

Business Review

During the first half of 2001, the principal operating income of the Company and its subsidiaries (collectively the “Group”) was RMB779,177,000 representing a decrease of 36.96% compared with that of the same period of last year. This was mainly due to the decrease of income in shipbuilding and container manufacturing businesses of the Group. Among all the shipbuilding products produced by the Group this year, four vessels of them are first built, among which, 1600LM Ro/Pax vessel built for a Swedish customer is considered one of the most highly-technological vessels produced in the Chinese shipbuilding trade up to date. The construction complexities and difficulty in controlling the costs associated with the first built vessel, combined with the slow construction process has caused the decrease in the income of the shipbuilding business settled in accordance with process. In the first half of this year, income from shipbuilding amounted to RMB493,484,000, representing a decrease of 47.36% compared with that of the same period of last year. Despite that, the Group having completed and delivered a 28,000dwt multi-purpose ship for a domestic customer and two 35,000dwt oil tankers for a Danish customer in the first half of this year. In addition, the Group commenced construction of four vessels and launched two vessels. Due to a reduction in international market demand, the quantity of containers manufactured and sold has significantly decreased. Sales of containers in the first half of this year reached 16,551 TEU, amounting to a business income of RMB173,617,000, representing a decrease of 23.52% compared with that of the same period of last year. In addition, income from the ship-repairing and steel structure businesses has decreased in comparison with that of the same period of last year due to the market’s downturn, with each businesses income being RMB8,733,000 and RMB20,648,000 respectively. And terrestrial machinery and other business income increased significantly. As a result of the development in port mechanical products, business income increased 111.44% to RMB82,700,000 compared with that of the same period last year.

Due to the decrease in the income from the principal business in the first half of this year, net profit of the Group amounted to RMB6,535,000 representing a decrease of 72.70% compared with that of the same period of last year as prepared under PRC accounting standards. Under Hong Kong generally accepted accounting principles the net loss amounted to RMB7,589,000 and representing a decrease of 131.70%.. The result of difference between the net profit prepared under PRC accounting standards and the net loss prepared under Hong Kong generally accepted accounting principles were set out in item 3 of Financial Report, the sixth part of the “interim financial report”.

In the first half of this year, the Group had secured new contracts with total value of approximately RMB1,210 million, including shipbuilding contracts of RMB805 million. Up to the end of June 2001, the Group’s total value of contracts on hand amounted to RMB4,156 million.