

Management Discussion and Analysis

管理層討論及分析

Review of Operations

The Market

In the period under review, confidence continued to adversely affect the market. A slight positive response to the outbreak and quick progress of the Iraq war was overtaken by the outbreak of Severe Acute Respiratory Syndrome (“SARS”) which exacerbated negative sentiment. The success in controlling SARS, together with stronger international markets, has recently been followed by more positive market sentiment.

During the first half of 2003, the Hang Seng Index rose modestly by 2.7% to 9577.12, underperforming the Dow's gain of 7.7% and NASDAQ's surge of 21.5%. During this period, the benchmark HSI at first plummeted to a post-1998 low of 8409.01 before eventually achieving its June 30 close. The underperformance relative to US equities was understandable as it reflected the impact of SARS (both in Hong Kong and the mainland) on our economy.

業務回顧

市場

於業績回顧期間，投資者的信心持續對市場構成不利影響。雖然伊拉克戰爭的爆發及急速進展令市場產生輕微的正面反應，但隨即被非典型肺炎事件所拖垮，令市況更加疲弱。幸好，非典型肺炎疫情成功受到控制，加上國際大市走勢強勁，剛好為市場注入強心針。

於二零零三年上半年，恒生指數微升2.7%至9577.12點，與道瓊斯指數的7.7%升幅及納斯達克指數上升21.5%比較，略為遜色。期內，在六月三十日收市前，恒指最初下挫至一九九八年後新低位，報8409.01點。不難理解恒指走勢未如理想乃與美國股市有關，同時亦反映了中港兩地爆發非典型肺炎對本港經濟的影響。

The mainland PRC fared much better than Hong Kong in terms of growth momentum, despite the disruption caused by SARS and falling international consumption. Its domestic consumption held up strongly due primarily to the robust automobile and housing markets, both of which enjoyed a favourable policy environment. Export performance continued to show strong growth. Hence, the PRC reported a robust real GDP growth of 9.9% for the first quarter of 2003 and 6.7% for the second quarter of 2003. Our Research Department's previous forecast for the full year growth of 7.4% may now appear too conservative. In contrast, Hong Kong suffered from difficulties regarding property, the fiscal deficit and deteriorating unemployment.

The launch of the Qualified Foreign Institutional Investors ("QFII") scheme did not lend much support to the domestic A-share market. Shanghai and Shenzhen A-share Indices only rose 9.6% and 4.5% respectively. Instead, the Hang Seng H-share Index rallied 37.0% to 2726.43 on speculation of an imminent introduction of the Qualified Domestic Institutional Investors ("QDII") scheme, a proposed reverse arrangement of QFII which would allow domestic investors (including PRC mutual funds) to diversify overseas. It was widely believed that H-shares would be significant beneficiaries. The excess market volatility together with SARS appeared to restrict investor participation, with the average daily market turnover shrinking 5.24% from HK\$7.31 billion in the first half of 2002 to HK\$6.96 billion in the first half of 2003, which was lower than in the period immediately post-September 11, 2001.

縱使非典型肺炎事件導致經濟受損及全球消費力下跌，但中國內地的經濟增長速度仍較本港為佳。由於中國汽車行業及樓市向好，且兩者兼享政策的優惠，令國內消費力大幅上升，出口表現亦持續出現強勁增長。總觀，中國於二零零三年首季錄得國內生產總值實際增長9.9%，而次季則為6.7%，反映集團的資料研究部較早前所預測的全年增長7.4%可能過於保守。反觀，香港仍受地產、財赤及每況愈下的失業率所帶來的種種困難所影響。

推出認可境外機構性投資者（「QFII」）計劃對國內A股市場所給予的支持不大，上海及深圳的A股指數分別只有9.6%及4.5%的升幅。相反，市場揣測認可國內機構性投資者（「QDII」）計劃快將推出，刺激恒生H股指數整體上升37.0%至2726.43點。QDII乃對QFII擬作出的相反安排，以便國內投資者（包括中國互惠基金）可在境外分散投資，市場上廣為相信H股在此項安排下將獲取最大得益。市場過份波動，加上非典型肺炎疫情限制了投資者的參與，導致本港股市每日平均交投量由二零零二年上半年的73.1億港元收窄5.24%至二零零三年上半年的69.6億港元，低於二零零一年九月十一日後之交投量。

Securities Broking

Owing to stronger competition amongst warrant issuers this year together with reduced overall liquidity in the warrants market, the Group's income stream from providing services as a Liquidity Provider ("LP") of derivative warrants and Equity Linked Instruments ("ELIs") to issuers was reduced. However, another income stream from third party execution provided to non-exchange participants grew by 24.7%, partially compensating for the decreased income from the provision of LP services. We are also securing increased Japanese client interest in PRC-related investment counters.

With a diversified range of products and rigorous business and marketing concepts, we were able to compete comparatively successfully with rival brokers even during the most difficult period of SARS. Following the decline of SARS in June and the strength in US markets, market volumes recovered to levels which are more profitable. We are hopeful that the market will continue to recover and that our income from the traditional brokerage business will improve in the latter half of 2003.

Our cooperation with Telecom Digital Group, the leading telecom paging service provider in Hong Kong commenced in September 2003. Pager clients who place orders for Hong Kong shares with us will receive automated confirmation of order status and updated statement of accounts via our advanced network to Telecom Digital's Hong Kong-China financial pagers. We expect this co-marketing program with Telecom Digital Group to attract substantial numbers of new clients from both Hong Kong and Greater China.

證券經紀業務

基於本年認股權證發行人之間的競爭較為激烈，加上認股權證市場的流通量整體下跌，令集團作為衍生認股權證及股票掛鈎票據的流通量提供者向發行人提供服務所得之收入減少。然而，向非交易所參與者提供第三方交易執行服務的收入則增長24.7%，稍為彌補集團在流通量提供者方面收入的下跌。此外，集團的日本客戶在買賣與中國相關的投資產品方面的興趣亦有所增加。

由於產品種類多元化，另配合業務與市場推廣，集團即使處於非典型肺炎爆發的最艱難時期，仍較同行競爭對手優勝。繼非典型肺炎疫情於六月份減退，加上美國股市的支持，本地股市交投量已回復至利潤較高的水平。集團相信股市將繼續復甦，令來自傳統經紀業務的收入於二零零三年下半年有所改善。

集團於二零零三年九月開始與香港的主要電訊傳呼服務供應商電訊數碼集團合作。向集團發出港股買賣盤的傳呼客戶，透過接駁至電訊數碼集團在香港至中國的金融傳呼台的先進網絡，可獲買賣盤的自動確認及最新的賬戶結單。集團期望，此項與電訊數碼集團攜手合作的市場推廣計劃，可招攬大量來自中港兩地之新客戶。

Online Trading

Although overall market sentiment and turnover remained relatively subdued in the first quarter and only improved gradually in the second quarter of 2003, SHK Online managed to maintain its consistent growth and momentum from the previous year. For the first half of 2003, both turnover, and more importantly revenue, showed an encouraging double-digit growth over the same period in 2002.

In the areas of client acquisition and asset gathering, SHK Online continued to maintain its focus on its “industry leader” positioning. Tactical and opportunistic marketing campaigns, asset gathering drives and targeted incentive programs which have proven successful since the service’s inception, continued to be the main drivers to increased critical mass and consolidation of our dominant industry position. The “SHK Online Test Drive Program” which rewards account and asset migration from new customers with incentives of free trades and fee waivers was launched in February 2003. In June 2003, immediately following the business cessation of a major industry competitor, an aggressive and targeted client and asset transfer program similar to the one used in early 2002 was launched. The result of these and other marketing efforts saw the account base increase by over 30% year-over-year, and the value of online client assets under custody rapidly approach the HK\$1 billion mark.

鴻財網

雖然二零零三年首季的整體市場氣氛及交投量仍較為淡靜，並只在第二季才逐步改善，但鴻財網的業務仍可錄得持續增長及延續去年的發展動力。於二零零三年上半年，鴻財網的營業額及收益較二零零二年同期均錄得令人鼓舞的雙位數字增幅。

在爭取新客戶及吸納客戶資產方面，鴻財網繼續致力保持其「業內領導者」的地位。自鴻財網的服務推出以來，策略性與機遇性的市場推廣活動、以吸納客戶資產為目標的優惠計劃均已證實為十分成功，並繼續成為鴻財網爭取龐大客戶及鞏固其於業界領導地位的主要推動力。「鴻財網試用計劃」於二零零三年二月推出，向轉倉的新客戶給予免費交易及豁免費用的優惠。於二零零三年六月，緊隨一業內主要競爭對手停業後，鴻財網推出一項進取的客戶轉倉計劃，此計劃與一項曾於二零零二年初採用的計劃類似。上述計劃連同其他市場推廣活動使鴻財網客戶基礎按年增加逾30%，而所託管之網上客戶資產值亦迅速增加至接近十億港元。

Looking forward to the second half of 2003, SHK Online should continue to benefit from an improved market. Cost control measures implemented since 2002 should continue to bear fruit in expanding profit margin per trade executed. An online trading platform for Hang Seng Index Futures and Options will be launched in the third quarter of 2003 to diversify the offerings and revenue stream for the company. It is expected that this new product will be an additional and significant revenue driver going forward.

Research

Our Research Department's commitment to quality research and investment advice was evident despite the disruption caused by the SARS outbreak. The team produced a total of 165 reports (excluding daily investment notes) and attended 267 corporate visits and presentations. Our top 20 calls during the first six months of 2003 outperformed the Hang Seng Index by a range of between 20.7% to 64.9%.

Apart from our committed effort on research and investment calls, our research team witnessed increasing popularity amongst the media by registering 1,504 media quotes (compared with 1,289 quotes from the same period last year).

展望二零零三年下半年，鴻財網應可繼續隨市況改善而受惠，而自二零零二年推行的成本控制措施將繼續發揮效應，令其執行每宗交易的利潤得以提升。恒生指數期貨及期權的網上交易平台將於二零零三年第三季推出，使鴻財網所提供的產品及收入來源更多元化。預期該種新產品在未來將可成為一項額外的重要收入來源。

資料研究

雖然非典型肺炎的爆發對集團的業務構成影響，然而集團的資料研究部進行優質研究及提供投資建議的工作並無間斷。研究部共編製了165份報告（不包括每日發表的投資摘要），並出席了267次公司採訪及簡報會。研究部於二零零三年首六個月推介買入的首20隻股份的股價表現亦超越恒生指數20.7%至64.9%。

除致力進行資料研究及投資分析外，研究部共錄得1,504次傳媒引述（去年同期為1,289次），其知名度日益增加。

We continued to deliver well-balanced, independent and non-biased investment calls in the first half of 2003 with breakdowns as follows: BUY 34.4%, HOLD 33.6% and SELL 32.0%.

Corporate Finance

Despite the unfavorable economic situation in the first half of the year, the Corporate Finance Division successfully completed the secondary placement of shares for QPL International Holdings Limited. In addition, the division was appointed as the financial adviser to Sincere Way Limited and Limitless Investment Limited, respectively, on the voluntary general offer for the shares of Fortuna International Limited and Oriental Explorer Holdings Limited, respectively. The division was also appointed as the financial adviser to our own Company, Allied Group Limited and Tian An China Investments Company Limited, respectively, on their general offers to repurchase each of their shares. Furthermore, the division was also actively involved in the share underwriting business.

Capital raising activities in the primary market remained subdued. We have maintained our involvement in fund-raising activities with participation in initial public offerings (IPOs), private placements and underwritings totalling 26 issues. Roadshows have been organised in Japan for Hong Kong-listed companies.

研究部於二零零三年上半年繼續作出中肯獨立且不偏不倚的投資建議，細分如下：買入34.4%，持有33.6%及沽出32.0%。

企業融資

雖然上半年經濟疲弱，企業融資部仍成功為品質國際集團有限公司在交易市場進行股份配售。此外，該部門就廣益國際集團有限公司及東方網庫控股有限公司的股份進行自願性全面收購建議，分別獲委任為Sincere Way Limited及Limitless Investment Limited的財務顧問。該部門亦分別就本公司、聯合集團有限公司及天安中國投資有限公司之股份回購建議獲委任為財務顧問。同時，該部門也積極參與股份包銷工作。

在第一市場進行之集資活動持續放緩。然而，部門繼續參與多項集資活動，包括數間公司之首次公開招股、股份私人配售及包銷共26宗，並安排若干香港上市公司到日本進行路演。

Meanwhile, our China Desk further expanded its operations by providing corporate finance services to several clients in the PRC during the first half of 2003 with regards to their listing on Hong Kong Exchanges. We also maintained close relationships with strategic partner companies and organizations on the mainland. The Group's Beijing office is working actively to develop stable contact with the PRC Government and respected professional institutions. This should produce better understanding and facilitate our plans for expansion in Greater China. We will further expand our business through the Group's Shanghai office as we believe expansion in Shanghai will assist us in servicing clients and the market in the PRC, and strengthen the Group's brand name.

Securities Financing

Despite the reduction in average daily turnover of about 5.2%, our margin loan book has been able to maintain a similar level compared with the same period last year.

Term Lending

Our term lending activities have continued at a lower level but with similar spreads to the same period last year. Profitability benefited from the write-back of a provision.

集團的中國業務於二零零三年上半年繼續擴展，期內為數名中國客戶提供企業融資服務，協助該等公司在香港交易所上市。集團亦與國內多個策略性夥伴及機構保持緊密關係。集團的北京辦事處正積極與中國政府及內地具聲望的專業機構建立穩定聯繫，此舉應有助集團更了解國內情況及其在大中華地區的拓展計劃。集團將透過其上海辦事處進一步擴充國內業務，集團相信在上海擴充業務，將有助集團為國內客戶及市場提供服務，同時亦可提高集團的知名度。

證券放款

雖然股市的每日平均交投量減少約5.2%，集團的證券放款額仍能維持於去年同期相若的水平。

有期借款

集團的有期借款額較去年同期下跌；然而，借款組合分佈與去年相若，加上一項有期借款的撥備得以撥回，溢利因而有所提高。

Foreign Exchange, Bullion, Commodities, Financial Futures and Other Products

The foreign exchange market was affected by the Middle East problem in the first quarter of 2003, while the price of gold dropped from this year's high of US\$389 to US\$344 per ounce. While the volatilities in both markets have now reduced, we were able to sustain a double-digit percentage growth on transaction volume in foreign exchange and an extraordinary improvement in precious metals compared with the previous half year. Our remarkable growth in transaction volume continued to maintain our role as one of the most active players, and our high ranking in the market.

With our launch of online futures trading in Hang Seng Index Futures (HSIF) products in August and the flexibility of the new e-futures trading platform, we anticipate our leading position and business volume in this market to be further strengthened, and such service will assist us in capturing new clients from Hong Kong and Greater China.

In terms of Mini Forex, the SARS outbreak slowed our plans for promoting this new investment product. Immediately after the recovery from the SARS outbreak, our branch operations organised a series of educational seminars at our branch offices. The outcomes were good, not only in attracting new clients, but also in boosting the new business of Forex trading at our branches.

外匯、黃金、商品、金融期貨及其他產品

外匯市場於二零零三年首季受中東問題影響，使金價由本年高位每安士389美元下跌至每安士344美元。雖然外匯及黃金市場的波幅現已減窄，但與二零零二年下半年相比，集團在外匯及貴金屬的成交量仍分別取得雙位數百分比增長及明顯改善。此顯著的成交量增長繼續令集團成為市場內最活躍的買賣商之一，並保持其市場上之排位。

隨著八月份推出恒生指數期貨產品的網上交易服務，加上新設立靈活的電子期貨交易平台，預期集團在期貨市場的領導地位及營業額將可進一步提升，並有助集團於香港及大中華地區招攬新客戶。

至於小型外匯方面，非典型肺炎的爆發拖慢了集團宣傳此新投資產品的計劃。在非典型肺炎疫情減退後，集團在各分行辦事處隨即舉辦了一系列的教育研討會。研討會的反應理想，不單吸引新客戶，亦刺激了集團分行外匯買賣的新業務。

Commodities trading in the Japanese and in US futures exchanges contributed a steady revenue stream for the Group during the first half of 2003.

Ongoing cost control measures resulted in some merger and rationalisation of sales departments. In continuing our effort to diversify our income streams, we have been actively promoting a broad range of financial products such as minibonds, ELLs and mutual funds with satisfactory results. Despite the poor market condition, the number of new accounts opened continued to grow at a steady rate as we continued to benefit from the consolidation of the securities industry.

Wealth Management

Sun Hung Kai Wealth Management Limited ("SHKWM") witnessed strong growth in its business in the first half of 2003. The need for professional wealth management services is a growing trend in Hong Kong and SHKWM's open platform and experienced financial advisers, now totalling over 30, offer fully-integrated, one-stop solutions to our clients. In addition to a full range of financial products offered by our stock brokerage business, SHKWM offers a fund choice from over a dozen fund houses, together with unit-linked and other insurance plans from top international companies.

Our branch operations have also received an encouraging response to the sale of mutual funds with the support from the head office.

在日本及美國期貨交易所買賣之商品於二零零三年上半年為集團帶來穩定的收入來源。

因應持續實行的成本控制措施，集團部份銷售部門已進行整合與改組。為了繼續擴闊集團的收入來源，集團積極推廣各項金融產品，包括迷你債券、股票掛鈎票據及互惠基金，成績理想。雖然市況疲弱，新客戶的數目持續穩定增長，預期集團將會繼續因證券行業的整固而受惠。

資產管理

新鴻基優越理財有限公司（「新鴻基理財」）的業務於二零零三年上半年增長強勁。香港對專業資產管理服務的需求日益增加，而新鴻基理財的開放式平台，以及具備豐富經驗的逾30名金融顧問，會為客戶提供綜合及一站式的理財方案。除了集團的股票經紀業務所提供的一系列金融產品外，新鴻基理財亦提供十多種基金選擇，還有由國際知名公司所提供與單位掛鈎及其他的保險計劃。

在總公司的全力支持下，互惠基金在各分行的銷售情況亦令人鼓舞。

Alternative Investments

Despite the difficult global economic and geopolitical backdrop, SHK Fund Management's Alternative Investment Division witnessed a steady growth in assets under management from its offshore SHK Global Strategy Fund which saw its assets rise from US\$118 million to US\$214 million during the period under review. Contribution to this growth came from our flagship sub-fund, the SHK Yield Plus Fund – an enhanced yield fund, which was launched in the third quarter of 2002.

Building on the success of this flagship fund, the Alternative Investment Division is now actively sourcing its next fund to add to the Global Strategy range. In addition, we are further expanding our distribution capabilities in Singapore, Hong Kong and Taiwan with the intention of breaking into the rest of the Asia Pacific markets before year-end. The fund is only open to qualified investors and is not marketed to the public.

Insurance Broking

The uncertain economic climate referred to above has adversely affected our Insurance Broking Division's business. Brokerage income dropped slightly compared with the same period last year.

另類投資

於業績回顧期間，縱使全球經濟困難及地方政治問題，新鴻基基金管理旗下的另類投資部來自離岸新鴻基環球策略基金的托管資產呈穩定增長，其資產值由1.18億美元增加至2.14億美元，而此增幅乃源自部門的旗艦成份基金 — 新鴻基美元益增基金，一個於二零零二年第三季推出的高收益基金。

由於市場對該旗艦基金的反應理想，另類投資部現正積極物色其他基金加入其環球策略基金之列。此外，該部門亦正進一步擴充其在新加坡、香港及台灣的分銷力，期望於年底前進軍亞太區的其他市場。上述基金只提供予具認可資格的投資者認購，而不會向公眾發售。

保險經紀

集團保險經紀部的業務受不明朗的經濟氣候影響，保險經紀收入較去年同期輕微下跌。

The division has taken measures to re-examine its business strategy in the changing environment. With the recovery from the SARS outbreak, we have resumed our business development activities to our target market segments aggressively. We are confident that our business will improve and catch up to meet our sales projections for the full 2003.

Electronic Financial Information Service

The turnover of SHK Financial Data Limited (“SHKFD”) decreased for the period compared to the last corresponding period. This decrease was mainly as a result of the downward price pressure on our provided data services, which in turn was a result of the continuous keen market competition and weak investment sentiment in the stock market. In response to these adverse market changes, SHKFD accordingly adopted a prudent cost-cutting policy and successfully reduced its overheads. As a result, a modest profit was achieved.

It is however, noteworthy that SHKFD has successfully built a quality and steadily growing stream of revenue from its subscription-based clients. In the first half of 2003, we soft-launched our new product – the “Intelligent Stock Monitor”. We will continue to seek appropriate partners to distribute this product and cross-sell other new products by leveraging our well-established distribution network. In the near future, some value-added services like “Corporate Action Monitor” and the advanced version of “Company Data Card” will also be launched.

鑑於經濟環境的轉變，保險經紀部已採取各項措施重新檢討其業務策略。在非典型肺炎疫情減退後，該部門已恢復在目標市場的積極業務拓展，相信部門的業務將有所改善，並可達到二零零三年全年的銷售預測。

電子財經資訊服務

新鴻基財經資訊有限公司（「新鴻基財經資訊」）於期內的營業額較去年同期有所下跌。跌幅主要由於該公司所提供的資訊服務的價格受下調壓力所致，下調壓力則由於市場競爭持續激烈及股市投資氣氛疲弱而產生。因應該等不利的市場變動，新鴻基財經資訊已採取審慎的成本削減政策，並成功減低其固定開支，因而取得少許利潤。

然而，新鴻基財經資訊已成功從訂購客戶中建立良好及穩定增長的收入來源。於二零零三年上半年，新產品「港股綜覽」經已初步推出，該公司將繼續物色合適的夥伴以分銷此產品，並憑藉其悠久的分銷網絡跨售行銷其他新產品。在不久將來，該公司亦會推出一些增值服務，例如「公司動態」及「公司資料庫」的提升版。

Looking forward, we expect market conditions to remain difficult in 2003. We will continue to maintain a stringent cost control policy, consolidate revenue sources and continue to leverage our powerful database and expertise to create a more diversified product portfolio that offers a better profit margin. We expect to achieve profitable results for the second half of 2003.

Investments in Principal Associated Companies

Tian An China Investments Company Limited (“Tian An”) (46.88% owned)

The PRC recorded a 8.2% year-on-year GDP growth during the first half of the year. The GDP growth rate in the second quarter dropped by 3.2% points from the first quarter’s 9.9%. Such decrease was thought to be caused by the SARS epidemic which hit the services sector, especially retail, transportation and construction.

With respect to the construction industry, insufficient labour supply, delay in the delivery of construction materials and intermittent suspension of construction works resulted in delays in the completion of certain projects of the Tian An Group. This together with the slow-down of sales during the SARS outbreak undermined the group’s turnover in the second quarter.

展望將來，預期二零零三年的市況仍然困難。新鴻基財經資訊將繼續實行嚴謹的成本控制政策、整固收入來源及繼續憑藉其強大的資料庫及專才，締造更多元化兼可帶來更高利潤的產品組合。預期該公司於二零零三年下半年仍可取得溢利。

於主要聯營公司的投資

天安中國投資有限公司 (「天安」) (集團持有46.88%權益)

中國今年上半年的國內生產總值錄得8.2%增長，但第二季國內生產總值增長率由第一季之9.9%下跌了3.2個百分點。第二季國內生產總值增長下跌，主要是非典型肺炎疫情打擊服務業所致，當中以零售、交通及建築業受影響最深。

在建築業方面，因工人不足、建築物料付運延誤及間歇性建築工程暫停，均導致天安集團若干項目延遲竣工；加上在非典型肺炎爆發期間物業銷售之速度放緩，影響天安集團第二季之營業額。

During the period under review, total sales attributable to the Tian An Group of 146,920m² Gross Floor Area (“GFA”) from residential/commercial properties was recorded whereas 481,000m² GFA were under construction.

It is pleasing that various economic statistics indicate that the impact of SARS was temporary, regional and limited. Property prices have continued to increase at a record-setting rate in some major cities. Housing prices in Shanghai surged 18% during the first seven months. It is envisaged that the spreading of urbanization, together with rising in incomes and increasing demand for quality living will boost the residential property market.

In September, Shanghai Tian An Centre, a commercial building, will be offered for sale. In addition, pre-sales on 4 residential projects including Fu Wah Building in Beijing, New City Garden in Changzhou, Tian An Garden in Nantong and, Redhill Peninsula in Wuxi will be launched soon. These projects are expected to add significant turnover and gross profit to the Tian An Group upon completion.

Yu Ming Investments Limited (“Yu Ming”) (21.53% owned)

As at 30 June 2003, Yu Ming’s major investments are its interests in Argyle Centre shopping mall and a portfolio of equity and debt securities.

回顧期內，天安集團錄得應佔出售商住物業總樓面面積146,920平方米，而在建工程總樓面面積為481,000平方米。

尤幸各種經濟數據顯示，非典型肺炎疫情所造成的影響乃為時短暫、屬於地區性及範圍有限。若干國內主要城市的物業價格繼續上升，例如上海的房屋價格在首七個月內急升18%。城市化擴大，收入水平上升及對優質生活需求的增加，將繼續對國內住宅物業市場產生刺激作用。

九月，一個位於上海的寫字樓項目—上海天安中心將推出發售。此外，四個住宅項目包括北京福華大廈、常州新城市花園、南通天安花園及無錫紅山半島，不久將推出預售。預期該等項目於竣工後將為天安集團帶來可觀營業額及溢利。

禹銘投資有限公司 (「禹銘」) (集團持有21.53%權益)

於二零零二年六月三十日，禹銘之主要投資為其於旺角中心之權益以及股票及債務證券之投資組合。

During the first half year, Yu Ming reported a substantial improvement in net profit, primarily as a result of profit from disposal of listed and unlisted shares, debt securities, distribution from the restructuring of Tem Fat Hing Fung (Holdings) Limited, appreciation of debt securities, and rental income from Argyle Centre.

In August 2003, Yu Ming participated in a minority investment in the Hong Kong International Exhibition Centre (“HKIEC”), together with The Government of the Hong Kong Special Administrative Region, the Airport Authority and Dragages et Travaux Publics (HK) Limited. The directors of Yu Ming are optimistic about the prospects of the HKIEC and expect it to benefit from the consistent growth of the exhibition industry in the years ahead.

To fund its participation in HKIEC and to conserve cash for further investment opportunities, Yu Ming decided not to declare an interim dividend for the period.

Quality HealthCare Asia Limited (“QHA”) (28.53% owned)

QHA's three core divisions – medical, elderly services, and dental, physiotherapy and nursing services showed improvement in their operating margins compared with the first half of 2002.

在上半年，禹銘之純利大幅增加，主要由於出售上市及非上市公司股份、債務證券、來自添發慶豐(集團)有限公司重組之分派、債務證券升值以及旺角中心之租金收入帶來利潤所致。

於二零零三年八月，禹銘隨同香港特別行政區政府、機場管理局及法國寶嘉(香港)建築有限公司參與香港國際展覽中心之少數權益投資。禹銘董事對香港國際展覽中心之前景十分樂觀，預期此項目將會在未來數年展覽業之持續發展進程中受惠。

為提供發展香港國際展覽中心所需的資金及保留現金供日後投資所用，禹銘已決定不就業績回顧期派付中期股息。

卓健亞洲有限公司 (「卓健」) (集團持有28.53%權益)

卓健的三個核心部門—醫療、耆安服務，以及牙科、物理治療及護理服務—所錄得的經營溢利均較二零零二年上半年有所改善。

The SARS outbreak impacted the company in April and May this year. There was a fall in medical, dental and physiotherapy attendances and lower occupancy rates at the elderly care homes. With the recovery from SARS, there has been a steady improvement in attendances and occupancy rates since June 2003.

QHA has a good operating cashflow and used its cash surplus to operating requirements to reduce bank debt. QHA's interim results were adversely impacted by the costs of defending an unwelcome takeover bid and management re-structuring.

Financial Resources and Gearing Ratio

The financial position of the Group remains strong.

The business activities of the Group were funded by shareholders' funds, mortgage loans and bank borrowings. During the period, the Company issued 4% loan notes in the amount of HK\$255 million due to mature on 7 March 2008. As at 30 June 2003, the Group's total borrowing (inclusive of the 4% loan notes) amounted to HK\$316 million with HK\$49 million repayable within one year and HK\$267 million repayable beyond one year.

本年四月及五月爆發的非典型肺炎對該公司構成影響，其醫療、牙科及物理治療的求診人數均有所下跌，而安老院的入住率亦較低。隨著非典型肺炎疫情減退，二零零三年六月起，求診人數及安老院入住率均有穩定升幅。

卓健具備良好的現金流量狀況，並運用現金盈餘應付經營所需以減低銀行債項。期內卓健因就一項不受歡迎的收購建議作出行動及管理層重組而須承擔之費用，令其中期業績有所影響。

財政資源及資本與負債比率

集團的財政狀況維持強健。

集團的業務由股東資金、按揭貸款及銀行貸款撥支。期內，本公司發行了為數達255百萬港元於二零零八年三月七日到期的4厘貸款票據。於二零零三年六月三十日，集團的總貸款(包括該等4厘貸款票據)為316百萬港元，其中49百萬港元須於一年內償還，而267百萬港元須於一年後償還。

The Group's liquidity remains healthy as demonstrated by the current ratio (current assets/current liabilities) of 2.90 times at 30 June 2003.

The Group continues to maintain a low gearing ratio, calculated on the basis of the Group's total borrowings over shareholders' funds, at 7.2% at the period end date.

Capital Structure, Bank Borrowings and Exposure to Fluctuations in Exchange Rates

The issued share capital of the Company decreased from HK\$301 million to HK\$250 million during the period due to the repurchase of 255,234,309 shares pursuant to a general offer (the "Repurchase") and the repurchase of 520,000 shares in the stock market as shown in note 13 to the condensed financial statements on page 16.

Apart from the mortgage loans and 4% loan notes issued for a term of 5 years as a result of the Repurchase, the Group's bank borrowings were on a short-term basis and in HK dollars as at 30 June 2003. They are subject to annual renewal and are based on floating interest rates. There are no known seasonal factors in our borrowing portfolio.

集團於二零零三年六月三十日的流動資產比率(流動資產/流動負債)為2.90倍，可反映其流動資金保持穩健狀況。

集團繼續維持低資本與負債比率，按照集團的總貸款除以股東資金計算，於本期結束日該比率為7.2%。

資本結構、銀行貸款及匯兌率浮動風險

如於第16頁簡明財務報表附註13所示，期內，本公司根據一項全面收購建議購回255,234,309股股份(「股份購回」)，及於股票市場購回520,000股股份，本公司的已發行股本遂由301百萬港元減少至250百萬港元。

除按揭貸款及就股份購回而發行之五年期4厘貸款票據外，集團於二零零三年六月三十日的銀行貸款為短期貸款及以港元為單位，並按年更新且根據浮動息率計算。集團的貸款組合概不受任何已知的季節性因素所影響。

The fluctuations in exchange rates and market prices do not impose a significant risk to the Group as its level of foreign currency exposure is relatively small as compared with its total asset value or outstanding debts.

Material Acquisition and Disposal of Subsidiaries, Associated Companies and Jointly Controlled Entities

On 19 December 2002, the Group entered into a conditional sale and purchase agreement with an indirect subsidiary of Allied Group Limited, the Company's ultimate holding company, to sell its entire 50% shareholding in Earnest Finance Limited, the holding company of SHK Finance Limited, together with the assignments of advances, for an aggregate consideration of HK\$87.5 million. The agreement was completed on 24 January 2003 and resulted in a loss of HK\$5.5 million. The rationale for the disposal was the rationalization of the joint venture's consumer finance division.

匯率及市價的變動概無令集團承擔重大風險，因其外匯風險水平較其總資產值或未償還債項相對上為小。

附屬公司、聯營及共同控制公司的重大收購與出售

於二零零二年十二月十九日，集團與本公司之最終控股公司聯合集團有限公司之一間間接附屬公司訂立一項有條件買賣協議，以出售Earnest Finance Limited（新鴻基財務有限公司之控股公司）之全部50%股權（連同轉讓曾給予該公司的墊款），總代價為87.5百萬港元。該協議於二零零三年一月二十四日完成，而所導致之虧損為5.5百萬港元。上述股權出售乃由於該合營公司的私人貸款業務重組所致。

As detailed in an announcement of the Company dated 25 June 2003, the Group acquired all the shares in Shun Loong Holdings Limited (“Shun Loong”) on 25 June 2003. Shun Loong provides a full range of traditional and online brokerage services through its subsidiaries. The circumstances surrounding the previous owners adversely affected that company and we are undertaking remedial action. In addition, the difficulties in the economy, the high rate of unemployment and the abolition of the minimum commission rate had an impact on Shun Loong’s commission revenue. The commission income in the first half of 2003 therefore decreased compared with the same period in 2002.

Looking forward, Shun Loong will maintain its separate identity and its commitment to provide reliable high quality service to its customers. It will continue to promote its services, strengthen its sales teams, and expand client networks, as well as promoting its online trading service. It is expected that Shun Loong’s income will increase after its addition to the SHK family.

Apart from the above, there has been no material acquisition or disposal of subsidiaries, associated companies and jointly controlled entities by the Group in the first half.

如本公司於二零零三年六月二十五日之公佈所述，集團於二零零三年六月二十五日收購順隆集團有限公司（「順隆」）之全部股份。順隆透過其附屬公司提供全面的傳統及網上經紀服務。順隆前股東的個人情況對該公司的業務造成不利影響，而集團現正採取補救行動。此外，經濟低迷、失業率高企及取消最低佣金制度亦削弱了順隆的佣金收入。因此，其二零零三年上半年的佣金收入較二零零二年同期下跌。

展望將來，順隆將維持其獨立運作，竭力為客戶提供可靠優質的服務。此外，順隆亦會繼續推廣其服務、加強銷售隊伍、擴大客戶網絡，以及推廣其網上買賣服務。預期順隆在加入新鴻基集團後，收入將會有所提升。

除上述外，集團於上半年並無任何附屬公司、聯營及共同控制公司的重大收購或出售。

Segment Information

Detailed segmental information in respect of the Group's turnover and contribution to profit before taxation are shown in note 2 to the accounts on page 8.

Charges on Group Assets

Listed shares with an aggregate value of approximately HK\$106 million were pledged by subsidiaries as security for bank loans and overdrafts. Leasehold properties of the Group with a total book value of approximately HK\$96 million were pledged by subsidiaries to banks for mortgage loans and bank overdraft facilities granted to them.

Contingent Liabilities

Details regarding the contingent liabilities are set out in note 18 to the accounts on page 20.

分項資料

有關集團營業額及除稅前溢利貢獻之分項資料詳情，請參閱第8頁賬目附註2。

集團資產押記

集團的附屬公司將其持有總值約106百萬港元的上市公司股份抵押予銀行，以換取銀行貸款及透支。集團的附屬公司亦將其賬面總值約96百萬港元的集團租賃物業抵押予銀行，作為給予其按揭貸款及銀行透支之抵押。

或然負債

集團的或然負債詳情，請參閱第20頁賬目附註18。

Human Resources and Training

As of 30 June 2003, the total number of employees was 757 comprising 615 employees under Sun Hung Kai and 142 under Shun Loong, the latter including 51 salary/draw based sales and non-sales personnel and 91 sales representatives. Staff cost (including directors' emoluments) and contributions to retirement benefit schemes, excluding Shun Loong, for the six months ended 30 June 2003 amounted to HK\$65.2 million (2002: 59.1 million) and HK\$3.6 million (2002: HK\$3.2 million) respectively.

We operate different remuneration schemes according to role. For Sun Hung Kai's sales personnel, the package comprises a base pay or draw, and commission/bonus/sales incentive, whereas for non-sales personnel, it comprises base pay and performance-based bonus elements when circumstances are appropriate.

In respect of Shun Loong, for salary-based non-sales personnel, the package comprises a base pay and performance-based bonus when circumstances are appropriate. For draw-based sales personnel, the package comprises a base draw and commission. For sales representatives, it is based solely on commission.

There are currently no share option schemes applicable to the Group's officers or employees.

人力資源及培訓

於二零零三年六月三十日，集團共聘用757名僱員，包括新鴻基僱員615名及順隆僱員142名。在順隆的員工中，51名為支薪／支取底薪的營銷及非營銷僱員，另外91名則為營銷代表。除順隆以外，截至二零零三年六月三十日止六個月僱員成本(包括董事酬金)及退休福利計劃供款分別為65.2百萬港元(二零零二年：59.1百萬港元)及3.6百萬港元(二零零二年：3.2百萬港元)。

集團根據僱員的職務設立不同的薪酬制度。就新鴻基的營銷僱員而言，薪酬組合包括底薪，以及佣金／花紅／銷售獎勵；而非營銷僱員則包括底薪及在適當情況下按表現發放的花紅。

就順隆而言，支薪的非營銷僱員的薪酬組合包括底薪及在適當情況下按表現發放的花紅，而支取底薪的營銷僱員的薪酬組合包括底薪及佣金。至於營銷代表則以佣金計算。

集團現時並無適用於其行政人員或僱員的認購股權計劃。

The Group continues to focus on attracting, developing and retaining talented staff. We are also the first known brokerage house in Hong Kong to provide a comprehensive in-company examination preparatory course for our sales personnel applying for the leveraged foreign exchange trading license. Training focused on the implementation on 1 April 2003 of the new Securities and Futures Ordinance (“SFO”). Continuous training will also be provided to our salespeople so as to achieve our aim of selling more diversified investment products, and in terms of selling techniques, knowledge of the SFO and internal rules and regulations.

2003 is also the second year of our collaboration with the School of Professional and Continuing Education (SPACE), the University of Hong Kong, for their one-year Certificate Program in Financial Studies, which was launched in January 2002. The number of intakes has been on a steady increase and a total of 25 students has completed the Program in June this year. Three students who have scored the best results received the Sun Hung Kai-sponsored awards at a ceremony hosted by the Group on 29 July 2003.

Management of Risks

There has been no material change in the nature of the Group’s exposures, policies and practices in managing its risks to those which were previously reported in our Annual Report for 2002.

集團繼續致力於吸納、發展及挽留有才能的員工。集團亦是本港首間知名的證券公司，為申請槓桿式外匯買賣牌照而須應考的員工提供全面的考試準備內部課程。集團針對於二零零三年四月一日推行的證券及期貨條例給予員工培訓。銷售人員並會獲提供持續培訓，從而達致集團銷售更多元化投資產品的目的；而彼等亦會獲提供有關銷售技巧、證券及期貨條例以及內部規例與規則的培訓。

二零零三年亦是集團與香港大學專業進修學院合辦為期一年的金融證書課程的第二年，首屆課程於二零零二年一月推出。該課程的收生數目一直有穩定的增長，而本年六月已有25名學生修畢整個課程。三名取得最優異成績的學生於二零零三年七月二十九日在集團舉辦的典禮上領取由新鴻基贊助的獎項。

風險管理

集團所面對的風險性質、採用的風險管理政策及一貫措施，與集團在二零零二年年報所載者並無重大轉變。