

LIQUIDITY AND FINANCING

During the period, the Group issued bonds and notes in the total amount of HK\$900 million due 2004 and redeemed notes in the amount of HK\$334 million due January this year. At 30th June, 2001, outstanding bonds and notes issued by the Group amounted to HK\$8.9 billion.

Together with bank loans of HK\$12.1 billion, the Group's total borrowings as at 30th June, 2001 was HK\$21 billion, with no significant change from last year end date, and the maturity profile spread over a period of nine years with HK\$5.9 billion repayable within 1 year, HK\$13.8 billion within 2 to 5 years and HK\$1.3 billion within 6 to 9 years.

The Group continued to maintain a low gearing ratio, calculated on the basis of the Group's net borrowings (after deducting cash and bank balances of HK\$1.7 billion) over shareholders' funds, at 11.8% at the interim period end date.

With cash and marketable securities on hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

TREASURY POLICIES

The Group maintains a conservative approach on foreign exchange exposure management. The majority of the Group's borrowings, approximately 85% of the total at interim period end date, was in HK\$ with the balance mainly in US\$. While the Group derives its revenue and maintains cash balances mainly in HK\$, it holds sufficient liquid investments denominated in US\$ to cover its exposure to fluctuations in foreign exchange rates.

The Group's borrowings are principally on a floating rate basis. For the fixed rate bonds and notes issued by the Group, interest rate swaps arrangements have been in place to convert the rates to floating rate basis. When appropriate and at times of interest rate uncertainty or volatility, hedging instruments including swaps and forwards are used in the Group's management of interest rate exposure.

CHARGES ON ASSETS

As at 30th June, 2001, certain assets of the Group with aggregate carrying value of HK\$824 million, with no significant change from last year end date, were pledged to secure loan facilities utilised by subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

As at 30th June, 2001, the Group's contingent liabilities, with no significant change from last year end date, were as follows:

- (a) share of contingent liabilities of jointly controlled entities in respect of guaranteed return payments payable to the other party of a co-operative joint venture in the next 48 years amounted to HK\$4,592 million;
- (b) guarantees provided for bank loans utilised by jointly controlled entities amounted to HK\$2,142 million, utilised by associates amounted to HK\$109 million and utilised by affiliated companies amounted to HK\$58 million;
- (c) guarantees provided for the minimum revenue to be shared by the other parties of joint development projects undertaken by jointly controlled entities amounted to HK\$100 million.

EMPLOYEES

The Group, including its subsidiaries but excluding associates, employed approximately 5,200 employees at the interim period end date. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$521 million for the period. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group does not have any share option scheme for employees.