FINANCIAL REVIEW

The Group's financial expenses for the first six months of the year amounted to HK$16.9 million, down 46% from HK$31.3 million for the same period last year. The decrease in financial expenses was due primarily to the continuation of the low interest rate environment.

As at 30 June 2002, the level of total bank borrowings has not changed materially since the latest published annual report for 2001. Certain investment properties and properties held for sale with aggregate carrying value of HK$1,883 million (31 December 2001: HK$1,882 million) were pledged, together with assignment of rental income, to secure loan facilities utilized by subsidiaries. Term loan installments repayable within one year is HK$32 million. Revolving bank loan with balance of HK$220 million is repayable and renewable within one year.

The following is the maturing profile of the Group's bank borrowings as of 30 June 2002:

Within one year	26.9%
In the second year	3.7%
In the third to fifth year	33.4%
After the fifth year	36.0%
Total	100.0%

The gearing ratio, which is calculated as the ratio of net bank borrowings to shareholders' funds, is currently at 51% (31 December 2001: 46%). With cash and available banking facilities, the Group has sufficient resources to meet the foreseeable funding needs for working capital and capital expenditure.

As the Group's borrowings are denominated in Hong Kong dollars and its sources of income are primarily denominated in Hong Kong dollars, there is basically no exposure to foreign exchange rate fluctuations.

As at 30 June 2002, contingent liabilities have not changed significantly since last year end date.