

## **Management Discussion and Analysis**

### 1. The Group's liquidity and financial resources

During the relevant period, the Group's total bank borrowings increased by HK\$14.9 million to HK\$448.6 million. The shareholders' funds decreased by HK\$61.1 million to HK\$2,042.3 million and long term bank loans outstanding as at 30th June 2001 amounted HK\$363.8 million (at 31st December 2000: HK\$391.5 million). The debt to equity ratio was 22% (at 31st December 2000: 21%).

The banking facilities now available are sufficient for the Group's working capital. Except for commitment detailed in paragraph 3 below, there is no other major capital commitment as at 30th June 2001. The Group's financial flexibility remains healthy.

### 2. Capital structure of the Group

The capital structure of the Group had not changed materially from the last annual report. The Group borrowings are primarily denominated in Hong Kong and US Dollars, there was no significant exposure to foreign exchange fluctuation. The Group's total bank borrowings are secured by certain properties with an aggregate net book value of HK\$1,588 million (at 31st December 2000: HK\$1,659 million).

### 3. Significant investment held and their performance and future prospects

The lease modification premium has been agreed with The Government of the Hong Kong Special Administrative Region for HK\$37.5 million for the Group's prime residential property at No. 1 Barker Road, The Peak, Hong Kong. Bank financing for the re-development of this project has been arranged.

### 4. Details of future plans for material investments

In continuous pursuit of a conservative and prudent business policy, the Group will consider to invest in profitable projects wherever arising in the future.