

## Management Discussion and Analysis

### 管理層討論及分析

#### FINANCIAL REVIEW

The Group mainly finances its project outlays with the cash inflows from its ongoing projects. Furthermore, banking facilities are utilised for the issue of documentary credits for purchases of materials, and bid bonds and performance guarantees in accordance with contractual terms. As at 31 December 2005, banking facilities extended by banks for facade contracting works in respect of documentary credits, bank guarantees, overdrafts and revolving term loans amounted to an aggregate of HK\$261,633,000 (2004: HK\$226,000,000) which was secured by certain time deposits, available-for-sale investments and property with an aggregate net book value of HK\$79,110,000 (2004: HK\$79,512,000).

The bank borrowings of Hangzhou Sealand as at 31 December 2005 amounted to RMB76,500,000 (2004: RMB75,000,000). Interest costs on bank borrowings rose from RMB3,418,000 for last year to RMB4,558,000 for this year. Out of the above bank borrowings, RMB76,500,000 (2004: RMB52,000,000) was guaranteed by independent third parties and secured by pledge of certain of its generation plant and related structure with an aggregate net book value of HK\$7,600,000 (2004: HK\$7,456,000) as at 31 December 2005.

As at 31 December 2005, the Group had cash in hand of HK\$140,078,000 (2004: HK\$205,041,000) and total liabilities of HK\$442,305,000 (2004: HK\$358,658,000). At the same time, the gearing ratio (i.e. total borrowings to equity attributable to equity holders of the parent) was 33% (2004: 17%).

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi or US dollars. The exchange rate of Renminbi to Hong Kong dollars has been relatively stable throughout the year although China introduced in a managed floating exchange rate system based on market supply and demand and investment to a package of currencies on 21 July 2005. In addition, Hong Kong dollars is being pegged to US dollars. Therefore, the Group's exposure to foreign exchange risk is minimal. The Group closely monitors its foreign currency positions and takes necessary measures if the situations so justify.

#### 財務回顧

本集團主要以其施工中的工程現金流入提供工程所需之成本開支；此外，透過銀行信貸出具信用証供物料採購之用及按合約條款出具投標及履約保證函。截至二零零五年十二月三十一日，各銀行為大廈外牆裝飾工程提供的保函、信用証、透支及循環貸款等信貸額達261,633,000港元（二零零四年：226,000,000港元），該信貸額以賬面淨值合共79,110,000港元（二零零四年：79,512,000港元）的若干定期存款、可供出售的投資及物業作為抵押。

於二零零五年十二月三十一日，杭州海聯之銀行貸款為76,500,000元人民幣（二零零四年：75,000,000元人民幣）。貸款的利息支出則從去年的3,418,000元人民幣上升至本年的4,558,000元人民幣。在上述銀行貸款中，其中76,500,000元人民幣（二零零四年：52,000,000元人民幣）是由獨立第三者擔保，並以杭州海聯於二零零五年十二月三十一日賬面值總額7,600,000港元（二零零四年：7,456,000港元）之若干發電廠房及有關設施作為抵押。

於二零零五年十二月三十一日，本集團之手頭現金為140,078,000港元（二零零四年：205,041,000港元），總負債為442,305,000港元（二零零四年：358,658,000港元）。同時，資本負債率（即總借貸除以本公司股東應佔權益）則為33%（二零零四年：17%）。

本集團之貨幣資產、負債及交易主要以港元、人民幣或美元作為結算單位。雖然中國於二零零五年七月二十一日引入基於一籃子貨幣及市場供求關係的有管理的浮動匯率制度，人民幣兌港元的匯率在整年內表現相對穩定。加上港元與美元掛鉤，故此本集團之外匯風險甚低。本集團會密切留意其外匯風險狀況，當有需要時會採取必要措施。

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#### MATERIAL ACQUISITIONS AND INVESTMENTS

- (a) On 29 March 2004, Florex Investment Limited ("Florex"), a wholly-owned subsidiary of the Company, entered into an agreement (the "Agreement") with CATIC (H.K.) Limited ("CATIC (H.K.)"), a substantial shareholder of the Company, to acquire from CATIC (H.K.) (i) its 45% equity interest (the "Shares") in CATIC International Support Limited ("CISL"), an exclusive overseas agent of China National Aero-Technology Import & Export Corporation ("CATIC"), the Company's ultimate holding Company, for distribution and trading of aircraft components and the provision of related services; and (ii) its 45% interest in a shareholder's loan (the "Loan"), with an aggregate sum of HK\$50,000,000, to be advanced by CATIC (H.K.) to CISL. Pursuant to the Agreement, the aggregate consideration for the acquisition, which is limited to the lesser of HK\$100,000,000, or to be determined on the basis of a price-earning ratio of 6.7 times of 45% of the average audited net income of CISL for the two years ending 31 December 2006.

Pursuant to the Agreement, a put option has been granted by CATIC (H.K.) to Florex, under which Florex is entitled to sell back to CATIC (H.K.) the Shares and the Loan at Florex's absolute discretion at any time commencing on the completion date and up to the fifth anniversary of the date of completion.

The Agreement is conditional upon (i) the Loan being firstly advanced by CATIC (H.K.) to CISL; and (ii) the approval by the independent shareholders of the Company at a special general meeting.

However, after several extension of the date by which the conditions of the Agreement must be fulfilled (the "Long Stop Date") from 30 June 2004 to 31 December 2005 finally, as an agreement on terms which are mutually acceptable in relation to the exclusive distributorship was failed to be reached, Florex and CATIC (H.K.) mutually agreed that all parties would be mutually released from their rights and obligations under the Agreement which was lapsed after 31

#### 重大收購及投資

- (a) 於二零零四年三月二十九日，本公司一家全資附屬公司 Florex Investment Limited (「Florex」) 與本公司之主要股東中國航空技術進出口(香港)有限公司(「中航技(香港)」)訂立協議(「協議」)，向中航技(香港)收購(i)其於CATIC International Support Limited (「CISL」)之45%股權(「股權」)，而CISL為本公司之最終控股公司中國航空技術進出口總公司(「中航技總公司」)的飛機配件分銷及貿易以及提供有關服務之獨家海外代理，及(ii)其向CISL墊支的股東貸款50,000,000港元(「貸款」)之45%權益。根據協議，收購總代價為100,000,000港元或截至二零零六年十二月三十一日止兩個年度CISL平均經審核之淨溢利乘以市盈率6.7再乘以45%之積兩者之較低者。

按協議，中航技(香港)已向Florex授予一項認沽期權，據此，由交易完成日期起至完成日期五週年止期間，Florex可隨時有權自行決定將股權及貸款售回予中航技(香港)。

該協議的先決條件為(i)中航技(香港)先向CISL墊付貸款；及(ii)獨立股東須於股東特別大會上通過。

然而，將達成協議內之條件的最後限期(「最後限期」)由二零零四年六月三十日經過幾次押後最終至二零零五年十二月三十一日後，由於仍未能就獨家分銷權之條款取得共識，達成各方均可予接納之條款，因此Florex與中航技(香港)雙方達成協議，於二零零五年十二月三十一日後協議失效後，訂約各方將相互

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December 2005, as referred to the announcement of the Company dated 29 December 2005.

- (b) On 17 December 2004, Billirich Investment Limited (“Billirich”), a wholly-owned subsidiary of the Company, entered into separate agreements to purchase an aggregate of 885,000,000 shares of Millennium, representing approximately 26.42% of its then issued share capital, from two independent third parties for a total cash consideration of HK\$30,975,000. The acquisition was completed in January 2005. On 22 April 2005, Millennium changed its name to Sino Gas.

On 25 May 2005, the Company was notified by Sino Gas that Sino Gas proposed to raise fund by issuing not less than 6,699,033,510 ordinary shares and not more than 7,499,033,510 ordinary shares at a price of HK\$0.02 per ordinary share by way of the proposed open offer on the basis of two ordinary shares for every Sino Gas ordinary share held. The Company has irrevocably undertaken to take up or procure to take up 1,770,000,000 ordinary shares. The aggregate consideration for the subscription amounted to HK\$35,400,000 which was funded by the Company's internal resources. The open offer had become unconditional at 4:00 p.m. on 16 August 2005. After completion, the Company held 2,655,000,000 shares of Sino Gas, representing approximately 26.42% of its then issued capital.

- (c) On 4 January 2006, Sino-Aviation Investments Limited (“Sino-Aviation Investments”), a wholly-owned subsidiary of the Company, entered into an agreement (“JV Agreement”) with Chengdu Aircraft Industry (Group) Corporation Ltd (“Chengdu Aircraft”) and CATIC for the establishment of a joint venture to engage in the research and development, design and manufacture of, and provision of technical services for, parts and components for commercial aircraft. According to the JV Agreement, the total registered capital of the joint venture will be RMB100 million (equivalent to approximately HK\$96 million), of which 40%, 45% and 15% will be contributed by Sino-

解除彼等於買賣協議項下之權利及義務，有關詳情已載於本公司二零零五年十二月二十九日之公佈內。

- (b) 於二零零四年十二月十七日，本公司一家全資附屬公司 Billirich Investment Limited (「Billirich」) 與二名獨立第三者訂立各自之協議，以現金總代價 30,975,000 港元從其收購合共 885,000,000 股豐泰之股份，佔豐泰當時已發行股本約 26.42%。於二零零五年四月二十二日，豐泰改名為中油潔能。

於二零零五年五月二十五日，本公司獲中油潔能通知，中油潔能建議藉公開發售之方式，以每股 0.02 港元之價格，發行不少於 6,699,033,510 股及不多於 7,499,033,510 股集資，基準為每一股中油潔能股份獲發兩股。本公司作出不可撤換承諾，認購 1,770,000,000 股，認購之總代價為 35,400,000 港元，以內部資源撥付代價。該項公開發售於二零零五年八月十六日下午四時正成為無條件，交易完成後，本公司持有中油潔能 2,655,000,000 股，相當於中油潔能已發行股份的 26.42%。

- (c) 於二零零六年一月四日，本公司之全資附屬公司 Sino-Aviation Investments Limited (「Sino-Aviation Investments」) 與成都飛機工業(集團)有限責任公司(「成都飛機」)及中航技總公司訂立協議(「合營協議」)，以成立一家合營公司，從事商用飛機零部件之研發、設計及製造及提供技術服務。根據合營協議，合營公司之總註冊資本將為 100,000,000 元人民幣(相等於約 96,000,000 港元)，其中 Sino-Aviation Investments、成都飛機及

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Aviation Investments, Chengdu Aircraft and CATIC respectively. The JV Agreement will be effective conditional upon, (i) internal approval obtained by each of the three parties; and (ii) the obtaining of the relevant approvals from the relevant PRC authorities. Further details of the transactions are set out in the circular of the Company dated 26 January 2006.

### EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2005, there were 1,552 (2004: 890) employees in the Group. The Group formulates its employees' remuneration packages and incentive performance bonus scheme according to the performance and experience of the individual staff concerned and the prevailing market salary levels. In addition, the Group has established a share option scheme under which share options may be granted to eligible employees with outstanding performance.

中航技總公司將分別注資40%、45%及15%。合營協議須待以下條件達成後，方告生效，其中包括(i)三方各自獲得內部批准；及(ii)獲得有關中國機構之有關批准。有關是項交易之詳情已載於本公司二零零六年一月二十六日之通函內。

### 僱員及薪酬政策

截至二零零五年十二月三十一日，本集團共有員工1,552名(二零零四年：890名)。本集團主要根據現行市場薪酬水平、僱員個別表現與經驗釐定薪酬待遇及酌情性獎勵花紅。再者，本公司已設立購股權計劃，表現出色之合資格員工據此可能獲授予購股權。