

Management Discussion and Analysis

(I) REVIEW OF 2001 INTERIM RESULTS AND SEGMENTAL PERFORMANCE

Group profit attributable to shareholders for the six months ended 30 June, 2001 was HK\$63.6 million, representing an increase of 7% from HK\$59.4 million in the same period last year. Earnings per share was HK\$0.20 compared to HK\$0.19 recorded in the comparative period.

Total turnover for the period under review was HK\$196.7 million, increased by 4% from HK\$188.9 million in the comparative period. Operating profit was HK\$81.9 million, compared to HK\$71.7 million for the comparative period. Increase in Group profit was mainly due to improvement in investment income.

Adversely affected by a decline in tourist spending power and intensive price war, The Marco Polo Hongkong Hotel recorded a decrease in total revenue by HK\$2.9 million though there was a slight improvement in room yield compared to the same period last year.

Rental revenue and operating profit from the commercial section of The Marco Polo Hongkong Hotel also decreased as a result of lower average rental rate being achieved under existing competitive market.

Taxation charge for this period was HK\$6.5 million compared to HK\$8.4 million for the same period last year.

(II) LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June, 2001, the Group had net cash of HK\$453.8 million and a portfolio of listed investments with market value aggregating HK\$765.0 million.

A project loan of HK\$3.4 billion for refinancing the MTRC Kowloon Station Package Two development project, of which the Group has a 20% interest, has been completed during the period under review.

The Group has no significant exposure to foreign exchange rate fluctuations.

(III) COMMENTS ON SEGMENTAL INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries and associates are the operation of hotel and restaurants, investment property, property development and investments. Further information on the segmental details is provided in Note 2 to the Accounts on F105.pdf.

(IV) EMPLOYEES

The Group has approximately 500 employees. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the six months ended 30 June, 2001 amounted to HK\$51.2 million.