

## PROSPECTS

China's estimated 7% annual economic growth will enable continuation of the steady increase in traffic toll revenue for our highway projects in the Pearl River Delta region. Furthermore, China's entry into the World Trade Organization and the continuing liberalization of its markets will create a healthy environment for the Group to seek opportunities for new infrastructure projects.

In Hong Kong, the economy has been estimated to grow in the range of 4% to 7%, barring any severe downturn in the U.S. and European economies. The Group is in a strategic position to benefit from the economic growth in Hong Kong although keen competition in the local construction and property markets makes a challenging business environment. Accordingly, the Group will continue to focus on efficient operations and adherence to flexible strategies in all our business areas enabling us to capitalize on new business opportunities.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to adopt prudent treasury policies in managing its cash resources and bank borrowings.

Bank balances and cash amounted to HK\$599.4 million as at 31st December, 2000, as compared to the balance of HK\$448.5 million as at 30th June, 2000.

Total net debt maturity profile of the Group as at 31st December, 2000 is analyzed as follows:

	As at 31.12.2000 HK\$ million	As at 30.6.2000 HK\$ million
Repayable within one year	2,311	1,091
Repayable after one year, but within two years	165	1,909
Repayable after two years, but within five years	4,067	4,128
Repayable after five years	3,070	3,069
<b>Total net debt</b>	<b>9,613</b>	<b>10,197</b>

With the existing cash and banking facilities, together with sound recurring cash flow from operations, the Group has adequate financial resources to fund its investment projects.

In January 2001, the Group repaid the non-recourse Guangzhou-Shenzhen Superhighway syndicated bank loan ("GSZ syndicated bank loan") of US\$296 million, which was taken up by the joint venture itself with a 10-year bank loan.

The majority of the Group's borrowings has been used to make interest-bearing loans to co-operative joint ventures. Against the total net debt of HK\$9,613 million (30.6.2000: HK\$10,197 million), the Group has advanced HK\$10,208 million (30.6.2000: HK\$10,233 million) as loans to the joint ventures, which more than offset the Group's borrowings. Interest expenses on the borrowings were substantially covered by interest income from joint ventures.

The Group's capitalization structure (comprising shareholders' equity and borrowings) as at 31st December, 2000 is set out as follows, together with a proforma indicating the Group's capitalization structure after repayment of GSZ syndicated bank loan in January 2001:

As at	Proforma 31.12.2000 HK\$ million	Actual 31.12.2000 HK\$ million	Actual 30.6.2000 HK\$ million
<b>Equity</b>	<b>13,777</b>	<b>13,777</b>	<b>13,643</b>
Net corporate debt	2,672	2,672	2,697
Project debt -			
– GSZ syndicated bank loan (non recourse)	–	2,311	2,872
– 2004 & 2007 Notes (limited recourse)	4,630	4,630	4,628
<b>Total net debt</b>	<b>7,302</b>	<b>9,613</b>	<b>10,197</b>
<b>Total capitalization</b>	<b>21,678</b>	<b>23,989</b>	<b>24,289</b>
Net corporate debt vs equity	19%	19%	20%
Total net debt vs total capitalization	34%	40%	42%

Total net debt of HK\$9,613 million as at 31st December, 2000 denominated in US dollar, HK dollar, Maltese Lire and other currencies were HK\$6,981 million, HK\$2,505 million, HK\$101 million and HK\$26 million respectively. Interest cost of the bank borrowings ranged from 6% to 11% during the first half of the financial year.

Unsecured notes of HK\$4,630 million were denominated in US dollar, consisting of US\$200 million notes maturing in 2004 and US\$393.6 million notes maturing in 2007 at the interest rate of 9<sup>7</sup>/<sub>8</sub>% per annum and 10<sup>1</sup>/<sub>4</sub>% per annum respectively.