

## CHAIRMAN'S STATEMENT

### 主席報告書



Mr Jiang Zhiqian, *Chairman*  
主席，蔣志權先生

#### FINANCIAL REVIEW AND ANALYSIS

##### Results

For the year ended 31st December, 2003, Hong Kong Construction (Holdings) Limited ("the Company") and its subsidiaries ("the Group") achieved a turnover of HK\$1,265.5 million and a gross profit of HK\$11.3 million (2002: HK\$1,322.3 million and a gross loss of HK\$132.0 million respectively). The decline in turnover was mainly caused by the intensified competition and continued weakness in the construction sector in Hong Kong. The result of gross profit was due mainly to the steady performance of the Group's core construction business during the year which loss decreased to HK\$4.4 million from the loss of HK\$151.8 million of last year. Under the competitive operating environment, the Group has taken control measures to reduce the costs and overheads, and the implementation of operations streamlining, which collectively resulted in a 12.8% decrease in administrative expenses as compared with last year. In the property development business, the Group sold a subsidiary, in which the main assets were properties held for sale in Hainan, the PRC and a loss on disposal of HK\$16.6

#### 財務檢討及分析

##### 業績

截至二零零三年十二月三十一日止年度，香港建設（控股）有限公司（「本公司」）及其附屬公司（「本集團」）錄得1,265,500,000港元之營業額及11,300,000港元之毛利（二零零二年：分別為1,322,300,000港元及毛損132,000,000港元）。營業額下降之主要原因為競爭加劇，以及香港建築業持續不景氣所致。取得毛利乃主要由於本集團之核心建築業務於年內表現穩定，以至虧損由去年之151,800,000港元下降至4,400,000港元。在競爭激烈的營運環境下，本集團已採取控制成本及人手之措施，以及精簡架構，使行政開支較上年減少12.8%。於物業發展業務方面，本集團出售一間附屬公司（其主要資產為於中國海南省作銷售用途的物業），錄得出售虧損16,600,000港元。此外，本集團亦已就出售於聯營公司Greenway



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

million was incurred. In addition, provision for loss of HK\$14.1 million on disposal of an associate, 20% interest in Greenway Venture Limited, was made and the disposal was completed in January 2004. Loss from operations for the year was HK\$117.6 million compared to HK\$302.3 million for the previous year.

An impairment loss provision of HK\$168.0 million has been made in the financial statements in respect of a parcel of land situated in Jiangmen, the PRC. Further details are disclosed in note 13 on the financial statements.

There was a surplus on revaluation of investment properties of HK\$0.1 million compared to deficit of HK\$17.7 million for the previous year. The share of losses, impairment losses and property revaluation deficits of associates were HK\$46.1 million compared to HK\$24.7 million for the last year. It was mainly because of the poor performance of the Group's associate's hotel in Beijing and the weakening demand in the PRC rental market of both the residential and commercial properties due to the unexpected outbreak of Severe Acute Respiratory Syndrome ("SARS") in March 2003.

The Group wrote back a provision for loss of HK\$38.0 million in interest in jointly controlled entities as a result of improvement in performance by one of the joint ventures in its construction contracts completed during the year.

As a result, the Group reported a consolidated loss attributable to shareholders of HK\$409.4 million for the year ended 31st December, 2003. This compares with a loss of HK\$497.7 million for the previous year. Loss per share decreased to HK\$0.67 from HK\$0.82 in 2002. The directors do not recommend any payment of dividend.

Venture Limited 20%權益作出14,100,000港元之虧損撥備,該項出售已於二零零四年一月完成。本年度之經營虧損為117,600,000港元,而去年則為302,300,000港元。

本集團已就一塊位於中國江門市之土地於財務報表內作出168,000,000港元之減值虧損撥備,進一步詳情於財務報表附註13內披露。

投資物業重估盈餘為100,000港元,而去年則錄得虧絀17,700,000港元。應佔聯營公司之虧損、減值虧損及物業重估虧絀為46,100,000港元,而去年則為24,700,000港元,其主要原因為本集團之聯營公司於北京之酒店業務表現欠佳,加上二零零三年三月突然爆發嚴重急性呼吸系統綜合症(「非典型肺炎」),導致中國住宅及商用物業之租賃市場需求疲弱。

因其中之一間合營公司的工程合約表現有所改善,本集團撥回就於合營公司權益作出之虧損撥備38,000,000港元。該工程合約已於本年度完成。

因此,本集團截至二零零三年十二月三十一日止年度錄得股東應佔綜合虧損409,400,000港元,而去年的虧損則為497,700,000港元。每股虧損由二零零二年之0.82港元減少至0.67港元。董事會不建議派發任何股息。

## CHAIRMAN'S STATEMENT *(continued)*

### 主席報告書 (續)

#### Debt Restructuring

On 1st December, 2000, the Company requested an informal standstill arrangement with its bankers on the payment of all Hong Kong bank loan principal and interest totalling approximately HK\$1.9 billion, pending negotiation and agreement on a formal debt restructuring plan. The Company has also requested a similar standstill arrangement with the holders of the floating rate notes ("the FRNs") with an outstanding balance of US\$37 million issued by Hong Kong Construction (Capital) Limited, a wholly-owned subsidiary of the Company. The FRNs were due for repayment on 13th December, 2000. In accordance with the terms of the issue of the FRNs and the bank facility agreements, the Group was in default of the FRNs and all its bank borrowings.

On 27th August, 2002, the Group entered into a restructuring agreement with the bank creditors and the FRN holders in respect of an aggregate indebtedness of HK\$1.6 billion to the bank creditors and US\$25.4 million to the FRN holders as of 31st July, 2002, with a view to restructure and settle the outstanding indebtedness. However, as of December 2003, the Group and the bank creditors and the FRN holders failed to reach any conclusion for the settlement of the outstanding indebtedness.

On 20th December, 2003, the bank creditors and the FRN holders entered into a conditional debt transfer and exchange agreement ("the Debt Transfer Agreement") with Creator Holdings Limited ("Creator"), an unrelated third party, under which Creator would purchase from the bank creditors and the FRN holders substantially all of the indebtedness owing by the Company and certain of its subsidiaries to them except for loans amounting to HK\$221.9 million, of which HK\$150.0 million has been refinanced and the balance of HK\$71.9 million was settled prior to the completion of the Debt Transfer Agreement.

#### 債務重組

於二零零零年十二月一日，本公司就其所有香港銀行貸款之還款（包括總額約為19億港元之本金及利息）向其往來銀行提出訂立非正式的暫援還款協議之要求，以待就正式債務重組方案進行磋商及訂立協議。本公司亦向其全資附屬公司Hong Kong Construction (Capital) Limited發出之浮息票據（「浮息票據」）之持有人提出訂立類似之暫援還款協議之要求，該浮息票據的結餘為37,000,000美元。浮息票據於二零零零年十二月十三日到期償還。根據浮息票據之發行條款及銀行信貸協議之條款，本集團無力償還浮息票據及所有銀行借貸。

於二零零二年八月二十七日，本集團已就於二零零二年七月三十一日結欠債權銀行及浮息票據持有人的總債務（分別為16億港元及25,400,000美元）與債權銀行及浮息票據持有人訂立重組協議，希望藉此重組及償還尚未清償之債務。然而，截至二零零三年十二月，本集團仍未能與債權銀行及浮息票據持有人就尚未清償之債務取得任何共識。

於二零零三年十二月二十日，債權銀行及浮息票據持有人與Creator Holdings Limited（創達集團有限公司\*（「創達」）），其為並無關連之第三方訂立有條件債務轉讓及交換協議（「債務轉讓協議」）。據此，創達將自債權銀行及浮息票據持有人購入本公司及其附屬公司結欠彼等之大部份債務，惟不包括其中之221,900,000港元。因該筆債務於債務轉讓協議完成前，其中之150,000,000港元已再融資，餘下之71,900,000港元之款項亦已償還。

\* 僅供識別



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

The Group was informed by the bank creditors and the FRN holders that the Debt Transfer Agreement was completed on 16th January, 2004. In accordance with the terms of the Debt Transfer Agreement, the Group's indebtedness amounting to approximately HK\$1.6 billion owed to the bank creditors and the FRN holders were assigned to Creator ("the Indebtedness"). Accordingly, the restructuring agreement dated 27th August, 2002 together with other related standstill documents, other than a guarantee and debenture dated 3rd December, 2001 ("the Debenture"), would cease to have any further force and effect upon the completion of the Debt Transfer Agreement. The Debenture executed by the Company and certain of its subsidiaries in respect of certain of their undertakings, rights, properties and assets would continue in force and effect and Creator has been assigned the right, title and interest of the bank creditors and the FRN holders.

On 11th February, 2004, the Company and Creator entered into a debt conversion and share subscription agreement ("the Debt Conversion Agreement"), and a sale and purchase agreement ("the Yangpu Agreement") relating to Hainan Yangpu Development (H.K.) Limited ("HYD(HK)"), an associate of the Group, to repay approximately HK\$1,640.5 million of the Indebtedness. The Indebtedness owed to Creator is estimated to be approximately HK\$1,670.5 million, representing principal and interest accrued and to be accrued thereon up to 31st March, 2004. The remaining balance of the Indebtedness of HK\$30.0 million is expected to be repaid within one year. At 31st December, 2003, the Group owned 30 ordinary shares (representing 46.15% interest) in HYD (HK) which owned 65% interest in Hainan Yangpu Land Development Company Limited ("HYLD"). HYLD owns and develops a property development project in the Hainan Yangpu Economic Development Zone, Hainan Island, the PRC.

債權銀行及浮息票據持有人已知會本集團，債務轉讓協議已於二零零四年一月十六日完成。根據債務轉讓協議之條款，本集團結欠債權銀行及浮息票據持有人約16億港元之債務已轉讓與創達（「債務」）。因此，日期為二零零二年八月二十七日之重組協議，連同其他相關之暫援還款文件（除於二零零一年十二月三日訂立之擔保及債券（「債券」）外），將於債務轉讓協議完成後不再具有效力。債券乃本公司及其若干附屬公司就彼等若干承諾、權利、物業及資產所簽發，將繼續具有效力，而債權銀行及浮息票據持有人之權利、所有權及權益已轉讓予創達。

於二零零四年二月十一日，本公司與創達訂立債務轉換及股份認購協議（「債務轉換協議」），以及一項有關本集團聯營公司海南洋浦開發（香港）有限公司（「洋浦開發」）之買賣協議（「洋浦協議」），以償還債務中約1,640,500,000港元。結欠創達之債務預計約為1,670,500,000港元（包括本金及截至二零零四年三月三十一日止之應計及將計利息）。債務之餘額30,000,000港元預期將於一年內償還。於二零零三年十二月三十一日，本集團持有30股洋浦開發之普通股（佔46.15%權益），而洋浦開發則持有海南洋浦土地開發有限公司（「洋浦土發」）之65%權益。洋浦土發持有及發展一項位於中國海南島海南洋浦經濟發展區之物業發展項目。

## CHAIRMAN'S STATEMENT *(continued)*

### 主席報告書 (續)

The Debt Conversion Agreement involves:

- i the issue and allotment by the Company to Creator of 1,340,555,276 new ordinary shares of the Company credited as fully paid at HK\$1 per share ("the Subscription Shares");
- ii the granting of an option by the Company to Creator to subscribe for an aggregate of up to 380,000,000 ordinary shares credited as fully paid at HK\$1 each at any time in whole or in part during the period of 5 years from the date of completion of the Debt Conversion Agreement; and
- iii Creator agreed to release and waive all its rights, interests and title of and to the amount owed by the Group in the amount of approximately HK\$1,340.5 million and the Debenture against the Group and the waiver of all default interests accrued on the amount owed by the Group.

The Yangpu Agreement involves the disposal of 55 ordinary shares (representing 84.62% interest) in HYD(HK) to Creator for a consideration of HK\$300.0 million to be satisfied by setting off the same amount against the Indebtedness. As the Group only held 30 ordinary shares in HYD(HK) at the year end, the Group had subsequent to 31st December, 2003 entered into two sale and purchase agreements with two of the HYD(HK)'s shareholders to acquire a total of 25 ordinary shares in HYD(HK).

The Debt Conversion Agreement and the Yangpu Agreement were approved at the extraordinary general meeting of the shareholders on 3rd April, 2004 and completed on 13th April, 2004. As a result of the issuance of the Subscription Shares to Creator, Creator became the Company's ultimate holding company.

債務轉換協議涉及：

- i. 本公司以每股1港元之價格向創達發行及配發1,340,555,276股入賬列作繳足之本公司新普通股(「認購股份」)；
- ii. 本公司授予創達可於債務轉換協議完成日期起計5年內任何時間全面或局部行使購股權，按每股1港元之價格認購合共最多達380,000,000股入賬列作繳足之普通股之購股權；及
- iii. 創達同意解除及豁免其於本集團所結欠約1,340,500,000港元及債券中之所有權利、權益及所有權，並豁免收取本集團因就結欠債務所應計之逾期利息。

洋浦協議涉及以300,000,000港元之代價向創達出售於洋浦開發之55股普通股(佔84.62%權益)，代價將於債務中扣減相同金額之款項對銷。由於本集團於年結時僅持有30股洋浦開發普通股，本集團於二零零三年十二月三十一日後與兩名洋浦開發股東訂立兩項買賣協議，以收購25股洋浦開發之普通股。

債務轉換協議及洋浦協議已於二零零四年四月三日獲股東於股東特別大會上批准，並已於二零零四年四月十三日完成。由於向創達發行認購股份，創達已成為本公司之最終控股公司。



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

### Liquidity and Financial Resources

The Group's borrowings at the balance sheet date were HK\$2,101.8 million which comprised Hong Kong and PRC bank loans of HK\$1.8 billion, other loan of HK\$120.0 million and the FRNs of US\$23.15 million. The maturity profile of the Group's borrowings is spread over a period of five years with HK\$1,970.6 million repayable within one year or on demand, HK\$112.4 million after one year but within two years and HK\$18.8 million after two years but within five years.

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 10.28%, RMB borrowings of 13.61% and Japanese Yen borrowings of 4.48% approximately of the total borrowings. The Group had pledged deposits of HK\$143.7 million and cash and cash equivalents of HK\$164.6 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, 2003 amounted to 1,540.8% (2002 restated: 320.9%), being the ratio of "total borrowings and the FRNs less cash and cash equivalents and pledged deposits" divided by "shareholders' equity".

### 流動資金及財務資源

本集團於結算日之借貸為2,101,800,000港元包括香港及中國的銀行貸款18億港元,其他貸款120,000,000港元及浮息票據23,150,000美元。本集團借貸之還款期攤分五年:於一年內或接獲通知時到期借款為1,970,600,000港元,於一年後但二年內到期借款為112,400,000港元,於二年後但五年內到期借款為18,800,000港元。

上述所有借貸利率是在上一次利率釐定日後按為期由一個月至一年不等的市場息率加息差釐定。大部份借貸以港元為單位。於結算日,外匯借貸中美元借貸約佔總借貸額之10.28%、人民幣借貸約佔13.61%及日圓借貸約佔4.48%。於結算日,本集團的已抵押存款為143,700,000港元及現金和現金等價物為164,600,000港元。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抵押予其債權銀行及浮息票據持有人,作為香港銀行債務及浮息票據之抵押。

### 資本負債率

本集團於二零零三年十二月三十一日之借貸對權益比率為1,540.8%(二零零二年(重報):320.9%)。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已抵押存款」除以「股東權益」。

## CHAIRMAN'S STATEMENT *(continued)*

### 主席報告書 (續)

#### Contingent liabilities

Details of the Group's contingent liabilities are set out in note 34 on the financial statements.

#### BUSINESS REVIEW

##### Construction

The Group had in hand contracts valued at HK\$3.3 billion at the end of 2003 (including the Group's share of joint ventures). They included a construction contract for residential development at the Tung Chung Station, a construction contract for residential development at Lai Chi Kok, a Chinese government joint venture contract for main construction of the National Grand Theatre in Beijing, and a Chinese government contract for main construction of the Shenzhen Convention Exhibition Centre.

The construction business of our Group experienced another challenging year in 2003. With the financial position under debt restructuring with its bank creditors, the Group had to manage its financial resources effectively and continued to make improvement in the progress of the construction works. The Group has completed several construction projects satisfactorily in 2003, including three West Rail projects, the widening of Tolo Highway, Shanghai Pudong Shangri-La Hotel Extension Project and Shanghai Outer Ring Tunnel project.

The construction sector, like the rest of the Hong Kong economy, continued to go through the process of consolidation. The Mainland is known to have the largest population and the greatest potential for economic growth, as proved by its continuous annual growth rate of 8% or above. The Group has been restructuring its construction business so that it will form a major and steady source of income. It is also tendering for several private contracts in Hong Kong and plans to bid for large-scale construction projects in both China and Macau.

#### 或有負債

本集團的或有負債詳情列於財務報表附註34內。

#### 業務回顧

##### 建築

集團於二零零三年底手頭合約總值達33億港元(包括本集團應佔合營公司的部份)。該等合約包括東涌站住宅發展建築合約、荔枝角住宅發展建築合約、中國政府批出的總承包北京國家大劇院的合營合約以及中國政府之深圳會議展覽中心建築合約。

本集團建築業務於二零零三年繼續面對重重挑戰。在與銀行債權人進行債務重組的財務狀況下，本集團仍能有效地管理財務資源並繼續改善建築項目之進度。本集團於二零零三年成功完成若干建築項目，包括三項西鐵工程、吐露港公路擴闊工程、上海浦東香格里拉酒店擴建工程及上海外環隧道工程。

建築業和香港其它行業一樣，仍在經歷整合期。眾所周知，中國內地人口眾多，其經濟增長潛力強勁，其8%或以上之持續年增長率為最佳例證。本集團現正不斷重組建築業務，以產生主要及穩定的收入來源。本集團現正亦就香港若干私人合約投標，並計劃於中國及澳門競投大型建築項目。



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

### Property

The Group has interests in first class commercial and residential developments in Shenzhen, Guangzhou and Beijing. The outbreak of SARS in March 2003 posed a serious challenge to the rental market in commercial properties in the PRC, resulting in a sharp decline in new tenants and consumer traffic. During this difficult period, we implemented precautionary measures aiming at enhancing consumer confidence and strengthening communications with existing and potential tenants. We kept a close dialogue with our valued tenants and organized promotional activities to minimize the impact of SARS. Our active approach in managing tenants' concerns helped to strengthen our relationship with them. We are pleased to note that the consumers traffic has largely resumed to normal level by the end of July 2003.

We aim at building up a steady stream of rental revenue and maximizing the potential return of our investment properties. The Group continued to concentrate on maximizing tenant retention through the provision of customer-oriented services, closely monitoring lease renewals and pursuing advance leasing negotiation with tenants. In addition, we continued to improve our operating efficiency to achieve cost saving.

The outbreak of SARS in 2003 weakened the demand in rental market and dampened the market sentiment in sales market in residential properties. The Group struggled to generate more cashflow to improve its liquidity through the disposal of its stock in property development.

### Employees

At the end of 2003, there were a total of approximately 182 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 participation in the share option scheme of the Group.

### 地產物業

本集團於深圳、廣州及北京之一級商業及住宅項中擁有權益。二零零三年三月份爆發之非典型肺炎對中國商用物業租務市場構成沉重打擊，導致新租戶及客流量大幅下跌。在這艱鉅時期裏，本集團實行多項預防措施，旨在提高客戶信心，以及加強與現有及潛在租戶之溝通。本集團與尊貴租戶保持緊密聯絡，並舉辦多項宣傳活動，以減低非典型肺炎帶來之影響。本集團積極處理租戶關心之問題，有助深化彼此之關係。本集團喜見客流量已於二零零三年七月底大致回復到正常水平。

本集團矢志建立穩定的租金收入來源及盡量擴大投資物業之潛在回報。本集團致力提供以客為先之服務、密切監察續租事宜及提早與租賃人磋商續租，從而提升續租率。此外，本集團繼續改善經營效益，節省成本。

二零零三年爆發非典型肺炎，導致租務市場需求下降，住宅物業銷售市場不景氣。本集團致力透過出售於物業發展項目之權益以產生更多現金流量，從而改善其流動資金狀況。

### 僱員

於二零零三年底，本集團合共約有182名僱員。僱員之薪酬按工作性質、彼等之表現、集團之業績，以及市場情況而釐訂。部份僱員更可參與本集團的購股權計劃。



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

I would like to thank the Board of Directors and the Group's employees for their hard work, support and dedication.

### **New Chairman**

I would like to take this opportunity to introduce Mr. Oei Tjie Goan, who will be appointed as our new Chairman with effect from 23rd April 2004. Mr. Oei is a distinguished entrepreneur with extensive business experience in various industries in the Asian region and other parts of the world. I am confident that under the leadership of Mr. Oei and his team, the Company will become a successful and reputable construction and property development/investment company in Hong Kong and China in the years to come.

### **Mr. Jiang Zhiquan**

*Chairman*

22nd April, 2004

本人謹此向董事會及本集團員工的不懈努力、支持與熱誠致以衷心感謝。

### **新主席**

本人謹藉此機會介紹黃志源先生，彼將於二零零四年四月二十三日獲委任為本集團之新主席。黃先生乃一位出色企業家，於亞洲地區及世界各地之多項業務擁有豐富經驗。本人相信在黃先生及其團隊之帶領下，本公司將可於未來數年成為香港及中國著名之建築及物業發展／投資公司。

### **蔣志權**

*主席*

二零零四年四月二十二日