



MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and financial resources

As at 30th June, 2002, the Group had total assets of US\$1,072.3 million, down 0.9% from US\$1,081.5 million at the year end of 2001. Total debt and debt to equity ratio (debt to equity ratio is calculated by dividing the total debt by the net asset value) were US\$684.9 million and 343% respectively, as compared with US\$752.4 million and 508% as at 31st December, 2001.

Most of the borrowings were in U.S. dollars and RMB, and the interest rates ranged from 2.12% to 7.92% per annum for the period.

The Group had not engaged in any derivative for hedging against both the interest and exchange rates.

Capital structure

The Group finances its working capital requirements through a combination of funds generated from operations, short term and long term bank loans, floating rate notes and the disposal of certain assets and investments. The Group had cash and cash equivalents of US\$86.9 million as at 30th June, 2002 (31st December, 2001: US\$88.6 million), a decrease of US\$1.7 million.

Charges on group assets

As at 30th June, 2002, out of the total borrowings of US\$684.9 million (31st December, 2001: US\$752.4 million) obtained by the Group, only US\$112.0 million (31st December, 2001: US\$120.3 million) were secured and accounted for 16.4% (31st December, 2001: 16.0%) of the total. Certain of the Group's fixed assets located in the PRC with net book value of US\$170.6 million (31st December, 2001: US\$132.6 million) and fixed deposits of US\$1.5 million (31st December, 2001: US\$3.2 million) have been pledged as security for various short and long term bank loans.

Contingent liabilities

As at 30th June, 2002, the guarantees provided by the Group was US\$27.4 million (31st December, 2001: US\$33.2 million).

Employee and remuneration policies

As at 30th June, 2002, the Group employed around 60,000 staff (including 30,000 staff from the jointly controlled entities and associates) in the PRC, Hong Kong and Turkey. The Group remunerates its employees based on their performance, experience and prevailing market rate while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidized educational and training programme as well as share option scheme.

RESTRUCTURING

The closing date of the Group restructuring was 28th March, 2002. The Company has made a distribution of US\$50.8 million during the period under review, amounting to an aggregate distribution of US\$267.6 million.