

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six month period ended 30 June 2001, the Group recorded a turnover of \$267.5 million and reported a loss of \$46.3 million with the diminution in value of investment securities being the predominant reason for the reported loss augmented by the adverse trading environment in the Telecommunications and Hi-Tech industries.

BUSINESS REVIEW AND PROSPECTS

Telecommunications Including International Premium Rate Services (“IPRS”)

The first half of the reporting year continued to be a difficult period for the Telecommunications industry globally. The economic uncertainties in the United States and Japan, by far the two key countries of revenue source for the Group's Telecommunications business, coupled with the aggressive rates reduction in the IPRS sector globally, fuelled the downturn of revenues in terms of reduction in sales receipts and substantial drops in traffic minutes.

In view of the adverse trading environment, management adopts the business policy to focus on selected profitable routings and to develop new routings with existing telecommunications carrier partners. Emphasis is also placed on strengthening the business relationship with information providers and to formulate new reward schemes that will promote long term success of the Telecommunications business.

Despite the difficult circumstances and economic uncertainties, our Telecommunications business retained its footing as one of the world leaders and key players in the IPRS business. The Group's new investments in selected domestic markets will also help to break new ground for furthering the Telecommunications business.

Internet and Digital Technologies

Events unfolded in the global Internet and Hi-Tech markets during the reporting period which reinforced management's decision taken in the latter part of year 2000 to safeguard shareholder assets and to reduce exposure to risk in this market. Management will continue to take a prudent approach in this business and to limit the Group's investment exposure in the Internet market until the trading environment improves.

Club Operations

With measures implemented by management to improve cost control, the Hong Kong Hilltop Country Club achieved a profit growth when compared with the same period last year.

Despite the continuing unsatisfactory operating environment, Shanghai Hilltop Country Club succeeded in reducing the trading deficit in the first half-year of 2001. It is expected that the operating environment in the second half-year will continue to be difficult and management will make on-going assessment and take appropriate measures in controlling the operating expenses.

MATERIAL ACQUISITIONS AND DISPOSALS

In the reporting period, the Group did not acquire or dispose of any investments or business divisions that are material in value.

INVESTMENT PROSPECTS

In light of the prevailing environment in the Telecommunications and Internet industries, the Group is proactively looking for investment projects in other industries with more favorable economic prospects. In particular, the Group identifies Biotechnology as one of its priority areas. Biotechnology today is increasingly applied in a wide range of businesses such as Pharmaceutical, Environmental and Energy industries. The Group initially will focus on the Pharmaceutical industry, primarily in the Greater China Region. In addition, the Group is also considering investments in software, and e-commerce in the China markets.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to enjoy a position of financial stability with a strong cash holding of \$931.3 million (31 December 2000: \$919.5 million). As at 30 June 2001, the Group's total borrowing stands at \$242.6 million (31 December 2000: \$242.7 million) with \$231.7 million repayment falling due within one year. The Group's gearing ratio, resulting from a comparison of the Group's total borrowing with total equity, was 20.5% at the interim period end date (31 December 2000: 19.7%).

In terms of liquidity, the current ratio was 3.7 times, an improvement to that achieved last year i.e. a current ratio of 3.2 times.

As at 30 June 2001, the Group's borrowing and bank balances were primarily denominated in Hong Kong dollars and United States dollars and exchange differences were reflected in the accounts of the Group. With the exception of a 2% per annum interest on convertible bonds, the remaining borrowing is interest free or on a floating rate basis.

In the reporting period, the Group did not resort to acquiring any financial instruments for hedging purposes.

PLEDGE OF ASSETS

Pledge of the Group's fixed deposit of US\$14.5 million and charge over the assets of certain subsidiaries were given to banks to secure short term loans, overdrafts and factoring facilities to the extent of US\$22.5 million.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2001, the Group employs a total of 270 full time staff with its main workforce stationing in the Group's head office in Hong Kong. The Group's remuneration policies are performance based and are in line with the salaries trends in respective regions. In addition to the provident fund scheme and medical insurance, discretionary performance bonus and employee share options are also awarded to employees on performance basis.