

## BUSINESS REVIEW

During 2002, under the influence of global economy, Hong Kong's economy was still in a struggle with a low market sentiment and a slump in both stock market and property market. Faced with such an adverse operating environment, the Company and its subsidiaries (collectively, "the Group") focused on asset restructuring. On the basis of consolidating existing quality assets such as infrastructure investment, we undertook major restructuring for unfavourable assets such as timber business, which has begun to show positive results. During the year of 2002, the Group recorded a consolidated profit of HK\$6,773,000, an increase of 126% over HK\$2,992,000 in 2001. The earnings per share increased from last year's 0.1 cent to 0.3 cent, an indication of further improvement in our operating results. In addition, it is encouraging to report that the Fuzhou Qingzhou Bridge ("the Bridge"), which the Group has undertaken investment for many years, commenced operation at the end of the year. It is expected that the Bridge will generate long-term cash revenue to the Group, as well as steady return to our shareholders.

The Group's audited consolidated turnover for the year was HK\$261,049,000, representing a decrease of 12% over last year. Gross profit amounted to HK\$46,857,000, representing a drop of 16% over last year. The decrease was mainly attributable to the severe price competition in timber industry. As a result, our sales volume dropped and we had to adjust our product mix to reduce our loss.

## TIMBER BUSINESS

With PRC's official accession to the World Trade Organization ("WTO"), large volume of timber from various countries imported to the mainland that aggravated the price competition in this market. During the year, Everbright Timber Industry (Shenzhen) Co., Ltd. ("SETI") strived to improve its operation efficiency and enhance product quality control, while developing new products to meet market demand and adopting more flexible modes for direct sales to customers. Despite the decrease in sales volume during the year, SETI implemented a series of internal control measures and managed to report a loss of HK\$19,666,000 in 2002, representing an improvement of HK\$29,229,000 over the loss of HK\$48,895,000 in 2001.

## 業務回顧

二零零二年，受全球經濟大環境影響，香港經濟仍在低谷徘徊，股市、樓市低迷，市場人氣不振。在不景氣的營銷環境中，本公司及其附屬公司（統稱「本集團」）致力調整企業資產結構，在鞏固現有基建投資等優質資產基礎上，大力整合木材等非優質資產，並已開始體現成效。二零零二年度本集團錄得綜合盈利港幣6,773,000元，較二零零一年的盈利港幣2,992,000元增長126%，每股盈利由上年的0.1仙增加至0.3仙，經營業績進一步改善。值得可喜可賀的是已投資多年的福州青洲大橋已於年底順利通車，將為本集團帶來長期穩定的現金收益，同時也將為股東帶來穩定的回報。

本年度本集團之經審核綜合營業額為港幣261,049,000元，較去年減少12%；毛利為港幣46,857,000元，較去年減少16%，主要由於年內木材行業價格競爭激烈引致銷量下降，以及採取調整產品結構，降低虧損幅度所至。

## 木材業務

隨著中國正式加入世界貿易組織（「世貿」），各地的進口木材大量湧入內地市場，進一步加劇了國內木材市場的價格競爭。年內光大木材工業（深圳）有限公司（「光大木材」）致力提高營運效益，加強產品質量控制，並圍繞市場需求研發新品種，採取更靈活的銷售模式直銷客戶。儘管年內銷售量下降，但通過一連串的內部調整措施，光大木材於二零零二年錄得虧損港幣19,666,000元，較二零零一年的虧損港幣48,895,000元減少港幣29,229,000元。

It is expected that the continuous booming of property market in the PRC and the hosting of 2008 Olympic Game by Beijing will spur infrastructure construction and boost the demand for timber. However, with the gradual opening of the market and the reduction of tariff after PRC's accession to WTO, we believe that the competition in the timber market will become more intensified. For such, we have decided to streamline our business operations, dispose of the timber business that incurred loss for many years, and re-deploy resources in infrastructure investment, property and green environmental protection businesses. On 21 March 2003, the Company entered into an agreement with China Everbright Technology Limited for the disposal of 77.12% interest in SETI for a cash consideration of HK\$7,000,000. The disposal constituted a connected transaction as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the transaction was completed on 28 March 2003.

## INFRASTRUCTURE INVESTMENT

Shenzhen Mawan Power Company Limited ("Mawan Power") continued to contribute profits to the Group. During the year, the demand for electricity power by Shenzhen in Guangdong Province continued to be strong. Mawan Power generated a total of 4.98 billion kilowatt-hour of electricity, an increase of 29% over last year. Its turnover reached HK\$2,200,000,000, up by 22% over 2001. The Group's profit after taxation attributable to Mawan Power was HK\$87,771,000, or an increase of 30% from HK\$67,542,000 in 2001. During the year, Mawan Power made vigorous effort in exploring the internal potential capabilities, enhancing business management, controlling and reducing cost, and expanding power output and ensuring production safety. Despite the decrease in grid rate in the power network of Guangdong Province, Mawan Power accomplished a significant growth in power output, sales volume, sales revenue and profits. In addition, Mawan Power has been actively exploring new growth points and undertaking new investment projects. As PRC's economy grows steadily, the demand for electricity power will increase continuously. Mawan Power will be an important source of profit for the Group.

預計國內房地產業務將持續增長，北京興辦二零零八年奧運會亦會刺激國內基礎建設及對木材的需求，唯本集團相信中國加入世貿以後市場逐漸開放以及進口關稅下降，將會進一步加劇木材市場的競爭。有鑒於此，本集團決定精簡業務，出售已連年虧損的木材業務，並重新調配資源至基建、物業及環保業務。於二零零三年三月二十一日，本公司與中國光大科技有限公司簽署協議，同意以現金代價港幣7,000,000元出售持有光大木材之77.12%權益。有關交易構成一項關連交易（定義見香港聯合交易所有限公司證券上市規則），該交易並已於二零零三年三月二十八日完成。

## 基建投資

深圳媽灣電力有限公司（「媽灣電廠」）繼續為本集團提供盈利貢獻。年內廣東深圳電力需求持續強勁，媽灣電廠共提供49.8億千瓦小時的電力，較去年增加29%。其營業額並達到港幣22億元，較二零零一年上升22%；本集團錄得應佔媽灣電廠除稅後盈利為港幣87,771,000元，比較二零零一年的港幣67,542,000元增長30%。過去一年，媽灣電廠致力挖掘內部潛力，改善經營管理，控制和降低成本，擴大售電量和確保安全生產。儘管年內在廣東省上網電價下調的壓力下，仍取得了年發電量、售電量、銷售收入、利潤的大幅增長。媽灣電廠並已積極尋求新的經濟增長點，推進新投資項目的開發。隨著中國內地經濟的穩步發展，其電力需求仍將持續增長，媽灣電廠將會繼續成為本集團之重要盈利來源。

During the year, the construction of Fuzhou Qingzhou Bridge has been completed. On 25 December 2002, the Bridge was transferred to the Group for quality check, which was found in excellent state. The Bridge officially commenced its operation on 29 December 2002. Situated in a strategic transportation point in the PRC, the Bridge connects Mawei Economic Development Zone in Fuzhou in the north and links Changle City in the south. It is the major bridge over Minjiang that connects the “Tungsan Expressway” (a coastal expressway in eastern China that runs from Helongjiang in the north to Hainan Province in the south). It also provides a short cut for Fuzhou City to Changle International Airport. During 2002, the Group earned a profit of HK\$2,132,000 from this project, which was less than the profit of HK\$11,276,000 in 2001. However, as the economy of the PRC in particular the coastal area in the east continues to grow, the economic activities between Fuzhou City and its surrounding cities will increase and in turn boost the traffic flow on the Bridge. Hence the management believes that the revenue from this project will rise as traffic flow steadily grows in 2003, which will generate a satisfactory return to the Group.

## PROPERTY INVESTMENT

Sino Villa Holdings Limited holds a four-storey commercial building in Shenzhen Zhongshan Garden, which generates steady rental income and cash flow to the Group. During the year, approximately 14,135 square metres of the property were leased to Walmart, Park'n Shop, McDonald and Agricultural Bank.

The Group owns approximately 25% interest in Shanghai Kerry Everbright City, which comprises two towers for office and residential use and a shopping mall. As the property market in Shanghai continues to boom, the sold and leased areas for the office buildings have increased during the year, with 88% for Tower I (up by 4% from last year's 84%) and 96% for Tower II (as compared to last year's 92%).

年內，福州青洲大橋的建造工程已全部完成，二零零二年十二月二十五日交工驗收，其工程質量優良，並於二零零二年十二月二十九日正式通車。青洲大橋處於國內重要交通樞紐地位，北接福州市馬尾經濟開發區，南連長樂市，是國道「同三線」（北起黑龍江省，南至海南省的中國東部沿海高速通道）跨越閩江的一座大型橋樑，也是福州市區通往福州長樂國際機場的最便捷通道。二零零二年，本集團在此項目上錄得盈利港幣2,132,000元，較二零零一年的盈利港幣11,276,000元減少。隨著國內經濟尤其是東部沿海地區持續增長，福州市與周邊城市的經濟活動亦會相應蓬勃，為青洲大橋的車流量提供增長動力。據此，管理層相信此項目收益於二零零三年踏入營運期後可隨著車流量穩步增長，為本集團帶來理想回報。

## 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。於年內，約14,135平方米的面積分別租賃給沃爾瑪、百佳、麥當勞和農業銀行。

本集團擁有上海嘉里不夜城約25%權益，其包括兩座辦公與住宅樓宇及一座商業廣場。由於年內上海物業市場之情況繼續向好，故此本年度的辦公樓宇已售及已租總面積較去年增加，其中第一座有88%，較去年之84%上升4%，第二座則由去年之92%上升至96%。

The business performance of Shanghai Trade Square and International Apartments, in which the Group holds approximately 14% interest, was very much the same as in 2001. For Shanghai Trade Square, the total sold and leased areas for office were 97% (as compared to 95% in 2001) and the sold and leased areas for shopping mall were 100% (which were about the same in 2001). For International Apartments, the sold and leased areas for shopping mall were 91% (a drop of 2% as compared to last year).

As rental decreased in Hong Kong, the Group recorded a revaluation deficit of HK\$4,650,000 for the local properties in Hong Kong during the year.

#### ENVIRONMENTAL PROTECTION BUSINESS

Environmental protection is a new business that the Group focuses on development. In 2002, we established a representative office in Shenzhen and recruited talented people who are specialized in investment projects and environmental protection technologies. In addition, we strengthened our business development in this field by exploring and selecting appropriate green environmental protection projects with our business partners. On 18 February 2003, the Group entered into an agreement with its business partner on the development of a waste-to-energy plant at Hengtan in Shunde District of Foshan City. The project will proceed in the international convention of BOT for investment, construction and transfer of management after completion. On 13 March 2003, the Group received the approval of Shenzhen Municipal Government for setting up 光大環保實業(深圳)有限公司(“光大環保”) that has a registered capital of US\$10,000,000. 光大環保 will be the major platform of the Group to undertake investment and management of environmental protection business in the PRC. It will focus on the investment of waste treatment, sewage treatment and water supply in urban areas. On 28 March 2003, 光大環保 entered into a cooperation agreement with the Shenzhen Branch of Agricultural Bank of China, with a credit line of RMB600,000,000 approved by the bank.

本集團擁有約14%權益的上海商貿大廈及國際公寓業務狀況與二零零一年相若。上海商貿大廈辦公樓宇已售及已租面積為97%，二零零一年則為95%；商舖已售及已租面積為100%，與二零零一年相若。在國際公寓方面，商舖已售及已租面積為91%，較去年下降2%。

至於香港物業，由於本年度租金下降，本集團於物業方面錄得重估虧損港幣4,650,000元。

#### 環保業務

環保業務為本集團重點發展的新業務。二零零二年，本集團於深圳設立代表處，聘用高素質的項目投資和環保技術人才，加大力度培育和拓展環保業務，並不斷與合作夥伴物色和挑選合適的綠色環保項目。於二零零三年二月十八日，本集團與合作夥伴達成協議，雙方共同發展佛山市順德區杏壇垃圾焚燒發電廠項目。該項目按照國際通行的BOT方式進行投資、工程及建成後的運營管理。於二零零三年三月十三日，本集團取得深圳市政府批准成立光大環保實業(深圳)有限公司(「光大環保」)，註冊資本1,000萬美元，該公司將作為本集團在國內進行環保實業投資與管理的重要平台，致力於城市垃圾無害化處理、城市污水處理、城市自來水供給等領域的投資。該公司於二零零三年三月二十八日與中國農業銀行深圳分行簽署了“銀企合作協議”，並獲得該行6億元人民幣授信額度。

## HONG KONG CONSTRUCTION

The Group holds approximately 10% interest in Hong Kong Construction (Holdings) Limited (“HK Construction”) as strategic long-term investment. HK Construction is a leading contractor and has participated in certain renowned construction and infrastructure projects both in Hong Kong and China. Its major shareholder, Shanghai Construction (Group) General Corporation (“Shanghai Construction”) also has strong foundation and extensive network in the construction industries in China. In view of these, notwithstanding the slowdown of the construction sector in Hong Kong, the Group believes that HK Construction will be in a strong position to benefit from the upcoming opportunities arising from China’s continuous prosperity in construction and infrastructure industries.

HK Construction endeavored to complete the debt restructuring with its bank creditors in 2002. According to an announcement made by HK Construction on 31 March 2003, the deadline for completing the formal documentation of the debt restructuring has been extended to 30 June 2003. Since HK Construction is still in a loss position and its debt restructuring has not been completed, the Group has made a further provision of HK\$10,000,000 for this investment. The net carrying cost after the provision is HK\$62,308,000 as at 31 December 2002 as opposed to a market value of HK\$27,647,000 as at 31 December 2002.

The Group understands that there are uncertainties about the recoverability of its long-term investment in HK Construction. The Group will closely monitor the progress of the debt restructuring of HK Construction and its future operating results. The Group believes that it will be in a better position to further examine the carrying value of its long-term investment in HK Construction near 30 June 2003, being the announced scheduled date for completing the debt restructuring.

## 香港建設

本集團作為長期策略性投資持有香港建設（控股）有限公司（「香港建設」）約10%權益。香港建設是香港和中國內地市場的一家重要建築商，承建過不少知名的重大工程。其第一大股東上海建工（集團）總公司在中國建築市場上有很強實力和良好的市場網絡。因此，儘管香港建設在香港的業務下滑，本集團相信其仍具有較強的實力從中國建築和基建市場的持續繁榮中受益。

香港建設於二零零二年一直致力完成與債權銀行的債務重組。根據其於二零零三年三月三十一日的披露，完成整個重組的截止日期將延至二零零三年六月三十日。鑒於香港建設經營仍處於虧損，債務重組亦未完成，本集團就此項投資進一步撥備港幣10,000,000元。撥備後此項投資於二零零二年十二月三十一日的帳面價值為港幣62,308,000元。而相應此項投資於二零零二年十二月三十一日的市場價值則為港幣27,647,000元。

本集團注意到在香港建設的此項長期策略性投資仍存在不明朗因素。本集團將高度關注香港建設債務重組的進展及其未來營運情況。根據香港建設前述披露，其債務重組可在二零零三年六月三十日前趨於明朗，本集團相信屆時可以更好檢討本集團此項投資的價值。

## FINANCIAL POSITION

As at 31 December 2002, the Group had total assets of approximately HK\$2,339,802,000. The net assets were HK\$987,591,000 and the net assets per share were HK\$0.39. As at 31 December 2002, the gearing ratio, calculated by dividing the total liabilities by the total assets, was 57%. Following completion of the disposal of 77.12% interest in SETI on 28 March 2003, the gearing ratio of the Group would reduce significantly. As at 31 December 2002, total cash balance was HK\$127,047,000.

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 2002, the Group had total outstanding borrowings of approximately HK\$1,210,561,000, comprising secured bank loans of HK\$161,791,000, unsecured bank loans of HK\$306,747,000, other loans of HK\$77,038,000, loan from associates of HK\$18,988,000 and loans from ultimate holding company of HK\$645,997,000. The Group strived to lower its debt level and finance costs. By the disposal of 77.12% interest in SETI and repayment of bank loans, the Group's outstanding borrowings as at 31 March 2003 were reduced to HK\$789,823,000. 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 Reminbi and US dollars which are relatively stable against 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 2002, the Group pledged unlisted investments and fixed assets with an aggregate net book value of approximately HK\$332,708,000 (2001: HK\$814,398,000) to secure general banking facilities granted to the Group.

## 財務狀況

於二零零二年十二月三十一日，本集團之總資產約為港幣2,339,802,000元。淨資產則為港幣987,591,000元，而每股資產淨值為港幣0.39元。於二零零二年十二月三十一日，資產負債比率相等於57%，其以總負債除以總資產計算所得。隨著二零零三年三月二十八日完成出售光大木材77.12%權益以後，本集團之資產負債比率將可大幅下降。至二零零二年十二月三十一日，本集團持有現金港幣127,047,000元。

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。於二零零二年十二月三十一日，本集團尚未償還借款總額約為港幣1,210,561,000元，其中包括有抵押銀行貸款港幣161,791,000元、無抵押銀行貸款港幣306,747,000元、其他貸款港幣77,038,000元、聯營公司貸款港幣18,988,000元及最終控股公司貸款港幣645,997,000元。本集團致力減低負債水平及財務成本。通過出售光大木材77.12%權益及歸還銀行貸款，本集團於二零零三年三月三十一日之尚未償還借款已下降至港幣789,823,000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

於二零零二年十二月三十一日，本集團將賬面淨值總額約港幣332,708,000元（二零零一年：港幣814,398,000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 2002, there were contingent liabilities in respect of guarantees given to banks by the Company for its 25% share of banking facilities extended by banks to an associate amounting to HK\$4,396,000 (2001: HK\$88,979,000).

## EMPLOYEES AND REMUNERATION

As at 31 December 2002, the Group had a total of approximately 2,000 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 are authorized to grant share options to any employees including directors as incentives. There were no share option granted to any employee during the year. The said share options will expire on 29 September 2003.

## CORPORATE GOVERNANCE

The Company has established an audit committee comprising 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 2002.

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited except that independent non-executive directors are not appointed for a specific term as they are subject to retirement in accordance with the Company's Articles of Association.

## 或有負債

於二零零二年十二月三十一日，本公司就銀行給予其聯營公司之銀行融資額向銀行作出其佔25%之擔保為港幣4,396,000元（二零零一年：港幣88,979,000元）。

## 僱員薪酬

於二零零二年十二月三十一日，本集團在香港及中國合共僱用了約2,000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購股權計劃。據此，本公司董事獲授權酌情授出購股權予任何僱員（包括董事）作為獎勵。年內，並無授出任何購股權予任何僱員。上述之購股權計劃將於二零零三年九月二十九日到期。

## 公司管治

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，包括全面審閱截至二零零二年十二月三十一日止年度之經審核財務報表。

本公司於整個年度均遵守香港聯合交易所有限公司證券上市規則附錄14所載之「最佳應用守則」，惟獨立董事根據本公司之公司細則須輪席告退，而並非以固定任期獲委任者除外。

## BUSINESS OUTLOOK

With the successful assets restructuring, the Group has significantly reduced its debt ratio and improved its cash flow position. This has created a favourable condition for the Group to further undertake assets restructuring and development for new businesses. In 2002, the Group succeeded in making a breakthrough in green environment protection business that shows a positive trend in project development. With 光大環保 as our major investment and management platform for this business, the Group will enhance cooperation with its strong business partners and focus on the investment and management of projects in waste treatment, sewage treatment and water supply in urban areas. We believe that the Group can establish its brand name in this strategic development field as planned. With a clear development strategy and professional management team, the Group will focus on its core business and establish itself as a highly competitive business operation in the fields of energy, infrastructure investment and green environmental protection.

**Chen Xiaoping**

*Chief Executive Officer*

Hong Kong, 16 April 2003

## 業務展望

隨著資產結構調整取得成效，本集團在大幅降低負債率的同時，現金狀況亦顯著改善，為未來進一步調整資產結構，培育和開拓新的業務發展能力打開了良好的空間。二零零二年，本集團在綠色環保產業領域的業務開拓已取得實質突破，並在項目拓展方面保持良好勢頭。在此基礎上本集團將以光大環保作為重要的投資和管理平台，通過加強與商業合作伙伴的「強強合作、優勢互補」，致力於城市垃圾無害化處理、城市污水處理、自來水供給等領域的投資和項目管理。本集團相信在不遠的將來，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，發展成為一家能源、基建投資和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，二零零三年四月十六日