinese government joint venture contract for main construction of the National Grand Theatre in Beijing.

For those construction contracts which experienced delay due to the financial problems, the Group has been making every effort to recover from the setbacks and the progress of the construction works has made improvements over last year. The construction works of Polytechnic University Phase VI development and two primary schools at Kowloon Tong site were completed and handed over in August 2001 while the Shatin Government Offices were completed and handed over in November 2001. The improvement works at Wong Chu Road in Tuen Mun was completed for road opening in March 2002.

業務回顧

建築

集團於二零零一年底手頭合約總值達66億元(不包括聯營夥伴的部份)。該等合約包括於本港興建三所學校的政府合約、一項竹篙灣第一期填海工程的政府合營合約、三項西鐵工程、吐露港公路擴闊工程、屯門黃珠路道路改善工程政府合約、司徒拔道四十一號C住宅項目發展、白石角的科學園第一期A的工程、位於福州的青洲閩江大橋的建設、上海新國際博覽中心、上海外環隧道工程以及中國政府批出的總承包北京國家大劇院的合營合約。

就先前受到資金困擾而令到施工延誤的若干在建項目,工程進度已較去年有所改善。理工大學第六期發展及九龍塘的兩所小學已於二零零一年八月交付使用,而沙田政府合署則於二零零一年十一月交付使用。至於屯門黃珠路道路改善工程亦於二零零二年三月竣工通車。



CHAIRMAN'S STATEMENT *(continued)* 主席報告書 (續)

Subsequent to the year-end, the Group clinched a \$975 million contract to build the superstructure of the residential development at the Tung Chung Station. It is the first time for more than a year that the Group has won a tender under the circumstances of debt restructuring and since the last award of the Science Park contract in July 2000. The successful bidding of this new contract undoubtedly acts as a booster to help the recovery of our construction business and it takes the value of our in-hand contracts to \$7.6 billion. The Group has been actively restructuring its construction business so as to form a major source of income. It is now tendering for several private contracts and plans to bid for large-scale construction projects in both China and Macau in addition to the local projects, such as Shenzhen Convention and Exhibition Centre, Hong Kong East Rail Extension-Lok Ma Chau Spur Line and Macau-Taipa 3rd Bridge.

Property

The Group has interests in first class commercial and residential developments in Shenzhen, Guangzhou, Haikou and Beijing. The influx of foreign investors to open up the Chinese market in recent years coupled with the successful entry of China into WTO in 2001 help stabilized the Group's rental income generated from the commercial property markets in Shenzhen and Guangzhou although the property sales market remains sluggish.

In view of this, in order to increase the steady source of recurring income, the Group through a mainland joint venture is involved in the property management of Shenzhen Shun Hing Square and the result to date is satisfactory.

於年度終結後，集團獲得一項合約總值9.75億元的機鐵東涌站住宅工程項目。這是集團繼二零零零年七月投得科學園工程後及在債務重組下，在年多以來首度中標，這無疑為集團沉寂多時的建築業務注入了新的商機，而新增東涌合約將手頭合約的總值增加至76億元。集團現正積極重振建築業務，以作為主要的盈利來源，刻下正投出數個私人合約；並準備參與競投中、港、澳之大型建築項目，包括深圳會議展覽中心、香港東鐵落馬洲支線段及第三條澳氹大橋。

地產物業

集團於深圳、廣州、海口及北京都持有一級商業與住宅發展項目。近年來，外商爭相進入中國開發貿易市場，加上中國於二零零一年成功加入世界貿易組織，令到集團在深圳和廣州的商廈租賃仍有不錯的租金收入，然而，物業銷售市場仍未恢復。

有見及此，於二零零一年，集團為了增加穩定的收入來源，透過國內的合資公司，參與深圳地王的物業管理，目前成績令人滿意。

CHAIRMAN'S STATEMENT *(continued)*

主席報告書 (續)

Use of Proceeds from Placement of New Shares

On 13th June, 2001, the Company respectively entered into (a) a conditional subscription agreement with Shanghai Construction (Group) General Co under which Shanghai Construction (Group) General Co agreed to subscribe for 35,000,000 new shares in the Company at a price of \$1.12 per share; and (b) a placing agreement with BNP Paribas Peregrine Securities Ltd under which 65,000,000 new shares in the Company, underwritten by BNP Paribas Peregrine Securities Ltd, were placed to several independent investors at the same price of \$1.12 each.

Both subscription and placing were completed in July 2001. The Group applied \$40 million out of the net proceeds of approximately \$108 million to repay overdue debts of subcontractors and suppliers with the balance of about \$68 million as general working capital.

Change of Major Shareholder

On 13th June, 2001, China Everbright International Ltd and its subsidiary, Maddington Ltd, entered into an acquisition agreement with Shanghai Construction (Group) General Co under which Shanghai Construction (Group) General Co conditionally agreed to purchase 114,000,000 shares in the Company from Maddington Ltd at a price of \$1.66 per share. The acquisition was completed in July 2001. Following the abovementioned subscription of 35,000,000 new shares and the acquisition of 114,000,000 shares from Maddington Ltd, Shanghai Construction (Group) General Co became a substantial shareholder and the single largest shareholder of the Company with a 24.51% stake in the Company while China Everbright International Ltd still holds 10.20% interests in the Company.

Employees

At the end of 2001, there were a total of approximately 424 employees employed by the Group. The employees are remunerated according to the nature of jobs, their and the Group's performance, and market conditions. Some of the employees are entitled to year end bonus and participation in the share option scheme of the Group.

配售新股份所得款項之用途

於二零零一年六月十三日，本公司分別(a)與上海建工(集團)總公司訂立認購協議；據此，上海建工(集團)總公司有條件地同意以每股作價1.12元，認購35,000,000股本公司新股份；及(b)與法國巴黎百富勤證券有限公司訂立配售協議，本公司透過法國巴黎百富勤證券有限公司包銷65,000,000股本公司新股份予數名獨立投資者，每股作價為1.12元。

認購協議和配售協議分別於同年七月完成。集團所得款項淨額約為108,000,000元，其中約40,000,000元已用於償還欠分包商及供應商之逾期款項，其餘約68,000,000元則撥作一般營運資金。

主要股東的變動

於二零零一年六月十三日，中國光大國際有限公司及其附屬公司Maddington Ltd與上海建工(集團)總公司訂立收購協議；據此，上海建工(集團)總公司有條件地同意以每股作價1.66元，向Maddington Ltd購入114,000,000股本公司股份。收購事項於同年七月完成。上海建工(集團)總公司於上文所述認購本公司35,000,000股新股份和收購Maddington Ltd持有本公司114,000,000股股份後，現已成為本公司之主要股東和單一最大股東，擁有本公司已發行股本約24.51%權益，而中國光大國際有限公司仍持有本公司10.20%權益。

僱員

於二零零一年底，集團合共約有424名僱員。僱員之薪酬按工作性質、彼等及集團之表現，以及市場情況而釐訂。部份僱員更可獲年終花紅，並參與集團之購股權計劃。



CHAIRMAN'S STATEMENT *(continued)* 主席報告書 (續)

OUTLOOK

Although signs have emerged that the US economy will improve in the coming months, the speed or robustness of the economic recovery of Hong Kong is still uncertain with continuing high unemployment rate, falling property prices and deflationary pressure are expected to continue to undermine local consumer confidence and investment sentiments. The year ahead will continue to be challenging for the Group. In light of such challenging operating environment, the Group will continue the corporate strategy of restructuring the organization, streamline the operations, dispose of the non-core businesses and assets, rehabilitate the under-performing business and to maintain stringent cost control.

For the local construction business, the Group is striving for resumption of our Group C licences with the Works Bureau in respect of which we have been suspended from tendering for public works for more than a year as a result of our liquidity problems. We are confident that through our improved performance of public works contracts in hand and the support of the bank creditors, the Works Bureau will uplift our suspension from tendering in the near future. Given our leading position, expertise and experience in the local construction industry, we are very keen to get back on track and are well-prepared to pursue tenders for both public and private sectors' contracts, particularly the large scale infrastructure, urban redevelopment and transportation projects.

展望

儘管有跡象顯示未來數月美國經濟將會復甦，但本港經濟的反彈速度和力量仍難言肯定；加上本港失業率高企、物業價格下滑和通縮的壓力持續削弱本地的消費者信心和投資氣氛。對本集團而言，未來一年仍是充滿挑戰性的一年。在此惡劣的經營環境下，集團將繼續重組內部架構、精簡工序、變賣非核心業務和資產、改革表現不理想的業務及歇力控制成本。

在本地建築業務方面，我們因資金困難而被工務局停牌已超過一年，集團現正積極向工務局爭取恢復公共工程C牌。透過改善手頭上政府合約的質量，加上債權銀行的支持，我們充滿信心工務局將於不久將來准許公司復牌。憑藉著集團在業界的領導地位、專業知識和豐富經驗，我們熱切地期望建築業務早日回復正軌，並已準備就緒地投取政府及私人合約，尤其是大型基建、市區重建及交通建設規劃等項目。

CHAIRMAN'S STATEMENT *(continued)*

主席報告書 (續)

The recent entry of China into the WTO and the winning of the hosting right of the 2008 Olympic Games by Beijing present infinite opportunities for local and foreign investors. Few Hong Kong construction companies have, like us, contractor licences in Guangdong, Hainan, Fuzhou and Beijing. Along with the support of our new major shareholder, Shanghai Construction (Group) General Co which is one of the largest construction companies in China, we will explore business co-operation and alliances with Shanghai Construction Group in mainland China. With all these competitive edges, we will no doubt outrival the Hong Kong based competitors in expanding construction business in China.

To reactivate our core construction activities, we have also been implementing a series of policies to improve the quality of our construction works, to reduce operating expenses and to increase operational efficiency. More efforts will be dedicated to developing innovative construction technologies so as to regain the reputation in the industry. It is expected that our construction activities will continue to increase in the foreseeable future.

With regards to the financial aspect, the term sheet on debt-restructuring is expected to be finalized shortly and new loan from the bank creditors will be available. The new loan will be used to finance the completion of the Group's existing construction contracts. We will then focus our time and resources on the 5-year asset disposal programme. Our target in 2002 is the disposal of certain of our assets located at Shun Hing Square and South Ocean Centre in Shenzhen as well as Silver Valley Garden in Hainan. We are now making every effort to identify and negotiate with potential buyers from various sources. In fact, some offers have been received on a number of our Hong Kong properties, such as the New East Ocean Centre and Wong King Industrial Building premises.

The directors believe that the Group has already seen its most difficult time. Under the leadership of the new management, the results and performance of the Group are expected to improve in the future.

中國的加入世界貿易組織和北京成功奪取二零零八年奧運會主辦權為國內外的投資者帶來無限的商機。香港甚少建築公司可以在中國境內廣東、海南、福州和北京具有像我們一樣的承包工程資格，加上我們的新大股東上海建工（集團）總公司為國內最大的建築公司之一，本公司將發掘與上海建工集團的合作機會和聯盟。在以上所述的優勢下，和香港其他對手相比，集團無疑在國內拓展建築業務上有更大的把握。

集團一方面對外致力參與本地及國內投標工作以恢復公司的核心建築業務運作，對內方面，我們亦實行一系列的措施以增進工程質量、減省成本及增加工作效率。我們將更盡力去開發建築新技術和不斷創新以恢復在業界的聲譽。集團預期建築業務在可見將來將繼續有增長。

至於財務方面，債務重組的條款預期將於短期內落實，我們亦可獲得新的銀行貸款。新貸款將用以提供資金去完成集團現有的建築合約。此後，我們可集中更多的時間和資源於五年期的資產變現計劃。二零零二年資產處理變現的重點在深圳地王、南海中心和海南銀谷苑的若干物業。我們現正盡一切努力多方尋找和聯系接盤人。事實上，現正有買家洽談數個香港物業如新東海中心及旺景工業大廈產業。

董事會相信本集團已渡過最困難的時間。在新的管理層帶領下，集團的業績和表現將有所改進。