



INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the financial year ending 31st December, 2001 (2000 - nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow and Capital Structure

During the period under review, net cash inflow from operating activities totalled HK\$39.8 million. Net interest payment for the period amounted to HK\$118.5 million. The Group intends to reduce further the level of interest expense through the disposal of some of its non-core assets and/or equity fund raising exercises.

As at 30th June, 2001, the Group's borrowings net of cash and bank balances amounted to HK\$5,043.8 million (31st December, 2000 - HK\$4,883.2 million). The Group's gearing ratio based on the total assets of HK\$11,749.0 million (31st December, 2000 - HK\$11,932.7 million) was about 43% (31st December, 2000 - 41%).

Details of the Group's pledge of assets and contingent liabilities are shown in notes 15 and 16, respectively, to the condensed consolidated financial statements.

The Group's borrowings are predominantly denominated in Hong Kong dollar currency and there is no material foreign exchange exposure. Information in relation to the maturity profile of the Group's borrowings as of 30th June, 2001 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2000.

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Forward foreign exchange contracts and interest swaps are arranged, where appropriate, to hedge against the Group's currency and interest rate exposures.

Remuneration Policy

The Group employs approximately 2,200 staff in Hong Kong, 300 staff in Canada and 900 staff in The People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed and bonuses paid on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include provident fund scheme as well as medical and life insurance.

The Company adopted in 1990 an Executive Share Option Scheme under which share options are granted to selected eligible executives.

Further information on the Group's principal business operations and outlook is contained in the section above headed "Review and Outlook".