

GROUP RESULTS

The Group's unaudited profit attributable to shareholders for the six months ended 30th June, 2001 amounted to HK\$120.6 million, an increase of 4.0% as compared with the profit of HK\$116.0 million for the corresponding period last year. Earnings per share were 7.8 HK cents (2000: 7.5 HK cents).

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 2 HK cents per share (2000: 2 HK cents) in respect of the six months ended 30th June, 2001, payable on 19th October, 2001 to shareholders on record as at 12th October, 2001.

The Register of Members will be closed from 10th October to 12th October, 2001, both dates inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on 9th October, 2001.

BUSINESS REVIEW

Shipping

Shun Tak – China Travel Shipping Investments Ltd., the shipping investment arm of the Group, has maintained its market leadership with over 90% market share of Macau route during the first six months of 2001. For the Shenzhen and Guangzhou routes, total passenger traffic marked an increase of 11.9% during the first six months of 2001 as compared to the same period last year. Operating profit of the shipping division increased by 9.3% to HK\$76.3 million (2000: HK\$69.8 million) in the first half of the year as a result of the reduction in fuel cost and continued cost control efforts.

The charter service agreement with Sociedade de Turismo e Diversões de Macau, S.A.R.L. to provide low fare passenger ferry services between Kowloon and Macau since 1st July, 2000 has successfully promoted tourism in Macau and contributed a stable income to the Group. This arrangement was extended for a six-month period commencing 1st July, 2001.

Property

The consent to assign for Phase I of The Belcher's which includes three residential towers and a commercial podium was obtained in late March this year. The hand-over of residential units to the purchasers has been smoothly carried out since late April 2001. Phase II of the development which comprises the remaining three residential towers is scheduled for completion by mid-2002. The Group has successfully launched additional residential units of The Belcher's for sale in June 2001 and the units were well received by the market.

In April 2001, the Lands Department issued the premium offer for modification of the government leases of the Cheung Sha Wan Shipyards Redevelopment Project. Under the revised plan, the initially proposed hotel towers will be converted into two residential blocks. Formal appeal on the premium offer was lodged by the Group in June and negotiation with Lands Department is currently in progress. Superstructure works for Phase I, comprising five residential towers, commenced in February 2001 and is scheduled for completion by late 2003. Phase II of the project, comprising two residential towers and a commercial podium, is scheduled for completion by mid-2004.

In order to extend its quality services beyond the traditional realm of property and asset management, the Group recently developed a new concept - "Living Matters" - to provide a comprehensive range of services including interior design, furnishing and other in-house services. With the recent addition of The Belcher's, the portfolio size of the Group's property management business has increased to over 8 million square feet in Hong Kong and overseas.

Hospitality

Benefiting from the upturn in Macau tourism, performance of the Group's hospitality business in Macau continued to improve during the first half of 2001. Number of visitors to Macau increased by 14.8% for the six months ended 30th June, 2001, as compared with the same period last year.

During the period, the Group's two hotels in Macau, Mandarin Oriental and Westin Resort achieved satisfactory increases in revenue, 13.1% for Mandarin Oriental and 8.3% for Westin Resort. Average room rates of Mandarin Oriental and Westin Resort recorded significant increase of 32.2% and 19.2%, respectively, as compared to the corresponding period last year.

Macau Golf & Country Club, the Group's premier golf club in Macau, has also sustained improved performances for the first half of 2001.

Owing to the weak economy in Hong Kong, Greater China Club (formerly known as International Golf & Yacht Club), a private club owned by the Group reported a loss of HK\$7.9 million in the first half of 2001. The club is currently undergoing a restructuring program in order to streamline its operations and to satisfy market demand.

Investment in Associates

Operations of AHK Air Hong Kong Limited, an air cargo carrier in which the Group has a 20% interest, have been severely affected by the international economic slowdown. The Group's share of loss of associates of HK\$6.3 million for the first half this year was mainly attributable to the loss incurred by this company, while it was the major profit contributor among other associates of the Group during the same period last year.

PROSPECTS

In light of the rebound in Macau tourism and coupled with the Group's expertise and experience in this sector, the directors are confident that the shipping and hospitality businesses of the Group will achieve steady growth in the coming years. The Group will continue to expand its hospitality businesses in a prudent yet proactive manner.

With significant cash flows generated from the sale of The Belcher's, the Group's debt and gearing level had reduced significantly during the first half of 2001 and is expected to improve further towards the end of this year. The Group is in a strong financial position to expand its existing operations and explore new investment opportunities. In view of lowering interest rates and supportive government land and housing policies, the Group believes in the long-term prosperity of its core businesses and expects promising cash flows from its shipping and property-related operations in the foreseeable future.

FINANCIAL REVIEW

Liquidity, Capital Resources and Funding

The cash and cash equivalents decreased by HK\$483 million to HK\$390 million at the period ended 30th June, 2001. Bank loans was substantially reduced to HK\$4,623 million at the period end. (HK\$5,738 million at 31st December, 2000). The net cash flow from operating activities was positive mainly as a result of receipt of sales proceeds upon completion of Phase 1 for The Belcher's during the period. Shipping division also contributed towards positive cash flows with improved performance.

At 30th June, 2001, total loan facilities and other financing available to the Group amounted to HK\$9,038 million, of which HK\$3,607 million remained undrawn.

The facilities outstanding at the period end comprised HK\$4,623 million in bank loans, HK\$543 million in convertible guaranteed bonds and HK\$265 million in other loans. 70% of the outstanding bank loan was secured by charges on assets of the Group which mainly represented building loans financing property development project of the Group. It is the Group policy to secure adequate funding to match with cash flows required for working capital and investing activities. The maturity profile of the Group's borrowings at 30th June, 2001 is set out below:

Maturity Profile

Within 1 year	1-2 years	2-5 years	Over 5 years	Total
44%	6%	50%	0%	100%

Up to the date of this report, 90% of the Group's borrowings repayable within 1 year at 30th June, 2001 has been repaid with internal resources and proceeds from new borrowings.

The funds raised by the Group are on a floating rate basis except for the convertible guaranteed bonds which accounted for 18% of our Group's long term borrowings. Based on a net borrowings of HK\$5,041 million at the period end, the Group's gearing ratio was 49.4% (at 31st December, 2000: 57.2%).

Foreign Exchange Exposure

Only 18% of the outstanding borrowings is denominated in US dollars. In addition, the Group's principal operations are conducted and recorded in Hong Kong dollars so that the exposure to foreign exchange fluctuations is minimal.

Human Resources

The Group, including subsidiaries but excluding associates and jointly controlled entities, employs approximately 2,050 employees. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Social activities are organised to foster team spirit amongst staff. Staff are encouraged to attend training classes that are related to the Group's business.