



INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the financial year ending 31st December, 2001 (2000 - nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow and Capital Structure

During the period under review, net cash inflow from operating activities amounted to HK\$190.8 million. Net interest payment for the period amounted to HK\$193.9 million.

As at 30th June, 2001, the Group's borrowings net of cash and bank balances amounted to HK\$9,968.1 million, as compared to HK\$9,969.4 million as at 31st December, 2000. Gearing ratio based on total assets of HK\$17,493.3 million (31st December, 2000 - HK\$17,873.5 million) was about 57% (31st December, 2000 - 56%).

Details of the Group's pledge of assets and contingent liabilities are shown in notes 17 and 18, respectively, to the condensed consolidated financial statements.

The Group's borrowings are predominantly denominated in Hong Kong dollar currency and there is no material foreign exchange exposure. Information in relation to the maturity profile of the Group's borrowings as of 30th June, 2001 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2000.

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Property development projects are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. In addition to normal bank financing, issues of debt or equity-linked securities are considered and arranged to provide an alternative source of funding, when circumstances are appropriate. Forward exchange contracts and interest swaps are arranged, where appropriate, to hedge against the Group's currency and interest rate exposures.

Remuneration Policy

The Group employs approximately 2,800 staff in Hong Kong, 300 staff in Canada and 900 staff in The People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed and bonuses paid on an annual basis based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include provident fund scheme and medical and life insurance.

The Company as well as Paliburg Holdings Limited ("PHL") and Regal Hotels International Holdings Limited ("RHIHL") each maintains an Executive Share Option Scheme, pursuant to which certain share options were granted under the Executive Share Option Schemes of PHL and RHIHL to selected eligible executives.

Further information on the Group's principal business operations and outlook is contained in the section above headed "Review and Outlook".