

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity and Financial Position

The Group generally finances its operations with internally generated cash flow and loan facilities from banks and its ultimate holding company. As at 30 June 2001, the Group has total outstanding borrowings of approximately HK\$1,301,995,000. With respect to foreign exchange exposure, the risk is rather low as all of the Group's foreign currency assets and borrowings are denominated in Renminbi and US dollars. The impact of exchange rate fluctuations of these currencies are relatively insignificant to the Group.

As at 30 June 2001, the Group had total assets of approximately HK\$2,392,569,000. Current assets of the Group on that date amounted to approximately HK\$320,339,000 while current liabilities were HK\$762,774,000. The gearing ratio, calculated by dividing the total liabilities by the total assets, was equal to 0.60 as at 30 June 2001.

### Pledge of Assets

As at 30 June 2001, the Group pledged listed, unlisted investments and fixed assets with an aggregate net book value of approximately HK\$1,063,000,000 to secure general banking facilities granted to the Group.

### Contingent Liabilities

At 30 June 2001, there were contingent liabilities in respect of the following:

- (a) Guarantees given to banks by the Group amounting to HK\$85,416,000 in respect of its 25% share for banking facilities extended by banks to an associate.
- (b) Guarantee given to a third party by the Group in respect of guarantee extended by the third party to banks for banking facilities granted to a subsidiary of the Company amounting to HK\$13,325,000.

### Subsequent Event

On 15 June 2001, the Group entered into a conditional sale and purchase agreement with an independent third party. Pursuant to the agreement, the Group would dispose of its interest in 114,000,000 shares of HK Construction to the third party for a consideration of HK\$189,240,000 (or HK\$1.66 per share). The transaction was completed on 6 July 2001.

### Employees and Remuneration

As at 30 June 2001, the Group had a total of approximately 2,550 employees located in Hong Kong and the PRC. Employees are remunerated according to qualification and experience, job nature and performance, as well as market conditions. Apart from discretionary performance bonus, the Group also provides other benefits such as medical insurance cover and provident fund scheme to the employees in Hong Kong. The Group has also adopted a share option scheme on 30 September 1993 under which the directors of the Company, at their discretion, are authorised to grant share options to any employees including directors as incentives. There were no share option granted to any employee during the period.