

2002

interim report 中期報告



中遠國際控股有限公司
COSCO International Holdings Limited

Contents

02	Corporate Information
03	Managing Director's Report
07	Management Discussion and Analysis
10	Consolidated Income Statement
11	Consolidated Balance Sheet
12	Condensed Consolidated Cash Flow Statement
13	Consolidated Statement of Changes in Equity
14	Notes to the Condensed Interim Financial Statements
24	Other Information

CORPORATE INFORMATION**DIRECTORS****Executive Directors**

Mr. Wei Jiafu (Chairman)
Mr. Liu Guoyuan (Vice-Chairman)
Mr. Liu Hanbo (Managing Director)
Mr. Li Jianhong
Mr. Zhou Liancheng
Mr. Liang Yanfeng
Mr. Kwong Che Keung, Gordon
Mr. Lu Zhiming
Mr. Dong Shu Sen
Mr. Chen Pisen
Mr. Meng Qinghui

Independent Non-Executive Directors

Mr. Chan Cheong Foon, Andrew
Mr. Alexander Reid Hamilton

COMPANY SECRETARY

Ms. Wai Ching Sum

AUDIT COMMITTEE

Mr. Chan Cheong Foon, Andrew
(Committee Chairman)
Mr. Alexander Reid Hamilton

AUDITORS

PricewaterhouseCoopers

SOLICITORS

Woo, Kwan, Lee & Lo
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited

PRINCIPAL REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH REGISTRAR

Abacus Share Registrars Limited
5th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

**HEAD OFFICE AND PRINCIPAL
PLACE OF BUSINESS IN HONG KONG**

47th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Ordinary shares (Code: 0517)

INVESTORS RELATIONS

For further information about
the Company, please contact:
Company Secretarial Department
47th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong
Telephone : (852) 2809 7888
Facsimile : (852) 2907 6107
Website : <http://www.coscointl.com>
E-mail : info@coscointl.com

MANAGING DIRECTOR'S REPORT

COSCO International Holdings Limited (the "Company") and its subsidiaries (the "Group") are pleased to announce that the Group attained a profit in the first half of 2002 despite the adverse economic environment.

During the period, the Group repositioned its businesses and made steady progress. The Group will focus on property development as its core business by consolidating and further developing its existing businesses. It will also actively explore the businesses of ship trading and supplying services that related to the core businesses of its ultimate holding company, China Ocean Shipping (Group) Company ("COSCO"). The Group aims at becoming a major conglomerate of COSCO and its subsidiaries ("COSCO Group").

BUSINESS REVIEW

Properties

Owing to poor market sentiment, office rental and occupancy rate continued to drop during the period. Nevertheless, the occupancy rate of the eight floors of COSCO Tower owned by the Group was maintained at over 96% (2001: 99%) in the period under review, providing a stable source of income to the Group.

The sales of Fragrant Garden, a residential development project in Hongkou District of Shanghai, was satisfactory. More than 70% of the units in Zone 2 Phase I were sold and delivered to owners from June 2002 onwards. Construction works of Phase II already commenced in late March 2002.

The construction of Ocean Prospect, a residential project in Beijing jointly developed with COSCO Real Estate Development Company, a subsidiary of COSCO was completed at the end of April 2002 and the residential units were delivered for occupancy starting from May 2002. Sales of the property was satisfactory, with more than 50% of the units under the whole project already sold.

Building Construction

Shun Shing Construction & Engineering Company, Limited ("SSCE"), a wholly owned subsidiary of the Company, adopted a series of stringent supervisory measures aimed at strengthening the supervision on construction quality, progress and safety management. Under the policy of diversification of business operations and expansion of tender sources, SSCE participated in the tender of a number of private and government construction projects during the period. The school project in Sau Mau Ping and Po Kong Village Road for Architectural Services Department were completed, while the private residential project in To Kwa Wan was well underway.

As at 30th June, 2002, the total value of construction work in progress of SSCE amounted to HK\$1,610,000,000 (30th June, 2001: HK\$1,409,000,000).

Infrastructure

During the period under review, Henan Xinzhongyi Electric Power Company, Limited ("Henan Power Plant") implemented a series of measures to strengthen its management. These measures aimed at enhancing the supervision and control of the Henan Power Plant's production and operations in order to attain the objective of "self-run, self-govern". The advent of the electricity system reform in the People's Republic of China (the "PRC") has undoubtedly brought certain changes to the operating environment. Inevitably, this posed a severe challenge to the capabilities of Henan Power Plant in terms of cost control and operational management. However, the Group is confident that it will be able to keep cost structure under control and enhance management efficiency so that profit contribution from Henan Power Plant to the Group will be maintained.

Ship Trading and Supplying Services

On 6th May, 2002, the Company announced the proposed acquisition of a 60% equity interest in COSCO International Ship Trading Company Limited (“COSCO Ship Trading”) from COSCO (H.K.) Industry & Trade Holdings Limited, a wholly-owned subsidiary of COSCO (Hong Kong) Group Limited (“COSCO Hong Kong”), in order to position the Group in developing ship trading and supplying services. The consideration of the acquisition amounted to HK\$59,400,000.

COSCO Ship Trading is the window company in the ship trading business of COSCO and is the shipping agent of COSCO Group responsible for handling the sale and purchase of new vessels and second-hand vessels and import and export of marine equipment for new shipbuilding projects. The principal businesses of COSCO Ship Trading include sale and purchase of new and second-hand vessels (including scrap vessels), bareboat charter businesses, sale and purchase of marine equipment for new shipbuilding projects and provision of consulting services in ship techniques, business and trade, shipping market analysis, ship valuation and finance.

The transaction was approved by the shareholders on 18th June, 2002 and COSCO Ship Trading became a subsidiary of the Company from 1st July, 2002 onwards.

High Technology

深圳艾科創新微電子有限公司 (Ark Pioneer Microelectronics (Shenzhen) Limited) (“Ark Pioneer”), 51% owned by the Company, is engaged in the development of integrated circuits products. As the verification for products is a prolonged process, the business of Ark Pioneer has been somewhat affected. The Group will strive to maximize returns to the shareholders as its ultimate goal in managing Ark Pioneer.

Others

The adoption of “中遠國際控股有限公司” as the Chinese name of the Company for the purpose of registration in Hong Kong was approved in the annual general meeting held in 2002. The adoption of Chinese name officially came into effect on 3rd June, 2002.

Moreover, the Company amended its bye-laws during the period. In compliance with changes in the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), appropriate amendments were made to the bye-laws to facilitate the Company’s efficient operation in future. The amendments were approved in the special general meeting held on 18th June, 2002.

CONCLUSION

Under the corporate motto of “Maximising corporate profits, Market-oriented strategy, Qualified service, Well-trimmed management and Strong team work among staff”, the Group will continue to strive for better results in the second half of the year.

On behalf of the board of directors of the Company (the “Board”), I would like to take this opportunity to extend my sincere thanks to our business partners, bankers, clients, suppliers and shareholders for their support and trust extended to the Group. I would also like to express my deepest thanks to all staff for their dedication and hard work.

On behalf of the Board

LIU Hanbo

Managing Director

Hong Kong, 6th September, 2002

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30th June, 2002, the Group achieved a turnover of HK\$324,487,000, a 76% decrease compared with that of the same period last year. The decrease was mainly due to the sales of residential units at Broadview Court, the Private Sector Participation Scheme ("PSPS") project of the Group which contributed sales of HK\$1,041,608,000 in the same period of last year and that PSPS project was completed in December 2001. The gross profit dropped by 25% as a result of the decline in turnover and the reduction in income from Henan Power Plant subsequent to the expiry of the guaranteed fixed return period on 30th September, 2001.

The Group achieved an operating profit of HK\$39,644,000, a decrease of HK\$19,987,000 from the same period of last year. The decline was reflected in the decrease of profits at property development, infrastructure investment and property investment segments by HK\$16,910,000, HK\$15,516,000 and HK\$4,830,000 respectively, which was offset partially by the increase in profit of HK\$16,374,000 at the building construction segment. In respect of investment income, the Group disposed of one of its long-term investments in securities listed in Hong Kong for a consideration of HK\$17,108,000 deriving a gain of HK\$1,894,000.

The Group attained profit attributable to shareholders of HK\$17,665,000 for the period, a 15% drop from that of the same period of last year.

FINANCIAL RESOURCES AND LIQUIDITY

For the six months ended 30th June, 2002, shareholders' funds of the Group increased by 1% to HK\$1,560,009,000 resulting from the profit generated during the period. For the corresponding period of last year, the shareholders' funds increased by 2% to HK\$1,731,372,000 resulting from the profit generated and issue of shares upon exercise of share options.

The net repayment of bank loans amounted to HK\$328,916,000 (2001: net drawing of bank loans HK\$146,758,000) during the period. As at 30th June, 2002, total banking facilities available to the Group amounted to HK\$1,352,615,000 (31st December, 2001: HK\$1,629,600,000), of which HK\$1,138,441,000 (31st December, 2001: HK\$1,467,357,000) was utilised. The reduction in utilization of banking facilities was primarily attributable to the repayment of bank loans by applying the proceeds from the sale of properties under Broadview Court and Fragrant Garden. The gearing ratio, which represents total bank loans over total assets, was approximately 37% (31st December, 2001: 43%).

As at 30th June, 2002, the Group's borrowings were denominated in Hong Kong dollars and Renminbi and carried at interest rates calculated with reference to Hong Kong Interbank Offered Rate and the Base Rate announced by the People's Bank of China respectively. During the period, the Group did not have any financial instruments for hedging purpose.

The maturity and currency profiles of the outstanding bank loans as at 30th June, 2002 are analysed as follows:

	30th June, 2002		31st December, 2001	
	HK\$'000	%	HK\$'000	%
Maturity profiles:				
Bank loans repayable				
– Within one year	188,790	17	430,731	29
– In the second year	169,651	15	256,626	17
– In the third to fifth year	780,000	68	780,000	54
	1,138,441	100	1,467,357	100
Secured	909,651	80	1,208,567	82
Unsecured	228,790	20	258,790	18
	1,138,441	100	1,467,357	100
Currency profiles:				
Hong Kong Dollar	990,000	87	1,271,941	87
Renminbi	148,441	13	195,416	13
	1,138,441	100	1,467,357	100

As at 30th June, 2002, investment properties in Hong Kong of HK\$360,000,000 (31st December, 2001: HK\$360,000,000) and other properties in Hong Kong of HK\$956,246,000 (31st December, 2001: HK\$966,686,000) were pledged as securities to a bank in respect of certain banking facilities granted to the Group.

Cash and bank balances amounted to HK\$517,650,000 (31st December, 2001: HK\$487,942,000) as at 30th June, 2002 accounted for 48% (31st December, 2001: 35%) of the current assets of the Group. In addition to the above, the Group's bank balances of HK\$57,787,000 (31st December, 2001: HK\$83,794,000) has been restricted for the purpose of granting a banking facility to a subsidiary of the Company.

EMPLOYEES

As at 30th June, 2002, excluding associated companies and jointly controlled entities, the Group had approximately 284 (31st December, 2001: 251) employees of whom 186 (31st December, 2001: 181) staff are employed in Hong Kong. During the period, staff costs net of amount capitalised in construction in progress of HK\$19,183,000 (2001: HK\$23,019,000) totalled HK\$17,579,000 (2001: HK\$15,730,000). All the staff employed in Hong Kong participate in the Mandatory Provident Fund Scheme.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30th June, 2002

		Unaudited six months ended 30th June,	
		2002	2001
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
TURNOVER	2	324,487	1,325,448
Cost of sales		(263,849)	(1,244,780)
		60,638	80,668
Gross profit		4,510	8,790
Other revenues		3,668	1,248
Other operating income		(26,354)	(29,215)
Administrative expenses		(2,818)	(1,860)
Other operating expenses			
OPERATING PROFIT	3	39,644	59,631
Finance costs		(16,278)	(31,971)
Share of results of associated companies		855	(368)
Share of results of jointly controlled entities		3,077	(1,206)
PROFIT BEFORE TAXATION		27,298	26,086
Taxation	4	(7,836)	(3,765)
PROFIT AFTER TAXATION		19,462	22,321
Minority interests		(1,797)	(1,621)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		17,665	20,700
EARNINGS PER SHARE	5		
BASIC		1.27 cents	1.49 cents
FULLY DILUTED		Not Applicable	1.49 cents

CONSOLIDATED BALANCE SHEET

as at 30th June, 2002

		Unaudited 30th June, 2002 HK\$'000	Audited 31st December, 2001 HK\$'000
	<i>Note</i>		
FIXED ASSETS	7	1,364,486	1,376,753
ASSOCIATED COMPANIES		2,672	837
JOINTLY CONTROLLED ENTITIES		261,627	212,727
OTHER INVESTMENT IN A JOINT VENTURE		233,275	238,001
INVESTMENT SECURITIES		82,671	103,354
OTHER NON-CURRENT ASSETS	9	57,787	83,794
CURRENT ASSETS			
Properties held for sale		112,645	114,784
Properties under development for sale		160,377	246,920
Trade and other receivables	8	271,780	546,801
Short-term investments		9,639	6,921
Cash and bank balances	9	517,650	487,942
		1,072,091	1,403,368
CURRENT LIABILITIES			
Trade and other payables	10	306,605	350,012
Taxation		21,089	12,407
Current portion of long-term bank loans	12	83,790	320,731
Bank loan, unsecured		105,000	110,000
		516,484	793,150
NET CURRENT ASSETS		555,607	610,218
		2,558,125	2,625,684
Financed by:			
SHARE CAPITAL	11	139,439	139,439
RESERVES		2,411,196	2,411,209
ACCUMULATED LOSSES		(990,626)	(1,008,291)
SHAREHOLDERS' FUNDS		1,560,009	1,542,357
LONG-TERM BANK LOANS	12	949,651	1,036,626
MINORITY INTERESTS		48,465	46,701
		2,558,125	2,625,684

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30th June, 2002

	Unaudited	
	Six months ended	
	30th June,	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
Net cash flow from/(used in) operating activities	354,274	(97,209)
Net cash flow (used in)/from investing activities	(24,658)	47,140
Net cash flow (used in)/from financing activities	(328,916)	154,813
INCREASE IN CASH AND CASH EQUIVALENTS	700	104,744
Cash and cash equivalents at beginning of period	401,621	296,882
Changes in exchange rates	(46)	(5)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	402,275	401,621
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	575,437	566,614
Restricted bank deposits and bank deposits with maturity more than three months from the date of placement	(173,162)	(164,993)
	402,275	401,621

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30th June, 2002

	Unaudited					Total HK\$'000
	Six months ended 30th June, 2002					
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	
At 1st January, 2002	139,439	2,356,553	56,683	(2,027)	(1,008,291)	1,542,357
Exchange differences	-	-	-	(13)	-	(13)
Profit for the period	-	-	-	-	17,665	17,665
At 30th June, 2002	<u>139,439</u>	<u>2,356,553</u>	<u>56,683</u>	<u>(2,040)</u>	<u>(990,626)</u>	<u>1,560,009</u>

	Unaudited					Total HK\$'000
	Six months ended 30th June, 2001					
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	
At 1st January, 2001	138,196	2,349,642	56,683	(1,663)	(840,193)	1,702,665
Issue of shares upon exercise of option	1,228	6,827	-	-	-	8,055
Exchange differences	-	-	-	(48)	-	(48)
Profit for the period	-	-	-	-	20,700	20,700
At 30th June, 2001	<u>139,424</u>	<u>2,356,469</u>	<u>56,683</u>	<u>(1,711)</u>	<u>(819,493)</u>	<u>1,731,372</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed Interim Financial Statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA") and Appendix 16 of the Listing Rules on the Stock Exchange.

The condensed Interim Financial Statements should be read in conjunction with the 2001 Annual Financial Statements.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the Annual Financial Statements for the year ended 31st December, 2001 except that the Group has adopted of the following new and revised SSAPs issued by the HKSA which became effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The adoption of the above new and revised SSAPs has no material effect on the Group's results and net asset value other than presentational changes. Certain comparative figures have been reclassified to conform with the current period's presentation.

2. SEGMENT INFORMATION

The Group is principally engaged in property development, building construction, infrastructure investment, property investment and high technology investment.

Primary reporting format – business segments

The Group is organised into four main business segments:

- Property development – development of properties in the Mainland China and Hong Kong
- Building construction – construction of buildings and civil engineering
- Infrastructure investment – investment in a power plant project
- Property investment – holding of properties for rental purpose

Other operations of the Group comprise mainly holding of investment securities and investment in high technology project, neither of which is of a sufficient size to be reported separately.

The inter-segment transactions represent construction services provided by the building construction arm of the Group to the Group's property projects.

Secondary reporting format – geographical segments

The Group's business segments operating in Hong Kong and the Mainland China are as follows:

- Hong Kong – property development and investment and building construction and other operations
- Mainland China – property development and investment and infrastructure investment

There is no sales between geographical segments.

2. SEGMENT INFORMATION (cont'd)

Primary reporting format – business segments

	Six months ended 30th June, 2002					Group HK\$'000
	Property development HK\$'000	Building construction HK\$'000	Infrastructure investment HK\$'000	Property investment HK\$'000	Other operations HK\$'000	
Segment turnover	<u>101,907</u>	<u>185,631</u>	<u>7,187</u>	<u>29,762</u>	<u>-</u>	<u>324,487</u>
Segment results	<u>16,366</u>	<u>12,985</u>	<u>1,371</u>	<u>19,630</u>	<u>3,150</u>	<u>53,502</u>
Unallocated corporate expenses, net of income						<u>(13,858)</u>
Operating profit of the Group						<u>39,644</u>
Finance costs						<u>(16,278)</u>
Share of results of associated companies	-	855	-	-	-	<u>855</u>
Share of results of jointly controlled entities	<u>4,342</u>	-	-	-	<u>(1,265)</u>	<u>3,077</u>
Profit before taxation						<u>27,298</u>
Taxation						<u>(7,836)</u>
Profit after taxation						<u>19,462</u>
Minority interests						<u>(1,797)</u>
Profit attributable to shareholders						<u>17,665</u>

2. SEGMENT INFORMATION (cont'd)

Primary reporting format – business segments (cont'd)

	Six months ended 30th June, 2001					Group HK\$'000
	Property development HK\$'000	Building construction HK\$'000	Infrastructure investment HK\$'000	Property investment HK\$'000	Other operations HK\$'000	
Segment turnover	1,145,442	198,501	52,436	34,204	-	1,430,583
Inter-segment transactions	-	(105,135)	-	-	-	(105,135)
Turnover of the Group	<u>1,145,442</u>	<u>93,366</u>	<u>52,436</u>	<u>34,204</u>	<u>-</u>	<u>1,325,448</u>
Segment results	33,276	3,387	16,887	24,460	(1,367)	76,643
Inter-segment transactions	-	(6,776)	-	-	-	(6,776)
Segment results of the Group	<u>33,276</u>	<u>(3,389)</u>	<u>16,887</u>	<u>24,460</u>	<u>(1,367)</u>	69,867
Unallocated corporate expenses, net of income						<u>(10,236)</u>
Operating profit of the Group						59,631
Finance costs						(31,971)
Share of results of associated companies	-	(368)	-	-	-	(368)
Share of results of jointly controlled entities	-	-	-	-	(1,206)	<u>(1,206)</u>
Profit before taxation						26,086
Taxation						<u>(3,765)</u>
Profit after taxation						22,321
Minority interests						<u>(1,621)</u>
Profit attributable to shareholders						<u>20,700</u>

2. SEGMENT INFORMATION (cont'd)

Secondary reporting format – geographical segments

	Segment turnover		Segment results	
	Six months ended 30th June,		Six months ended 30th June,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	216,655	1,168,562	34,545	40,720
Mainland China	107,832	156,886	18,957	29,147
	324,487	1,325,448	53,502	69,867
Unallocated corporate expenses, net of income			(13,858)	(10,236)
Operating profit of the Group			39,644	59,631

3. OPERATING PROFIT

Operating profit is arrived at after crediting and charging the following:

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
Crediting		
Net rental income	27,692	33,218
Net realised and unrealised gains on other investments	3,150	–
Charging		
Depreciation, net of amounts capitalised in construction contracts in progress and properties under development for sale totalling HK\$1,044,000 (2001: HK\$1,722,000)	11,948	13,405
Amortisation of the cost of other investment in a joint venture	4,726	36,695
Staff costs, net of amount capitalized in construction in progress totalling HK\$19,183,000 (2001: HK\$23,019,000)	17,579	15,730
Pension costs - defined contribution plans	349	218
Net realised and unrealised losses on other investments	–	1,374

4. TAXATION

No Hong Kong profits tax has been provided as the Group has no assessable profit for the period (2001: Nil).

Mainland China taxation has been calculated on the estimated assessable profits derived from the Group's operations in Mainland China for the period at the rates of taxation prevailing in Mainland China.

The amount of taxation charged to the consolidated income statement represents:

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
Provision for the period - Mainland China	4,856	3,765
Share of taxation attributable to a jointly controlled entity in Mainland China	2,980	-
	7,836	3,765

5. EARNINGS PER SHARE

The calculation of basic and fully diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$17,665,000 (2001: HK\$20,700,000). The basic earnings per share is based on the weighted average number of 1,394,389,291 (2001: 1,389,714,661) shares in issue during the period.

There is no potential dilutive shares in issue during the period. The fully diluted earnings per share for the comparative period was based on 1,392,613,972 shares which is the total of the weighted average number of shares in issue during the period and the weighted average of 2,899,311 shares deemed to be issued at no consideration if all outstanding options had been exercised.

6. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2002 (2001: Nil).

7. FIXED ASSETS

	30th June, 2002 HK\$'000	31st December, 2001 HK\$'000
Net book value at 1st January	1,376,753	1,451,694
Additions	738	1,022
Revaluation deficit	–	(45,000)
Disposal / Write-off	(13)	(10,477)
Depreciation	(12,992)	(20,486)
	<hr/>	<hr/>
Net book value at 30th June/ 31st December	<u>1,364,486</u>	<u>1,376,753</u>

8. TRADE AND OTHER RECEIVABLES

At 30th June, 2002, trade and other receivables included trade receivables amounting to HK\$131,356,000 (31st December, 2001: HK\$419,230,000). The ageing analysis of the trade receivables is as follows:

	30th June, 2002 HK\$'000	31st December, 2001 HK\$'000
Current – 90 days	110,689	409,581
91 – 180 days	5,044	–
Over 180 days	15,623	9,649
	<hr/>	<hr/>
	<u>131,356</u>	<u>419,230</u>

The Group's revenue from building construction contracts is billed according to certified progress billings, revenue from sales of properties and other operating revenues are billed according to terms of the relevant contracts governing the transactions. All invoices billed are payable upon presentation of invoices.

9. CASH AND BANK BALANCES

	30th June, 2002	31st December, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	575,437	571,736
Restricted bank deposits	(57,787)	(83,794)
	517,650	487,942

The Group's bank deposits of approximately HK\$57,787,000 (31st December, 2001: HK\$83,794,000) are restricted for the purpose of a long-term banking facility granted to the Group (Note 12).

10. TRADE AND OTHER PAYABLES

At 30th June, 2002, trade and other payables included trade payables amounting to HK\$128,487,000 (31st December, 2001: HK\$130,535,000). The ageing analysis of the trade payables is as follows:

	30th June, 2002	31st December, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – 90 days	117,543	106,556
91 – 180 days	631	12,132
Over 180 days	10,313	11,847
	128,487	130,535

11. SHARE CAPITAL

	30th June, 2002		31st December, 2001	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
Shares of HK\$0.1 each	3,000,000,000	300,000	3,000,000,000	300,000
Issued and fully paid:				
Shares of HK\$0.1 each:				
At 1st January	1,394,389,291	139,439	1,381,959,291	138,196
Issue of shares upon the exercise of share options	—	—	12,430,000	1,243
At 30th June/ 31st December	1,394,389,291	139,439	1,394,389,291	139,439

12. LONG-TERM BANK LOANS

	30th June, 2002	31st December, 2001
	HK\$'000	HK\$'000
Bank loans		
Secured	909,651	1,208,567
Unsecured	123,790	148,790
	1,033,441	1,357,357
Amount repayable within one year included in current liabilities	(83,790)	(320,731)
	949,651	1,036,626
The bank loans are repayable as follows:		
Within one year	83,790	320,731
In the second year	169,651	256,626
In the third to fifth year	780,000	780,000
	1,033,441	1,357,357

13. FINANCIAL COMMITMENTS

As at 30th June, 2002, the Group had the following financial commitments:

- (i) As at 30th June, 2002, the Group had commitment to provide the remaining balance of the shareholders' loan amounting to HK\$42,653,000 (31st December, 2001: HK\$91,131,000) to a Sino-foreign equity joint venture with COSCO Real Estate Development Company, a subsidiary of COSCO, the ultimate holding company of the Group. The Group has a 49% equity interest in the joint venture.
- (ii) On 6th May, 2002, the Group entered into a sale and purchase agreement with COSCO (H.K.) Industry & Trade Holdings Limited, a wholly owned subsidiary of COSCO Hong Kong, an intermediate holding company of the Group, in respect of the acquisition of a 60% equity interest in COSCO Ship Trading, a Hong Kong incorporated company and the shipping agent/broker of COSCO Group. The acquisition was completed on 1st July, 2002 and COSCO Ship Trading became a subsidiary of the Group thereafter. The purchase consideration of HK\$59,400,000 is satisfied by cash on or before 31st December, 2002.

14. CONTINGENCIES

	30th June, 2002 HK\$'000	31st December, 2001 HK\$'000
Performance bonds in respect of performance and completion of construction contracts	20,597	49,734
Claims for liquidated damages and cost of rectification works in respect of a completed construction contract (<i>Note</i>)	33,407	–
Guarantee and counter-indemnity to bank guarantees in respect of due performance of management and remedial work of a property project undertaken by the Group	43,000	43,000

Note:

In May 2002, claims were lodged by the Hong Kong Housing Society (“HKHS”) against a subsidiary of the Company for liquidated damages and cost of rectification works in relation to a completed construction project. In this connection, in July 2002, HKHS served a claim under the performance bond and was fully indemnified with the sum of HK\$29,137,000 in cash by a subsidiary of the Company. The subsidiary of the Company and HKHS have agreed to appoint an arbitrator to resolve the disputes arising from the construction contract. Taking into consideration of the opinions from an external claim assessor and a legal counsel, the directors of the Company are of the view that the Group has a strong case in the arbitration. As it is currently uncertain as to the outcome of the arbitration, the Group’s exposure to the potential liability of HK\$33,407,000 was disclosed as a contingent liability as at 30th June, 2002.

15. RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions carried out in the normal course of the Group’s business during the period:

	Six months ended 30th June,	
	2002 HK\$'000	2001 HK\$'000
Rental income received from		
An intermediate holding company	1,037	1,302
Fellow subsidiaries	16,759	20,246

Ten tenancy agreements were entered into between certain subsidiaries of the Company as landlords, and COSCO Hong Kong or subsidiaries of COSCO Hong Kong as tenants, for the lease of certain properties of the Group at COSCO Tower at an average monthly rental of approximately HK\$33 (2001: HK\$40) per square foot.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2002 (2001: Nil).

SHARE OPTIONS

Pursuant to the Company's share option scheme (the "Scheme") approved by the shareholders on 17th January, 1992, the Board may, at their discretion, grant options to the executive directors and employees of the Group to subscribe for shares in the Company. The Scheme was valid and effective for a period of 10 years which commenced on 17th January, 1992 and expired on 16th January, 2002.

The following table discloses movements in the Company's share options for the six months ended 30th June, 2002:

	Number of share options				Outstanding as at 30th June, 2002
	Outstanding as at 1st January, 2002	Granted during the period	Exercised during the period	Lapsed during the period	
Director					
Mr. Kwong Che Keung, Gordon (Note 1)	4,500,000	-	-	(4,500,000)	-
Mr. Dong Shu Sen (Note 1)	3,500,000	-	-	(3,500,000)	-
Ex-Director					
Mr. Zhang Yongjian (Note 1 & 2)	1,000,000	-	-	(1,000,000)	-
Employees	5,620,000	-	-	(5,620,000)	-

Notes:

1. These share options were granted to the executive directors of the Company and employees of the Group on 20th March, 2000 and were exercisable at HK\$0.656 per share at any time between 20th March, 2001 and 16th January, 2002. These share options lapsed on 16th January, 2002.
2. Mr. Zhang Yongjian resigned as a director of the Company on 15th June, 2002.

Subsequent to the expiry of the Scheme on 16th January, 2002, a new share option scheme (the "New Scheme") was approved and adopted by the shareholders of the Company on 17th May, 2002. Under the New Scheme, the Board may, at their discretion, grant options to the following participants to subscribe for shares in the Company:

1. any director of the Group;
2. any director of the substantial shareholder of the Company;
3. any employee of the Group;
4. any employee of the Company's substantial shareholder or any employee of such substantial shareholder's subsidiaries or associated companies;
5. any business associate of the Group; and
6. any business associate of any substantial shareholder of each member of the Group.

The New Scheme is valid and effective for a period of 10 years which commenced on 17th May, 2002 and will expire on 16th May, 2012. The New Scheme complies with Chapter 17 of the Listing Rules on the Stock Exchange.

No share option was granted under the New Scheme during the period.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2002, the interests of the directors and chief executives and their associates in the shares of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

1. Directors' interests in shares

Name of director	Number of shares held	
	Personal interests	
Mr. Dong Shu Sen	1,500,000	
Mr. Chen Pisen	500,000	

2. Directors' interests in shares of associated corporations

Name of associated corporation	Name of director	Number of shares held	
		Personal interests	
COSCO Pacific Limited ("COSCO Pacific")	Mr. Kwong Che Keung, Gordon	250,000	

(Note)

Note:

Mr. Kwong Che Keung, Gordon fully exercised the share options granted by COSCO Pacific to subscribe for 250,000 shares at HK\$3.584 each on 25th February, 2002.

3. Directors' interests in share options granted by associated corporations

Name of associated corporation	Director	Number of share options				Outstanding as at 30th June, 2002
		Outstanding as at 1st January, 2002	Granted during the period	Exercised during the period	Lapsed during the period	
COSCO Pacific	Mr. Li Jianhong	250,000 (Note 1)	-	-	(250,000)	-
COSCO Pacific	Mr. Kwong Che Keung, Gordon	250,000 (Note 1)	-	(250,000)	-	-
COSCO Pacific	Mr. Lu Zhiming	250,000 (Note 1)	-	-	(250,000)	-
		1,500,000 (Note 2)	-	-	-	1,500,000

Notes:

1. The share options were granted by COSCO Pacific on 6th April, 2000 and were exercisable at HK\$3.584 per share at any time between 6th April, 2001 and 5th April, 2002. These share options lapsed on 6th April, 2002.
2. The share options were granted by COSCO Pacific on 1st July, 1996 and are exercisable at HK\$5.53 per share at any time between 1st July, 1996 and 30th June, 2006.

Save as disclosed above and in the section headed "Share Options", as at 30th June, 2002, none of the directors and the chief executive of the Company had any interest in the share capital of the Company or any associated corporations (within the meaning of the SDI ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 or part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules on the Stock Exchange or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2002, the interests of those persons in the share capital of the Company as recorded in the register kept under Section 16(1) of the SDI Ordinance were as follows:

Name of shareholder	Number of shares held
COSCO	829,360,511
COSCO Hong Kong *	829,360,511
True Smart International Limited *	527,060,904
COSCO Investments Limited *	302,299,607

* These companies are wholly-owned subsidiaries of COSCO and their interests in the shares of the Company were included in the interests held by COSCO.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

Under paragraph 3.7.1 of Practice Note 19 of the Listing Rules on the Stock Exchange, the Company discloses the following loan agreements which contain covenants requiring specific performance obligations of the controlling shareholder:

1. A HK\$1,129,000,000 secured medium term loan facility was granted by a syndicate of financial institutions with HSBC China Services Limited as agent to Century Metro Development Limited ("Century Metro"), a wholly owned subsidiary of the Company, on 30th March, 1998 to finance the PSPS project at Shum Wan Road, Aberdeen Inland Lot No.435. The loan is guaranteed unconditionally and irrevocably by COSCO Hong Kong which undertakes, amongst other conditions, that it will remain the ultimate beneficial owner of at least 51% of the entire issued share capital of Century Metro and SSCE, unless consented by the agent acting on the instruction of majority of the syndicate. The term loan was fully repaid on 4th January, 2002.

2. A HK\$780,000,000 secured term loan facility was granted by Bank of China (Hong Kong) Limited to the Company in August 1998 and amended on 9th June, 2001 to finance the acquisition of the eight floors of the COSCO Tower. The secured term loan facility is repayable on or before 18th June, 2006. The loan is guaranteed unconditionally and irrevocably by COSCO Hong Kong which undertakes, amongst other conditions, that:
- (i) it will procure that the ultimate holding company will maintain a 51% equity interest, either directly or indirectly, in it and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
 - (ii) it will procure that the ultimate holding company will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
 - (iii) it will maintain an equity interest, either directly or indirectly, of not less than 35% in COSCO Pacific, a fellow subsidiary of the Company, and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee); and
 - (iv) it will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest being the single largest shareholding in the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the six months ended 30th June, 2002, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares.

CORPORATE GOVERNANCE

The Audit Committee has discussed the internal controls and financial reporting matters with management and reviewed the condensed Interim Financial Statements of the Group for the six months ended 30th June, 2002.

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not at any time during the six months ended 30th June, 2002 in compliance with Appendix 14 of the Listing Rules on the Stock Exchange.



中遠國際控股有限公司
COSCO International Holdings Limited