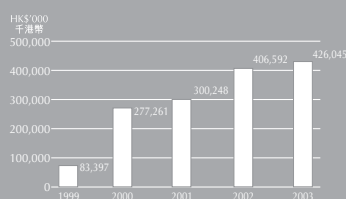


Shareholders' Funds
股東權益

FINANCIAL REVIEW

During 2002, the Company, by way of placing and top-up subscription, placed 600,000,000 shares at HK\$0.16 per share to independent third parties and raised HK\$93,228,000 after deducting related expenses. As set out in the circular of the Company dated 20 June 2002, the proceeds was intended to provide funding for four transactions, if completed, or general working capital for the Group. The four transactions were (a) assignment of 80% interest of net income in relation to Project EC120; (b) capital injection into CATIC Siwei Co., Ltd ("CATIC Siwei"); (c) establishment of an equity joint venture to be engaged in utilizing geographical information system and global positioning system technologies to manufacture location-based navigation products and to provide related services; and (d) establishment of an equity joint venture to be engaged in aircraft leasing and provision of related services. As at 31 December 2002, HK\$39,759,000 and HK\$5,567,000 were utilized to complete the above transactions (a) and (c) respectively and subsequently on 17 January 2003, HK\$25,111,000 was also utilized to complete the above transaction (b). As set out in the Company's announcement dated 30 January 2003, the agreement to set up the equity joint venture referred to in (d) above was terminated as the prospect for aircraft leasing market in China was not as promising as previously expected. Accordingly, the remaining sum of HK\$22,791,000 was used to provide general working capital for the Group.

財務回顧

於二零零二年，本公司透過「先舊後新」方式按每股0.16港元配售600,000,000股予獨立第三者，經扣除有關費用後籌得淨額93,228,000港元。如本公司於二零零二年六月二十日刊發之通函所述，該筆款項是撥作四項交易（如完成）的資金或本集團的一般營運資金。該四項交易為(a)收購項目EC120淨收入80%權益；(b)向四維航空遙感有限公司（「四維遙感」）注資；(c)成立一家利用全球衛星定位系統及地理資訊系統技術生產定位導航產品及提供相關服務的合資經營企業；及(d)成立一家提供飛機租賃及相關服務的合資經營企業。截至二零零二年十二月三十一日，分別39,759,000港元及5,567,000港元已用於完成上述(a)及(c)兩項交易，其後於二零零三年一月十七日，25,111,000港元亦用於完成上述(b)項交易。如本公司二零零三年一月三十日之通告所述，基於國內飛機租賃市場之前景未如早前預期般理想，成立有關上述(d)項之合資經營企業協議已被取消，餘下之金額22,791,000港元已撥作本集團的一般營運資金。

During the year, Hangzhou Sealand increased its bank borrowings by RMB25,000,000 to RMB53,000,000 as at 31 December 2003 (2002: RMB28,000,000) mainly for the purpose of providing the necessary funding for its expansion plan to increase electricity and steam power production capacity. Steady income arising from energy sales helps Hangzhou Sealand meet the interest costs from fixed rate bank borrowings and renew their maturities each year. Out of the above bank borrowings of RMB53,000,000, RMB40,000,000 (HK\$37,736,000) was secured by guarantee of three customers and the balance was secured by pledge of certain production facilities and land of Hangzhou Sealand with carrying value amounting to HK\$24,389,000 (2002: HK\$35,872,000) as at 31 December 2003.

於年內，杭州海聯增加其銀行貸款人民幣25,000,000元至二零零三年十二月三十一日人民幣53,000,000元(二零零二年:人民幣28,000,000元)，主要為年內展開電力及蒸汽生產力擴建計劃提供所需的資金。來自銷售能源的穩定收入有助杭州海聯應付定息貸款的利息支出及每年將貸款續期。上述人民幣53,000,000元銀行貸款中的人民幣40,000,000元(37,736,000港元)是由三名客戶擔保，餘數則以杭州海聯於二零零三年十二月三十一日賬面值24,389,000港元(二零零二年：35,872,000港元)之若干生產設備及土地作為抵押。

To cater for the project cashflow requirements, the Group mainly utilizes cash inflows from project receipts to finance its project costs whilst making use of short term trade finances at floating interest rate to finance the initial mobilization project outlays. Besides, pursuant to the prevailing trade practices of the building industry, the Group is also required to issue bid bonds and performance guarantees. As at 31 December 2003, aggregate banking facilities extended by banks in relation to facade contracting works amounted to HK\$236,000,000 (2002: HK\$171,000,000), thus further strengthening the Group's ability to tender for more new contracts and to undertake further contracts in the future. Certain of the Group's assets (consisting of time deposits and part of long term investments and fixed assets) with carrying value of HK\$107,750,000 as at 31 December 2003 (2002: HK\$74,891,000) were pledged to banks as security for the banking facilities.

On an overall basis, as at 31 December 2003, the Group had cash in hand (including bank balances and time deposits) in the amount of HK\$239,581,000 (2002: HK\$185,953,000) and after deducting borrowings of HK\$93,923,000 (2002: HK\$70,511,000), had in hand net cash of HK\$145,658,000 (2002: HK\$115,442,000) which provides ample liquidity to facilitate the Group's investment activities. On the basis of net borrowings (borrowings less cash in hand) relative to shareholders' equity for the purpose of computing gearing ratio, the Group was practically debt free as at 31 December 2002 and 2003.

為因應工程之收支情況，本集團主要以工程合約款現金流入作為工程成本的營運資金，並就啟動工程之前期物料採購開支利用銀行浮息短期貿易融資提供資金。此外，本集團亦須按建築業的常規出具投標及履約保證函。截至二零零三年十二月三十一日，銀行予以大廈外牆裝飾工程業務的信貸總額度達236,000,000港元（二零零二年：171,000,000港元），大大增強本集團日後競投及承接更多新工程的能力；作為相關信貸之擔保，本集團的若干資產（計有定期存款及部份長期投資和固定資產）賬面值107,750,000港元（二零零二年：74,891,000港元）已抵押予銀行。

整體來說，截至二零零三年十二月三十一日，本集團之手頭現金（包括銀行結存及定期存款）高達239,581,000港元（二零零二年：185,953,000港元），扣除借貸93,923,000港元（二零零二年：70,511,000港元）後，淨手頭現金有145,658,000港元（二零零二年：115,442,000港元），為本集團在投資活動上提供充足財政資源。在負債比率按淨借貸（借貸減手頭現金）與股東權益計算的基礎上，本集團於二零零二年及二零零三年十二月三十一日沒有實質之負債。

The Group's deposits and borrowings are mainly denominated in the currencies of the areas in which the Group's respective businesses operate. Therefore, the Group's exposure to foreign exchange risk is minimal and hence no hedging activities are needed.

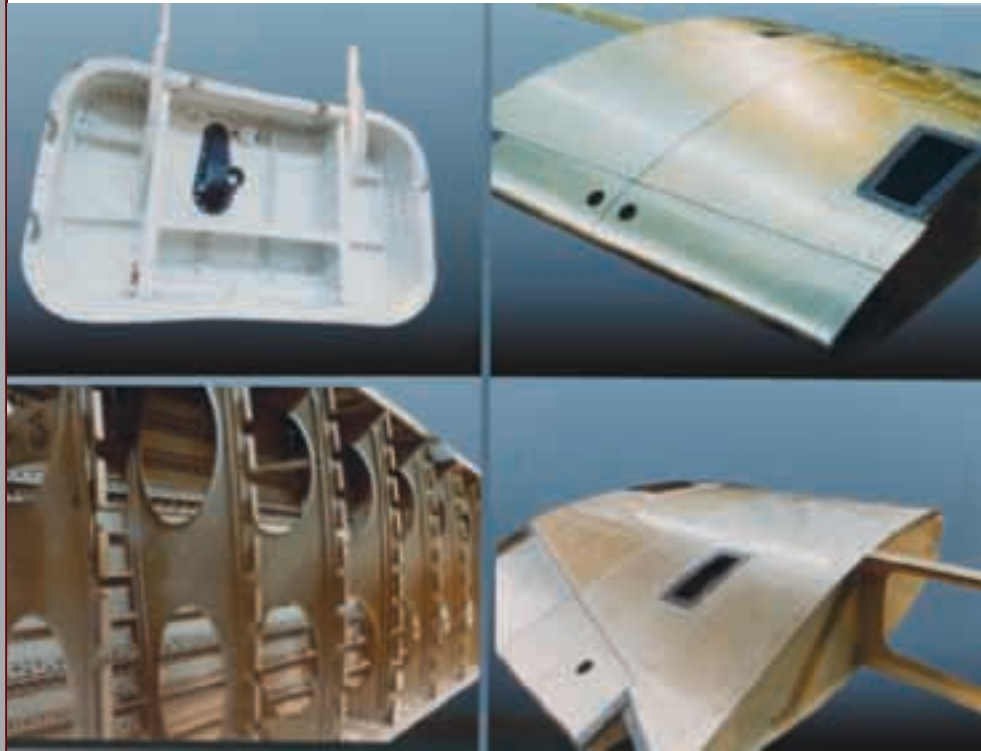
MATERIAL ACQUISITIONS AND INVESTMENTS

As set out above, the Group injected HK\$25,111,000 into CATIC Siwei, representing 40% of the registered capital of CATIC Siwei as enlarged. Furthermore, China Nav-Info Co., Ltd. ("China Nav-Info"), an equity joint venture set up by the Group, CATIC Siwei, China Siwei Surveying & Mapping Technology Corporation ("China Siwei") and two other unrelated companies to be engaged in utilizing geographical information system and global positioning system technologies to manufacture location-based navigation products and to provide related services, was established on 3 December 2002 and pursuant to the relevant equity joint venture agreement, the Group and CATIC Siwei contributed RMB5,900,000 and RMB2,950,000 into China Nav-Info, representing respectively 20% and 10% of China Nav-Info's registered capital. Subsequently during the year, pursuant to the relevant capital increase agreement and with the unanimous consent of all the shareholders of China Nav-Info, the Group, CATIC Siwei and China Siwei made further capital contributions of RMB9,000,000, RMB5,300,000 and RMB16,200,000 to China Nav-Info, representing respectively 24.83%, 13.75% and 43.72% of China Nav-Info's registered capital as enlarged, for the purpose of providing further funds to China Nav-Info for its business developments. By way of this capital increase, the Group's effective equity interest (including the interest held via CATIC Siwei) in China Nav-Info has increased to 30.33% from 24% previously held.

本集團之個別業務均以其當地之貨幣作為其主要存款及借款之貨幣單位，所以本集團可能承受之外匯風險有限而無須進行外幣對沖活動。

重大收購及投資

如上文所述，本集團已向四維遙感注資25,111,000港元，佔四維遙感經擴大註冊資本40%。此外，上述一家由本集團、四維遙感、中國四維測繪技術總公司（「中國四維」）及另外二家獨立第三者合資經營利用全球衛星定位系統及地理資訊系統技術生產定位導航產品及提供相關服務的企業「北京四維圖新導航信息技術有限公司」（「北京四維」）已於二零零二年十二月三日成立，本集團及四維遙感並按有關合資經營企業協議分別已向北京四維注入人民幣5,900,000元及人民幣2,950,000元，分別佔其註冊資本20%及10%。其後在年內按有關的增資協議並經北京四維股東一致同意，本集團、四維遙感及中國四維分別向北京四維增資人民幣9,000,000元、人民幣5,300,000元及人民幣16,200,000元，佔北京四維經擴大註冊資本的24.83%、13.75%及43.72%，藉此向北京四維進一步提供資金開拓業務。透過這一次增資，本集團在北京四維持有的實際權益（包括透過四維遙感持有的權益）由原來的24%提升至30.33%。



Aircraft Components 航空配件

As set out in the Company's announcement dated 13 May 2003, pursuant to the resolutions passed at the annual general meeting held on 13 May 2003, the Company eliminated its accumulated losses of HK\$283,592,863 as at 31 December 2002 in full by way of set off against the entire amount of HK\$273,184,163 standing to the credit of its share premium account and the application of HK\$10,408,700 out of its contributed surplus account. This move allows the Company to pay dividends out of its retained earnings to shareholders at an earlier opportunity in the future.

On 24 December 2003, the Company entered into an agreement with an independent third party to pay US\$5,000,000 (equivalent to approximately HK\$39,000,000) for the exclusive distributorship of certain helicopter engines produced by the third party in the next three years.

誠如本公司二零零三年五月十三日刊登之通告所述，經二零零三年五月十三日股東週年大會通過決議，本公司透過削減股份溢價賬全數進賬額273,184,163港元及動用繳入盈餘賬中的10,408,700港元，把本公司截至二零零二年十二月三十一日止的累積虧損283,592,863港元全數註銷。此舉有利本公司於未來較早之時間自其保留溢利中派發股息予股東。

於二零零三年十二月二十四日，本公司與一名獨立第三者簽署一項協議，據此，本公司支付5,000,000美元（相等約39,000,000港元）以取得該第三者於未來三年生產若干直升機發動機之獨家分銷權。

As set out in the Company's announcement dated 26 September 2003, the Company entered into a non-binding memorandum of understanding with CATIC on 26 September 2003 in respect of a possible acquisition by the Company of a stake in certain business of CATIC in relation to sourcing and trading of aircraft components and provision of after sales services. On 29 March 2004, the Group has entered into a sale and purchase agreement with CATIC (H.K.) Limited ("CATIC (HK)"), a wholly-owned subsidiary of CATIC, pursuant to which the Group agreed (i) to acquire a 45% interest in the entire issued share capital of CATIC International Support Limited ("CISL"), a wholly-owned subsidiary of CATIC (HK); and (ii) to accept the assignment of 45% of a shareholder's loan in the amount of HK\$50,000,000 to be made by CATIC (HK) to CISL, at an aggregate consideration of not more than HK\$100 million. CISL has been appointed as the exclusive overseas agent of CATIC for its distribution and trading of aircraft components and provision of related services. Further details are set out in the Company's announcement dated 30 March 2004.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2003, the Group's workforce consisted of 912 employees (2002: 910). The prevailing market conditions of the businesses concerned as well as the performance and experience of the employees are taken into consideration by the Group in formulating the remuneration levels and benefit packages of its employees. Besides, incentive performance bonus and share options are also granted to eligible employees in consideration of their performance and contributions to the Group. For the year ended 31 December 2003, options in respect of 150,000,000 shares at the exercise price of HK\$0.13 per share were granted to eligible employees. Moreover, the Group also provides its employees with in-house training and subsidizes them to pursue external training courses. Hence, their professional expertise and safety knowledge are strengthened whilst the Group's productivity and the quality of management are enhanced.

如本公司二零零三年九月二十六日的通告所述，本公司與中航技總公司已於二零零三年九月二十六日就本公司可能收購中航技總公司若干涉及飛機部件採購與貿易及提供售後服務之權益訂立一項無約束力諒解備忘錄。於二零零四年三月二十九日，本集團與中航技總公司的全資附屬公司「中國航空技術進出口(香港)有限公司」(「中航技(香港)」)簽署一項買賣協議，同意以不超過100,000,000港元的總代價(i)收購中航技(香港)的全資附屬公司CATIC International Support Limited (「CISL」)之已發行股份的45%；及(ii)承讓一項由中航技(香港)向CISL墊支的股東貸款50,000,000港元的45%。CISL已獲中航技總公司委任為其飛機配件分銷及貿易及提供有關服務的獨家海外代理。有關詳情載於本公司二零零四年三月三十日之公佈內。

僱員及薪酬政策

截至二零零三年十二月三十一日，本集團之僱員人數為912名(二零零二年：910名)。本集團除了根據有關行業之市場變化及僱員的表現與經驗而釐定僱員之薪酬水平及有關福利外，亦會按個別僱員之表現及其對本集團作出之貢獻，向合資格僱員授予酌情性獎勵花紅及購股權。截至二零零三年十二月三十一日止年度，有關150,000,000股每股行使價0.13港元之購股權已授予合資格僱員。此外，本集團亦向僱員提供內部培訓課程及資助員工參加外間培訓計劃，藉此加強其專業及安全知識，有助提高本集團的管理質素及生產力。