



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the six months ended 30th June 2003, the Group achieved a turnover of HK\$449,480,000, a 39% increase over that of the same period last year. The increase was primarily attributable to the increase in the turnover of the building construction business. Revenue from the construction contract of the private residential development project, the Sky Tower, had not attained a completion level at which turnover could be recognised in the same period of last year under the accounting policy adopted by the Group, was accounted for in the current period. In addition, turnover by the ship trading business was recognised for in the current period after the completion of the acquisition of a 60% equity interest in COSCO Ship Trading on 1st July 2002. Despite the gross profit contributed by the ship trading business, the gross profit of the Group dropped by 1% as a result of the decrease in the profit margin of the building construction business.

The Group achieved an operating profit of HK\$26,065,000 after taking into accounts of a profit of HK\$17,141,000 from the ship trading segment. There is a decrease of HK\$13,579,000 as compared with the same period of last year. The decline was attributable to the decrease of profits in the property development and building construction segments by HK\$6,759,000 and HK\$23,918,000 respectively.

The Group attained a profit attributable to shareholders of HK\$831,000 for the period, a 95% drop from that of the same period of last year.

### FINANCIAL RESOURCES AND LIQUIDITY

For the six months ended 30th June 2003, shareholders' funds of the Group increased by 0.1% to HK\$1,005,112,000 resulting from the profit generated during the period. For the corresponding period of last year, the shareholders' funds increased by 1% to HK\$1,560,009,000.

The net repayment of bank loans amounted to HK\$8,150,000 (2002: HK\$328,916,000) during the period. As at 30th June 2003, total banking facilities available to the Group amounted to HK\$1,287,750,000 (31st December 2002: HK\$1,507,615,000), of which HK\$1,098,131,000 (31st December 2002: HK\$1,106,281,000) was utilised. The reduction in



utilisation of banking facilities was primarily attributable to the repayment of bank loans by applying the rental proceeds received from the eight storeys of COSCO Tower. The gearing ratio, which represents total bank loans over total assets, was approximately 43% (31st December 2002: 44%).

As at 30th June 2003, 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 2003 are analysed as follows:

	30th June 2003		31st December 2002	
	HK\$'000	%	HK\$'000	%
<b>Maturity profiles:</b>				
Bank loans repayable				
— within one year	<b>145,000</b>	<b>13</b>	155,000	14
— in the second year	<b>222,071</b>	<b>20</b>	171,281	15
— in the third to fifth year	<b>731,060</b>	<b>67</b>	780,000	71
	<b>1,098,131</b>	<b>100</b>	1,106,281	100
<b>Secured</b>				
	<b>716,060</b>	<b>65</b>	853,281	77
<b>Unsecured</b>				
	<b>382,071</b>	<b>35</b>	253,000	23
	<b>1,098,131</b>	<b>100</b>	1,106,281	100
<b>Currency profiles:</b>				
Hong Kong Dollar	<b>1,006,060</b>	<b>92</b>	1,033,000	93
Renminbi	<b>92,071</b>	<b>8</b>	73,281	7
	<b>1,098,131</b>	<b>100</b>	1,106,281	100



As at 30th June 2003, investment properties in Hong Kong of HK\$313,000,000 (31st December 2002: HK\$313,000,000) and other properties in Hong Kong of HK\$730,677,000 (31st December 2002: HK\$738,806,000) were pledged as securities to a bank in respect of certain banking facilities granted to the Group.

Cash and bank balances amounted to HK\$434,995,000 (31st December 2002: HK\$486,117,000) as at 30th June 2003 accounted for 43% (31st December 2002: 53%) of the current assets of the Group. In addition to the above, there is no bank balances (31st December 2002: HK\$54,129,000) being restricted for the purpose of granting a banking facility to a subsidiary of the Company.

## **EMPLOYEES**

As at 30th June 2003, excluding associated companies and jointly controlled entities, the Group had approximately 275 (31st December 2002: 292) employees of whom 151 (31st December 2002: 158) are employed in Hong Kong. During the period, staff costs including directors' emoluments, net of amount capitalised in construction contract in progress of HK\$11,460,000 (2002: HK\$19,183,000) totalled to HK\$16,516,000 (2002: HK\$17,579,000). All the staff employed in Hong Kong participate in the Mandatory Provident Fund Scheme.