
MANAGEMENT DISCUSSION AND ANALYSIS

30 June 2001

REVIEW OF OPERATIONS

During the period, the Group continues to engage in property related businesses and provision of horticultural services. The Group has disposed of certain units of the property in North Point ("Fortress Heights") to independent third parties and these contribute approximately HK\$24.4 million to current period's turnover.

The Group's rental portfolio performance was satisfactory. The occupancy level stayed high and rental rates remained stable throughout the period.

The decrease in finance costs was a results of the disposal of a property under development in 2000 and the decrease in interest rates.

LIQUIDITY AND FINANCIAL RESOURCES

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. There is no significant change in respect of treasury and financing policies from the information disclosed in the Group's latest annual report. The Group has no significant exposure to foreign exchange rate fluctuations. A great majority of the Group's borrowings are denominated in Hong Kong dollars.

The Group has substantial committed undrawn credit facilities from its bankers providing the Group with strong financing flexibility and liquidity to meet its funding needs and working capital requirements.

Majority of the Group's borrowings matures in 2006. As at 30 June 2001, the outstanding bank loan amounted approximately HK\$472m was secured by the Group's investment properties, land and buildings and properties held for sale.

FUTURE PROSPECTS

With 100% of the Group's borrowings in the form of floating-rate debt, the decline in global interest rate will lead to savings in interest expense in the second half of the year.

The Group will continue to look for any potential investment opportunities to broaden its earning base.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in note 14, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS INTERESTS IN SHARES

At 30 June 2001, the interests of the directors in the share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”) were as follows:

(i) Interests in the Company

Name of director	Number of shares held and nature of interest
	Corporate
Cheong Pin Chuan, Patrick	281,453,392
Cheong Kim Pong	281,453,392
Cheong Pin Seng	281,453,392
Cheong Sim Eng	281,453,392
Lim Ghee	281,453,392

Note: These directors are deemed to have corporate interests in the shares in the Company by virtue of their beneficial interests in the shares in Hong Fok Corporation Limited, a substantial shareholder of the Company.

(ii) Interests in an associated corporation – Hong Fok Corporation Limited (“HFC”)

Name of director	Corporate <i>Note (a)</i>	Number of shares held and nature of interest		
		Personal	Family	Other <i>Note (b)</i>
Cheong Pin Chuan, Patrick	88,054,912	5,163,140	1,125,300	121,336,000
Cheong Kim Pong	88,054,912	2,571,980	503,000	121,336,000
Cheong Pin Seng	88,048,312	2,752,376	101,200	121,336,000
Cheong Sim Eng	21,877,512	54,821,000	207,000	121,336,000
Lim Ghee	–	6,619,092	–	121,336,000

Notes:

- These shares are beneficially held by a number of companies in which the directors have beneficial interests.
- These shares are beneficially held by Winfoong Holding Limited, a wholly-owned subsidiary of the Company. The directors are deemed to have interests in the shares in HFC by virtue of their direct and indirect interests in the Company.

Save as disclosed above and under the heading “Directors’ rights to acquire shares”, none of the directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Notes	Number of shares held		%
		Direct	Indirect	
HFL International Consortium Limited ("HFL")		277,601,392	–	40.6
Hong Fok Enterprises Limited ("HFE")	(i)	–	277,601,392	40.6
Hong Fok Investment Holding Company, Limited ("HFIH")	(ii)	3,852,000	277,601,392	41.1
Hong Fok Corporation Limited ("HFC")	(iii)	–	281,453,392	41.1
Barragan Trading Corp.		142,656,283	–	20.8

Notes:

- (i) HFE was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFL, did in the issued share capital of the Company by virtue of HFE's interest in HFL.
- (ii) HFIH was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFE, did in the issued share capital of the Company by virtue of HFIH's interest in HFE. In addition, HFIH was directly interested in approximately 0.5% of the issued share capital of the Company.
- (iii) HFC was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFIH, did in the issued share capital of the Company by virtue of HFC's interests in HFIH.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in share capital" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CODE OF BEST PRACTICE

The directors are not aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules for any part of the accounting period covered by the interim report.

ON BEHALF OF THE BOARD

Patrick Cheong

Chairman

Hong Kong

20 September 2001