



Chairman's Statement

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Results

Although global economy was still in its downturn in 2002, China has shown prominent achievement by recording as nearly 8% increase in economic growth. Hong Kong, possessing exclusive bond to her motherland, China, recorded a 2.3% growth from the depressed ambience. However, the local property market has been continuously hit by the depression. The Company together with its subsidiaries (the "Group") faced a tough situation in terms of sluggish prices and falling rental income in the property market. The gloomy operating environment in construction market also hindered our business development last year. Nevertheless, the Group will endeavor to revive against economic decline and determine to capitalise the strength of China's growth in a bid to overcome challenges while looking for unlimited opportunities.

For the year ended 31st December 2002, the Group recorded a turnover of HK\$583,508,000,

representing a decrease of HK\$1,261,337,000, approximately 68% as compared with the previous year due to the inclusion in 2001 turnover of the sale of residential units and car parks at Broadview Court, a Private Sector Participation Scheme project developed by the Group, amounting to HK\$1,218,815,000. The overall gross profit of the Group dropped by 26% to HK\$97,869,000.

A provision of HK\$539,043,000 (2001: HK\$181,800,000) was made during the year to reflect the fair value of assets and certain investments of the Group under the principle of sustainable operations, as well as the potential claims on constructions contracts. Excluding the provision, the Group achieved an operating profit of HK\$31,206,000, a decrease by HK\$43,630,000 from the previous year.

The board of directors of the Company (the "Board") does not recommend the payment of a final dividend (2001: Nil) for the year ended 31st December 2002.

- Position properties as the principal business
- Develop business in ship trading and supplying services
- Consolidate existing businesses
- Constitute a solid conglomerate

| Major Development |

Throughout 2002, the Group continued to position real estate and property development as its core business, as well as, consolidate and develop the existing businesses, and has been actively seeking opportunities to unfold its foothold in ship trading and supplying services.

To explore the market of ship trading and supplying services, the Group announced to acquire a 60% interest in the issued share capital of 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"), on 6th May 2002. The consideration of the acquisition amounted to HK\$59,400,000. COSCO Ship Trading became a subsidiary of the Company on 1st July 2002. It signified a great start of the Group to extend its presence in ship trading sector.

In addition, in achieving property development as its core business, the Group is well positioned to further explore the promising high quality residential and commercial projects in China, through the extensive experiences gained from the development of Fragrant Garden in Shanghai and Ocean Prospect in Beijing. On 24th January 2003, the Group entered into an agreement to acquire shares of COSCO Real Estate Development Co., Ltd. ("CRED") from its parent company, China Ocean Shipping (Group)



Signing ceremony of the acquisition of 20% equity interest in COSCO Real Estate Development Co., Ltd.

Company ("COSCO"). Together with the proposed participation in the capital injection to CRED, the Group will hold a 20% of the enlarged issued share capital of CRED upon completion. The Group will become one of the largest shareholders of CRED with a total investment of RMB218,250,000.

Moreover, in order to simplify the shareholding structure, the Group signed an agreement to sell its entire 49% equity interest in Beijing Tian Lin Property Development Co. Ltd. ("Tian Lin") to Yuan Kun Property Development Company ("Yuan Kun"), a subsidiary of CRED. Together with Tian Lin's repayment of the outstanding aggregated shareholders' loan advanced by the Group and the handling fee, the amount will be RMB289,390,000. The completion of the transactions is widely expected to enforce the Group with unparalleled strength to take position in China's property market. The agreements were approved in the special general meeting of the Company held on 6th March 2003 and the deals are scheduled to conclude during the second half of the year 2003.

| Outlook |

According to the latest research report released by International Monetary Fund, the world economy is expected to climb up steadily by approximately 3.7%. The report also predicts global trade will go up by 6.2% this year compared with only 2% recorded a year ago. China's Gross Domestic Product is expected to achieve a substantial increase of about 8% in 2003. Hong Kong's economic growth will also improve from 2.3% recorded in 2002 to 3% this year.

After obtaining the official status of the World Trade Organization ("WTO") membership, winning the bid of hosting 2008 Olympic Games in Beijing and 2010 World Expo in Shanghai, China's future will be further guaranteed by the numerous commercial activities and influx of foreign investment. Therefore, the Central Government is likely to step up the

investment of infrastructure and property development in Beijing and Shanghai in the upcoming years. In the light of the latest developments, it is expected to provide opportunities for the Group.

Throughout the year of 2002, the management of the Group has determined to set out a distinct business direction and positioning. Besides, the Group has also put continuous effort to carry out strategies including measures to intensify internal control and human resources management. Meanwhile, after negotiations with bankers, we were able to obtain lower interest rates spread that close to market practice. In addition series of measures for enhancing efficiency and cost control were also launched.

Year 2003 will be a year of challenges to the Group and it is believed that the business environment will be very difficult. The Group will ride on China's growth and will continue to position property as its core business so as to consolidate and develop its existing businesses. Moreover, the Group will actively explore more market opportunities in ship trading and supplying services related to the core business of its ultimate holding company, COSCO, to become a conglomerate of the COSCO group.

| Appreciation |

On behalf of the Board, I would like to take the chance to express my deepest gratitude to all of our business partners, bankers, clients, suppliers and shareholders for their solid support and trust for the Group.

WEI Jiafu
Chairman

Hong Kong, 25th March 2003