



## 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 Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed Interim Financial Statements should be read in conjunction with the 2002 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 31 December 2002 except that the Group has adopted revised SSAP12 “Income Taxes” issued by the HKSA which became effective for accounting periods commencing on or after 1st January 2003.

The adoption of the above revised SSAP has no material effect on the Group’s results and net asset value.

### 2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in property investment and development, building construction and civil engineering, infrastructure investment and provision of ship trading and supplying services.



## 2. TURNOVER AND SEGMENT INFORMATION (cont'd)

### Primary reporting format — business segments

The Group is organised into five main business segments:

Property development	—	development of properties
Building construction	—	construction of buildings and civil engineering
Property investment	—	holding of properties for rental purpose
Infrastructure investment	—	investment in a power plant project
Ship trading	—	trading of vessels, marine equipments and bareboat charter business

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

### Secondary reporting format — geographical segments

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

Hong Kong	—	all of the Group's business segments except for infrastructure investment
China Mainland	—	all of the Group's business segments except for building construction

There are no sales between geographical segments.



## 2. TURNOVER AND SEGMENT INFORMATION (cont'd)

### Primary reporting format — business segments

	Six months ended 30th June 2003						
	Property development	Building construction	Property investment	Infrastructure investment	Ship trading	Other operations	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	85,185	297,476	27,523	11,274	26,770	1,252	449,480
Segment results	9,607	(10,933)	22,100	318	17,141	(699)	37,534
Unallocated corporate expenses, net of income							(11,469)
Operating profit							26,065
Finance costs							(13,044)
Share of results of a jointly controlled entity	2,250	—	—	—	—	—	2,250
Profit before taxation							15,271
Taxation							(7,920)
Profit after taxation							7,351
Minority interests							(6,520)
Profit attributable to Shareholders							831

## 2. TURNOVER AND SEGMENT INFORMATION (cont'd)

### Primary reporting format — business segments (cont'd)

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



## 2. TURNOVER AND SEGMENT INFORMATION (cont'd)

### Secondary reporting format — geographical segments

	Segment turnover		Segment results	
	Six months ended 30th June		Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	<b>350,504</b>	216,655	<b>26,447</b>	34,545
China Mainland	<b>98,976</b>	107,832	<b>11,087</b>	18,957
	<b>449,480</b>	324,487	<b>37,534</b>	53,502
Unallocated corporate expenses, net of income			<b>(11,469)</b>	(13,858)
Operating profit			<b>26,065</b>	39,644

### 3. OPERATING PROFIT

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

	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
<b>Crediting</b>		
Net rental income	<b>27,703</b>	27,692
Net realised and unrealised gains on investments in securities	—	3,150
<b>Charging</b>		
Depreciation, net of amounts capitalised in construction contracts in progress and properties under development for sale totalling HK\$916,000 (2002: HK\$1,044,000)	<b>10,326</b>	11,948
Amortisation of the cost of other investment in a joint venture	<b>10,217</b>	4,726
Amortisation of goodwill	<b>1,017</b>	—
Staff costs, net of amount capitalised in construction in progress totalling HK\$11,460,000 (2002: HK\$19,183,000)	<b>16,516</b>	17,579
Pension costs — defined contribution plans	<b>388</b>	349
Net realised and unrealised loss on investments in securities	<b>699</b>	—



#### 4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the period. In 2002, no Hong Kong profits tax had been provided as there was no estimated assessable profit.

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

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

	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Company and subsidiaries		
— Hong Kong taxation	<b>2,712</b>	—
— China Mainland taxation	<b>4,010</b>	4,856
Share of taxation attributable to a jointly controlled entity in China Mainland	<b>1,198</b>	2,980
	<b>7,920</b>	7,836

#### 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\$831,000 (2002: HK\$17,665,000). The basic earnings per share is based on the weighted average number of 1,394,389,291 (2002: 1,394,389,291) shares in issue during the period.

There is no potential dilutive shares in issue during the period and for the comparative period.

## 6. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2003 (2002: Nil).

## 7. FIXED ASSETS

	HK\$'000
Net book value at 1st January 2003	1,101,740
Additions	1,330
Disposal/write-off	(85)
Depreciation	(11,242)
Net book value at 30th June 2003	1,091,743

## 8. TRADE AND OTHER RECEIVABLES

At 30th June 2003, trade and other receivables included trade receivables amounting to HK\$116,756,000 (31st December 2002: HK\$74,118,000). The ageing analysis of the trade receivables is as follows:

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Current – 90 days	97,119	56,864
91 – 180 days	5,058	5,821
Over 180 days	14,579	11,433
	116,756	74,118

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

	<b>30th June 2003 HK\$'000</b>	31st December 2002 HK\$'000
Cash and bank balances	<b>434,995</b>	540,246
Restricted bank deposits	—	(54,129)
	<b>434,995</b>	486,117

At 31st December 2002, the Group's bank deposits of HK\$54,129,000 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 2003, trade and other payables included trade payables amounting to HK\$121,406,000 (31st December 2002: HK\$91,908,000). The ageing analysis of the trade payables is as follows:

	<b>30th June 2003 HK\$'000</b>	31st December 2002 HK\$'000
Current – 90 days	<b>28,601</b>	54,955
91 – 180 days	<b>3,535</b>	4,082
Over 180 days	<b>89,270</b>	32,871
	<b>121,406</b>	91,908

## 11. SHARE CAPITAL

	30th June 2003		31st December 2002	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Shares of HK\$0.10 each	<b>3,000,000,000</b>	<b>300,000</b>	3,000,000,000	300,000
Issued and fully paid:				
Shares of HK\$0.10 each at 1st January and at period/year end	<b>1,394,389,291</b>	<b>139,439</b>	1,394,389,291	139,439

## 12. LONG-TERM BANK LOANS

	30th June 2003	31st December 2002
	HK\$'000	HK\$'000
Bank loans		
Secured	<b>716,060</b>	853,281
Unsecured	<b>267,071</b>	188,000
	<b>983,131</b>	1,041,281
Amount repayable within one year included in current liabilities	<b>(30,000)</b>	(90,000)
	<b>953,131</b>	951,281
The bank loans are repayable as follows:		
Within one year	<b>30,000</b>	90,000
In the second year	<b>222,071</b>	171,281
In the third to fifth year	<b>731,060</b>	780,000
	<b>983,131</b>	1,041,281



### 13. INVESTMENT COMMITMENTS

At 30th June 2003, the Group had the following investment commitments:

- (i) On 24th January 2003, the Group entered into the share transfer and capital injection agreement and the joint venture agreement for the acquisition of a 23.4% equity interest in CRED, a 50% owned company of COSCO, from COSCO for a cash consideration of RMB191,750,000, and the participation in the capital injection by the Group for an aggregate amount of RMB26,500,000. Upon completion of the transaction, the Group will hold 20% of the enlarged equity interest in CRED.
- (ii) On 12th June 2003, the Group entered into a co-operative agreement whereby the parties conditionally agreed to establish a joint venture company to develop a property development project in Shenyang, the PRC.

Pursuant to the terms of the co-operative agreement, the Group will contribute approximately HK\$47,910,000 to the registered capital of the joint venture company thereby giving the Group 51% equity interest in the joint venture company. In addition, the Group will also advance shareholder's loan up to approximately HK\$47,910,000 to the joint venture company. One of the joint venture parties which owns 29% of equity interest in the joint venture company is a subsidiary of COSCO.

### 14. CONTINGENCIES

	<b>30th June 2003 HK\$'000</b>	31st December 2002 HK\$'000
Performance bonds in respect of performance and completion of construction contracts	<b>10,271</b>	10,271
Claims for liquidated damages and cost of rectification works in respect of a completed construction contract	<b>42,500</b>	42,500
Guarantee and counter-indemnity to bank guarantees in respect of due performance of management and remedial cost of a property undertaken by the Group	<b>43,000</b>	43,000

## 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:

		<b>Six months ended 30th June</b>	
		<b>2003</b>	2002
Note		<b>HK\$'000</b>	HK\$'000
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Rental income received from			
An intermediate holding company	(i)	<b>1,037</b>	1,037
Fellow subsidiaries	(i)	<b>15,414</b>	16,759
Commission income for			
provision of agencies services	(ii)	<b>26,770</b>	—
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Notes:

- (i) Ten tenancy agreements were entered into between certain subsidiaries of the Company as landlords, and COSCO (Hong Kong) Group Limited ("COSCO Hong Kong") or its subsidiaries as tenants, for the lease of certain properties of the Group at COSCO Tower at an average monthly rental of approximately HK\$33 (2002: HK\$33) per square foot.
- (ii) Certain subsidiaries of the Company act as agent of COSCO and its subsidiaries in respect of (a) sale and purchase of new and second hand vessels, (b) bareboat charter businesses, and (c) sale and purchase of marine equipment for new ship-building projects. According to the terms of the relevant engagement/ commission agreements, the Group received commission income from vendors, ship-owners and equipment makers with respect to the transactions mentioned above.