

Financial Review



Management Discussion & Analysis

FINANCIAL REVIEW



	2001	2000
KEY RATIOS		
Net Total Debt to Equity	54%	50%
Allowable Debt to Equity	90%	64%
Interest Coverage (times)	1.31	3.73
Head Office Overheads to AOP	11%	11.6%
Total Assets to Total Liabilities	195%	227%

The profit available for appropriation was HK\$15.1 million in FY2001, compared to HK\$1.27 billion in the previous year. FY2000 profit rose due to a capital gain of HK\$710.9 million from the disposal of 3.4 million shares of chinadotcom corp. ("chinadotcom"), while disposal of 515,000 shares generated a capital gain of only HK\$52.9 million in FY2001. Not taking into account exceptional capital gain from the disposal of chinadotcom shares, the decrease in net profit was HK\$594.8 million in FY2001.

There were a number of reasons for the setback in financial results. On the operational side, AOP decreased to HK\$1.16 billion from HK\$1.35 billion in FY2000. The net corporate interest expenses increased 12% to HK\$439.6 million, reflecting a rise in average borrowing, though at a lower effective interest rate. Another factor in the profit decrease was an aggregate loss of HK\$367.3 million on the disposal of the H-Share investment portfolio, comprising the sale of 9.54% of Beijing Datang Power Generation Co. Ltd., 9.9% of Sichuan Expressway Co. Ltd. and 3.12% of Jiangsu Expressway Co. Ltd. Finally, due to the downturn in the global technology market, the Company took a prudent view in making provisions on the value of e-infrastructure/technology investments totaling HK\$241.9 million in FY2001, compared to zero in FY2000.

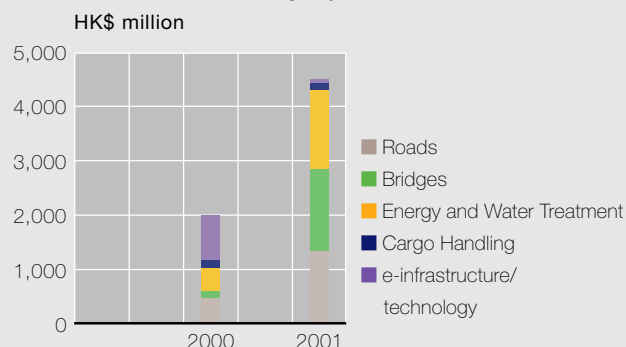
Equity stood at HK\$12.17 billion at 30 June 2001. Compared to a figure of HK\$13.61 billion at the end of FY2000, equity dropped by HK\$1.44 billion due to net deficit on the revaluation of non-trading investments, primarily chinadotcom. The net deficit for the current year roughly reversed the equity revaluation surplus of HK\$1.38 billion registered in FY2000.

(LOSS)/EARNINGS PER SHARE		
	2001	2000
Shares in issue ('000)	855,325	861,915
Weighted average ('000)	856,739	872,312
(Loss)/profit attributable to shareholders (HK\$'000)	(43,913)	1,209,139
Basic (loss)/earnings per share (HK\$)	(0.05)	1.39

As the marginal profit available for appropriation was not sufficient to cover the interest on mandatorily convertible bonds (which must be deducted to arrive at the base amount for computing EPS) a per share loss of HK\$0.05 was registered in FY2001. The effect of the shares repurchased in the current and previous year on EPS was minimal.

CASH INFLOW FROM PROJECTS			
	2001	2000	Change
	HK\$'000	HK\$'000	%
Roads	1,325,012	475,659	179%
Bridges	1,508,069	137,421	997%
Energy and Water Treatment	1,468,149	409,866	258%
Cargo Handling	118,106	149,527	-21%
e-infrastructure/technology	71,854	833,256	-91%
Total	4,491,190	2,005,729	124%

Cash inflow from projects



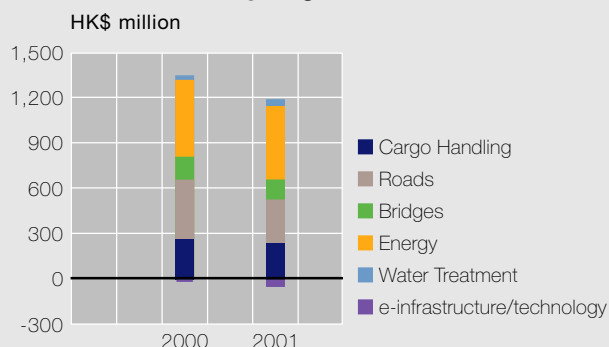
Cash inflow to the Company for FY2001 was exceptionally high at HK\$4.49 billion, compared to HK\$2.01 billion in FY2000. This was due to the disposal of several under-performing assets (9.54% of Beijing Datang, 9.9% of Sichuan Expressway, 3.12% of Jiangsu Expressway and Roadway 105 (Lianping County North Section)) and the withdrawal from Guangzhou Three New Bridges, which together generated HK\$3.17 billion. Cash inflow from the further sale of chinadotcom shares, however, reduced to HK\$71.4 million from HK\$833.3 million for the previous year.

Apart from the abovementioned non-recurring cashflow, total regular cash inflow from projects increased 10.3% to HK\$1.29 billion, up from HK\$1.17 billion in FY2000. On a segmental basis, inflow from the Road Segment and the Bridge Segment increased 55% and 16.9% respectively to HK\$737.1 million and HK\$160.6 million. Inflow for the Bridge Segment without Guangzhou Three New Bridges is expected to be much reduced in the future. The cash inflow for the Road Segment was mainly boosted by Guangzhou City Northern Ring Road, the cash position of which has been much improved after it completely paid off its bank loan. Inflow from the Energy and Water Treatment Segment and the Cargo Handling Segment decreased 42% and 21% respectively to HK\$238.1 million and HK\$118.1 million. The fluctuation in the inflow for the Energy and Water Treatment Segment was mainly caused by the timing of the dividend payments of the Zhujiang Power Stations. The decrease for the Cargo Handling Segment reflected the difference in cash inflow between the dividend on the preference shares of PPC and the direct cashflow from the projects before transfer to PPC.

CONTRIBUTION BY SEGMENT			
	2001	2000	Change
	HK\$'000	HK\$'000	%
Cargo Handling	242,380	268,138	-10%
Roads	285,595	391,654	-27%
Bridges	132,930	151,365	-12%
Energy	485,971	508,445	-4%
Water Treatment	44,384	29,945	48%
e-infrastructure/technology	(33,320)	(1,678)	19x
Attributable Operating Profit	1,157,940	1,347,869	-14%
Head Office Items			
Amortisation of deferred expenditure	(32,817)	(35,016)	-6%
Convertible bonds interest	(131,154)	(114,487)	15%
Other interest expense	(552,794)	(366,252)	51%
Interest income	209,632	47,974	337%
Interest capitalised	34,755	40,975	-15%
Gain on repurchase of convertible bonds	1,772	24,213	-93%
Net (loss)/gain on disposal of investments	(315,703)	710,914	-144%
Net provision for diminution in value of other investments	(229,398)	(232,434)	-1%
Other overheads	(127,167)	(155,899)	-18%
Profit Available for Appropriation	15,066	1,267,857	-99%
	No. of operational projects at year end		
	2001	2000	Change
Cargo Handling	9	9	-
Roads	31	29	2
Bridges	4	5	(1)
Energy	6	5	1
Water Treatment	9	7	2
Strategic Investments	2	5	(3)
e-infrastructure/technology	14	10	4
	75	70	5

The AOP from Basic Infrastructure decreased to HK\$1.19 billion in FY2001 from HK\$1.35 billion in FY2000. The Energy Segment remained the segment with the highest AOP contribution, accounting for 42% of the total, as compared to 37.7% in FY2000. The Bridge Segment, including the gain on disposal of Guangzhou Three New Bridges ("GTNB"), contributed 11.5% of AOP, as compared to 11.2% in FY2000.

Contribution by Segment



Cargo Handling

AOP for the Cargo Handling Segment decreased by 9.6% to HK\$242.4 million, down from HK\$268.1 million in FY2000. The AOP decrease reflected a 25% reduction in the effective interest in port projects transferred to PPC in March 2000 (the "Reorganisation"). AOP from this segment would have increased 3% to HK\$305 million, up from HK\$296 million in FY2000, had the same effective interest as prior to the Reorganisation been maintained for the projects involved.

Throughput volume of CSX World Terminals Hong Kong Ltd. (formerly Sea-Land Orient Terminals Ltd.) increased by some 5% to 1.74 million TEUs. However, an increase in transshipment cargoes caused the average tariff to drop by 4% and slightly increased operating costs. The occupancy rate at the ATL Logistics Centre dropped from 94% to 93% in FY2001, but the results improved due to a lower depreciation charge upon the revision of the estimated useful life of the terminal complex.

The two main port projects in Mainland China, Sea-Land Orient (Tianjin) Container Terminals and Xiamen Xiangyu Container Terminal, experienced significant growth in throughput volume of 22% and 68% respectively.

Roads

AOP of the Road Segment decreased 27.1% to HK\$285.6 million, down from HK\$391.7 million in FY2000, and accounted for 24.7% of total AOP, down from 29.1%. The major factors underlying the results of the Road Segment are summarised below:

Region	FY2001 HK\$'000	FY2000 HK\$'000	Change	Attributes
Southern Guangdong	150,827	208,424	-28%	<p>Average daily traffic flow of GNRR fell by 11% from 146,379 to 130,747 due to traffic redirection and closure of connecting roads caused by the construction of the Inner Ring Road.</p> <p>Average daily traffic flow of Section I and II of BZGZ rose by 12% and 34% respectively, which led to an increase in AOP contribution by 13%.</p>
Eastern Guangdong	11,904	22,146	-46%	<p>Average daily traffic flow of Shenzhen-Huizhou Expressway and Shenzhen-Huizhou Roadway increased overall by 6% while that of Hui-Ao Roadway rose by 16%.</p> <p>AOP contribution from Hui-Ao Roadway fell by HK\$7.1 million due to the finance costs and overheads incurred since the operation of Hui-Ao Section in October 2000.</p>
Western Guangdong	40,697	42,185	-4%	<p>Performance was stable. Average daily traffic flow for this road network increased slightly from 44,815 to 45,141.</p>
Northern Guangdong	2,963	21,626	-86%	<p>Traffic flow of roads in Northern Guangdong was stable. Disposal of Roadway No. 105 (Lianping County North Section) in October 2000 reduced AOP contribution by HK\$7 million.</p>
Guangxi	25,249	24,863	2%	<p>Traffic flow was stable. An increase in AOP contribution was due to the reduced interest cost.</p>
Wuhan	(9,945)	23,555	-142%	<p>Average daily traffic flow of Wuhan Airport Expressway ("WAE") increased by 14% over FY2000.</p> <p>Decrease in AOP contribution was due to a slower than expected interest repayment and thus recognition of interest income from WAE was temporarily suspended in FY2001. Interest income recognised last year amounted to HK\$33.5 million.</p>
Sichuan	11,085	14,761	-25%	<p>The drop in AOP contribution was due to the disposal of Sichuan Expressway during the last quarter of FY2001 that, apart from the impact on AOP, gave rise to a loss on disposal of HK\$121.6 million.</p>
Jiangsu	11,152	11,492	-3%	<p>This represented dividend income received from Jiangsu Expressway during the year. The 3.12% interest in Jiangsu Expressway was subsequently completely disposed of and generated a profit of HK\$58.9 million due to the reversal of a previous provision.</p>
Hong Kong	30,342	13,114	131%	<p>The increase in AOP contribution was mainly due to an increase in the toll rates of Tate's Cairn Tunnel since January 2000.</p>
Shanxi	(4,269)	(355)	-11x	<p>Three roadways commenced operation during the year: Roadway No. 309 (Changzhi Section), Taiyuan to Gujiao Roadway (Taiyuan Section) and Taiyuan to Changzhi Roadway (Changzhi Section). Operating losses were reported during the first year of operation.</p>
Tianjin	15,590	9,843	58%	<p>Tianjin Expressway maintained strong growth with an increase in average daily traffic flow of 35%. Phase II of Tianjin Expressway commenced operation in January 2001.</p>

Bridges

The AOP of the Bridge Segment decreased 12.2% to HK\$132.9 million from HK\$151.4 million in FY2000. This decrease mainly reflected the significant reduction of investment in the segment from HK\$2.09 billion to HK\$973.1 million after the Group's withdrawal from GTNB in January 2001. Although GTNB contributed some two-thirds of FY2000 AOP in this segment, its performance was below expectation. Withdrawal on the terms agreed with the Chinese party was beneficial to the Group and gave rise to a one-time gain of HK\$99.4 million.

The Wuhan Bridges is the most significant project among the remaining bridges in this segment. The Wuhan Bridges AOP decreased 65% to HK\$11.2 million from HK\$32.3 million in FY2000. The operating conditions of Wuhan Bridges were much the same as the previous year with average daily traffic flow at the Yangtze River Bridge No.2 maintained at 40,682 vehicles. The higher AOP of FY2000 had the benefit of a one-time tax refund of HK\$24.1 million.

Combined AOP of the other three bridge projects, Gaoming Bridge, Yonghe Bridge and Xijiang Bridge, amounted to HK\$17.2 million, compared to HK\$17.3 million for FY2000 on the back of a stable combined average daily traffic flow of 22,204 vehicles.

Energy

Energy Segment AOP decreased to HK\$486.0 million from HK\$508.4 million in FY2000. The disposal of Beijing Datang, and an attributed loss of a new alternative energy project in its initial period of operation, caused an AOP decrease despite a significant improvement in the results of Zhujiang Power Phase II.

The equity profit derived from the Group's 9.54% interest in Beijing Datang for the first half of FY2001, which preceded the disposal in February 2001, reached HK\$64.6 million, compared to a full-year equity profit of HK\$111.9 million in FY2000. The notional interest of the proceeds of HK\$1.26 billion compensates for the lost AOP from Beijing Datang for the current as well as future years. The financial flexibility that resulted from the liquidation of the Beijing Datang interest justified a loss on disposal of HK\$304.5 million.

Of the other ongoing projects in this segment, Zhujiang Power Phase I and II performed well in FY2001. Lower tariffs stimulated electricity demand and combined electricity sales rose 29.6% to 6,195 GWh and boosted revenue by 22.2% to HK\$2.45 billion. Overall, AOP rose by 19.7% to HK\$233.6 million from HK\$195.2 million in FY2000. As the Zhujiang Power Phase I is under a guaranteed profit arrangement, the AOP increase came from Zhujiang Power Phase II and the improvement in result was due, apart from a rise in revenues, to lowering the unit cost of electricity generated by 9%.

AOP for the Desheng Power Plant was stable at HK\$123.6 million under a fixed return arrangement. The Desheng Power Plant supplies some 35% of the electricity requirement of Shunde City, which witnessed a demand increase of 30% in 2000. Electricity sold by the plant may have similarly increased if the generation level had not reduced drastically during a two-month overhaul period in FY2001.

Water Treatment

The AOP of the Water Treatment Segment increased for the third consecutive year by 48.2% to HK\$44.4 million from HK\$29.9 million for FY2000. The increase in profit from operations was more significant considering that during FY2000 AOP included a non-operational gain of HK\$11.5 million derived from the swapping of a 37.75% interest in Shenyang Sino-French Water Supply Co. Ltd. for 9.7% interest in a Hong Kong-listed company, Shenyang Public Utility Holdings Co. Ltd. A similar non-operational gain in FY2001 from the partial disposal of the shares in Shenyang Public Utility amounted to just HK\$5.0 million.

The Group currently has interests, through Sino-French Holdings (Hong Kong) Ltd., in one Macau water treatment plant ("SAAM"), 9 water treatment plants and a water micro-filtration equipment manufacturing plant in China, all of which, with the exception of Lianjiang Water Plant and the newly contracted Zhengzhou Water Plant, reported improved AOP for FY2001. SAAM, which is the key project in the portfolio, had an AOP increase to HK\$19.7 million, up from HK\$15 million in FY2000, due mainly to savings in repair and maintenance expenditures. Two water treatment plants – Siping, which opened in September 2000, and Changtu, which opened in January 2001 – contributed a combined HK\$3.8 million to AOP.

e-infrastructure/technology

The segment registered an Attributable Operating Loss ("AOL") of HK\$33.3 million, up from HK\$1.7 million in FY2000, as most projects are still in the development stage. The Group invests in the potentials of these projects on a long-term basis. During the year, a capital gain of HK\$52.9 million was recorded. This capital gain came from disposal of 515,000 shares in chinadotcom, part of a strategic disposal that yielded a capital gain of HK\$710.9 million in FY2000.

The Group took a prudent review of the carrying value of e-infrastructure/technology projects amidst the current global economic downturn and made a total provision for diminution in value of HK\$241.9 million in respect to six investments. Of the provision, HK\$44.1 million was in respect of ecMarket Inc., a B2B e-commerce solution provider, the interest in which was disposed of after the year-end at a loss fully covered by the provision. Apart from ecMarket Inc., the other five investments are companies with solid business models. The provision for diminution in value was made out of prudence in view of the present economic sentiment that made the prospects uncertain.

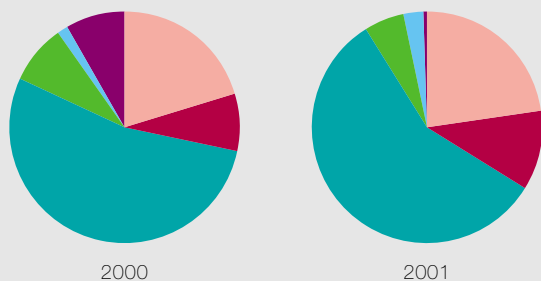
Outlook

The position of Basic Infrastructure in respect to contribution by segment in FY2002 can be reasonably anticipated with no major acquisition in the horizon and all significant under-performing assets already disposed of in FY2001.

The Road Segment is expected to improve on the back of better performance from GNRR. With a large portion of road projects in Guangdong, the strong economy of this province is expected to improve traffic flows on most roads. The Bridge Segment will become the smallest segment in terms of AOP contribution after the reduction in investment. The Energy Segment will have lost a relatively significant contribution from Beijing Datang, but the probable profit from the commercial launch of several products in the alternative energy sector may compensate for the loss. Industry deregulation and the improvement of the distribution network will create opportunities for the Water Treatment Segment while the Cargo Handling Segment will be boosted by China's ascension to WTO and increase in activities with the opening of the "Three Links" policy between the Mainland and Taiwan.

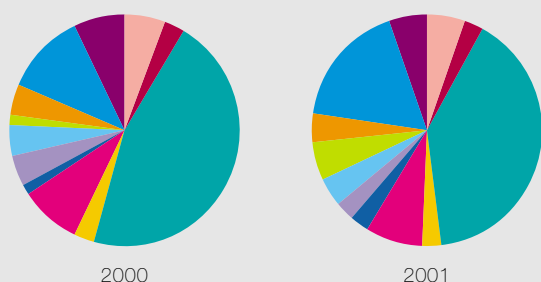
Contribution by Region

- Hong Kong
- Guangdong
- Beijing
- Others
- Macau
- Tianjin



Operational Projects by Region

- Hong Kong
- Guangxi
- Shanxi
- Liaoning
- Fujian
- Guangdong
- Jiangsu
- Overseas
- Wuhan
- Tianjin
- Others



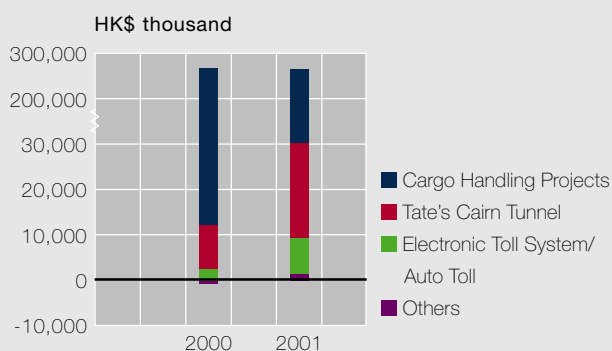
CONTRIBUTION BY REGION			
	2001	2000	Change
	HK\$'000	HK\$'000	%
Hong Kong	263,358	273,259	-4%
Macau	128,510	108,030	19%
Guangdong	663,156	721,854	-8%
Wuhan	1,277	55,858	-98%
Guangxi	25,249	24,863	2%
Beijing	64,603	111,903	-42%
Sichuan	13,389	16,687	-20%
Jiangsu	2,003	11,806	-83%
Tianjin	32,535	20,292	60%
Shanxi	(17,619)	(355)	-49x
Fujian	8,513	3,779	125%
Overseas	(27,034)	(107)	-252x
Attributable Operating Profit	1,157,940	1,347,869	-14%

	No. of operational projects at year end		
	2001	2000	Change
Hong Kong	4	4	-
Macau	2	2	-
Guangdong	30	32	(2)
Wuhan	2	2	-
Guangxi	6	6	-
Beijing	-	1	(1)
Liaoning	2	1	1
Jiangsu	2	3	(1)
Sichuan	1	2	(1)
Jiangxi	1	1	-
Tianjin	3	3	-
Shanxi	4	1	3
Fujian	3	3	-
Hubei	1	1	-
Jilin	1	-	1
Overseas	13	8	5
	75	70	5

AOP contribution by region remains fairly consistent with the previous year. Guangdong is the highest AOP contributor, accounting for 57.3% of the AOP. With the satisfactory performance of Sino-French, Macau marked the highest growth among all other regions with its share of contribution rising from 8% in FY2000 to 11.1% in FY2001.

Hong Kong

CONTRIBUTION BY REGION – HONG KONG			
	2001	2000	Change
	HK\$'000	HK\$'000	%
Cargo Handling Projects	232,406	260,153	-11%
Tate's Cairn Tunnel	21,078	10,865	94%
Electronic Toll System/ Auto Toll	9,264	2,249	312%
Others	610	(8)	77x
	263,358	273,259	-4%



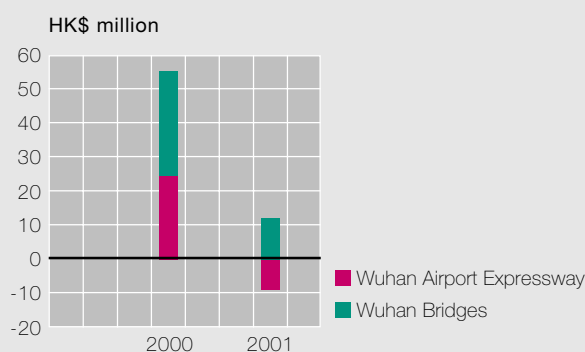
Contribution from Hong Kong decreased slightly by 3.6% to HK\$263.4 million. A decrease in the contribution from Cargo Handling projects was offset by a rise in contribution from Tate's Cairn Tunnel. The decrease in Cargo Handling AOP reflected a 25% reduction in the effective interests in port projects pursuant to the Reorganisation. The significant increase in AOP of Tate's Cairn Tunnel of HK\$10.2 million, or 93.6%, was due to a toll rate hike in January 2000.

Guangdong

Although Guangdong remained the biggest AOP contributor, its AOP contribution has decreased from HK\$721.9 million in FY2000 to HK\$663.2 million in FY2001. The power plants in Guangdong performed satisfactorily with an AOP increase of HK\$40.6 million to HK\$357.1 million, compared to HK\$316.5 million in FY2000. This was offset by a decreased contribution from GNRR and the withdrawal from Guangzhou Three New Bridges. Performance of other road and bridge projects was fairly stable.

Wuhan

CONTRIBUTION BY REGION – WUHAN			
	2001	2000	Change
	HK\$'000	HK\$'000	%
Wuhan Airport Expressway	(9,945)	23,555	-142%
Wuhan Bridges	11,222	32,303	-65%
	1,277	55,858	-98%



The contribution from Wuhan dropped by 97.7% to HK\$1.3 million, compared to HK\$55.9 million in FY2000. Due to a slower than expected interest repayment, recognition of interest income from WAE was temporarily suspended. Interest income recognised in FY2000 amounted to HK\$33.5 million. Notwithstanding the foregoing, the performance of WAE improved by 9% attributable to a 14% increase in daily traffic flow due to the relocation of Wuhan Airline to Tianhe Airport, which WAE serves.

The operation of Wuhan Bridges remained fairly stable in FY2001. The decrease in AOP contribution was due to a one-time tax refund of HK\$24.1 million in FY2000.

Tianjin

The contribution from Tianjin showed an improvement of 60.3%, or HK\$12.2 million, to HK\$32.5 million, thus accounting for 2.8% of AOP. With Phase II commencing operation in January 2001, Tangjin Expressway achieved a strong growth in average daily traffic flow of 35% over FY2000. In the case of Sea-Land Orient (Tianjin) Container Terminals Co., Ltd., throughput volume grew by 22% in FY2001. The Tianjin Port operation contributed HK\$11.4 million in AOP, compared to HK\$4.6 million in FY2000.

Others

The combined AOP contribution from Beijing and Sichuan fell by HK\$50.6 million due to a drop in the share of results from Beijing Datang and Sichuan Expressway as these projects were disposed of in second half FY2001. Shanxi region is mainly comprised of four roadways, three of which only commenced operations this year.

OVERHEADS, PRODUCTIVITY AND EMPLOYEES			
	2001	2000	Change
	HK\$'000	HK\$'000	%
Attributable Operating Profit	1,157,940	1,347,869	-14%
Head office overheads	127,167	155,899	-18%
Head office overheads to Attributable Operating Profit (%)	11.0	11.6	-5%
No. of employees	134	137	-2%

Head office overheads decreased by HK\$28.7 million or 18.4% over FY2000. Included in FY2000 was an amount of HK\$31.3 million represented by a loss on foreign exchange that was an uncontrollable expense with no relevance to productivity. Productivity would have declined from 9.2% to 11% if the exchange loss were not taken into account. The productivity decline was mainly due to the fact that considerable manpower and other resources are devoted to business development, such as e-infrastructure/technology projects, which do not yet generate profit. Revenue contribution from this segment in the coming year is expected to improve productivity.

Employees

The Company has 134 employees at year-end FY2001, compared to 137 in FY2000. Remuneration policies are reviewed yearly. Remuneration, bonuses and share options are awarded to employees based on individual performances and market practices. Education subsidies are granted to employees who take job-related courses. Periodic in-house training programs are also offered.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and financial management is handled through the Head Office in Hong Kong. Surplus cash is generally placed in short-term deposits with Hong Kong banks. Cash and financing requirements of the Group are reviewed on a regular basis to ensure the Group's obligations in terms of new project financing and debt servicing are promptly met.

ASSETS				
	2001	2000	Change	Change
	HK\$'000	HK\$'000	HK\$'000	%
Current assets				
Inventories	500,247	-	500,247	n/a
Debtors, deposits and prepayments	1,260,818	250,169	1,010,649	404%
Amount due from a minority shareholder	185,727	167,214	18,513	11%
Bank balances and cash	4,946,891	2,176,783	2,770,108	127%
Total current assets	6,893,683	2,594,166	4,299,517	166%
Deferred expenditure	81,425	81,491	(66)	-0.1%
Associated companies	1,995,600	2,312,016	(316,416)	-14%
Jointly controlled entities	9,059,195	10,427,473	(1,368,278)	-13%
Loans receivable	381,114	-	381,114	n/a
Other investments	1,874,354	3,653,602	(1,779,248)	-49%
Fixed assets	8,573,996	8,814,787	(240,791)	-3%
Total assets	28,859,367	27,883,535	975,832	3%

Total assets as at 30 June 2001 rose by HK\$975.8 million to HK\$28.86 billion, compared to HK\$27.88 billion at the end of FY2000. Total current assets amounted to HK\$6.89 billion and represented 23.9% of total assets, an increase of HK\$4.3 billion over FY2000.

The increase in current assets was mainly due to a rise in cash and bank balances of HK\$2.77 billion to HK\$4.95 billion, up from HK\$2.18 billion in FY2000. The disposal of investments such as Guangzhou Three New Bridges, Beijing Datang, Sichuan Expressway, Jiangsu Expressway and the sale of 515,000 shares in chinadotcom enhanced the cash position by some HK\$3.21 billion. A portion of this cash has been used for investments in e-infrastructure/technology projects and debt repayment.

During the year, NWI invested in companies that specialize in multi-media technology. Inventories amounted to HK\$500.2 million were purchased for set-top boxes for the Video on Demand ("VoD") broadcasting system.

Debtors, deposit and prepayments rose by HK\$1.01 billion to HK\$1.26 billion at 30 June 2001. This was mainly represented by a purchase deposit of HK\$698.5 million to pay for raw materials and interest receivable of HK\$126.9 million on the amount paid for potential projects in previous years.

A decrease in interests in associated companies was mainly attributable to the disposal of the Group's investments in Beijing Datang and Sichuan Expressway. The decrease was offset by new investments in technology projects.

A decrease in interest in jointly controlled entities was mainly represented by the disposal of Guangzhou Three New Bridges.

Other investments decreased by HK\$1.78 billion, mainly as the net result of disposal of Jiangsu Expressway and the partial sale of shares in chinadotcom as well as the drop in the valuation of the chinadotcom investment. The decrease was partly offset by new investments in technology projects.

Loans receivable of HK\$381.1 million represented amounts due from third parties in relation to the refund of deposits paid for potential investments.

A decrease in fixed assets of HK\$240.8 million to HK\$8.57 billion, down from HK\$8.81 billion in FY2000, was mainly attributable to the disposal of Roadway No. 105 (Lianping County North Section) in October 2000.

LIABILITIES				
	2001	2000	Change	Change
	HK\$'000	HK\$'000	HK\$'000	%
Current liabilities				
Creditors and accruals	1,281,591	1,181,497	100,094	8%
Amounts due to minority shareholders	233,260	277,170	(43,910)	-16%
Unsecured bank loan	82,680	78,000	4,680	6%
Current portion of bank and other borrowings	5,907,768	274,116	5,633,652	21X
Taxation	5,704	7,073	(1,369)	-19%
Proposed dividend	-	214,381	(214,381)	-100%
Total current liabilities	7,511,003	2,032,237	5,478,766	270%
Long-term liabilities				
Bank and other borrowings	6,928,171	9,914,892	(2,986,721)	-30%
Provision for premium on redemption of convertible bonds	161,041	90,839	70,202	77%
Deferred interest income	168,968	243,719	(74,751)	-31%
Total long-term liabilities	7,258,180	10,249,450	(2,991,270)	-29%
Total liabilities	14,769,183	12,281,687	2,487,496	20%

Total liabilities at 30 June 2001 increased by HK\$2.49 billion or 20.3% to HK\$14.77 billion, up from HK\$12.28 billion in FY2000. Total current liabilities amounted to HK\$7.51 billion which accounted for 50.9% of total liabilities. This was due to the reclassification of the 5% convertible bonds which matured in July 2001 and the US\$650 million syndicated bank loan to mature in May 2002 to current liabilities. The increase in total liabilities was mainly due to an increase in bank and other borrowings of HK\$2.65 billion.

An increase in bank and other borrowings was due to the effect of the draw-down of a US\$280 million syndicated bank loan and a further draw-down of debt raised last year, including a HK\$600 million term loan facility and a Rmb1 billion term loan facility. The increase was offset by the repurchase of 5% convertible bonds due 2001 and repayment of a syndicated bank loan for Wuhan Airport Expressway of HK\$74.2 million and HK\$106.1 million respectively.

DEBT PROFILE						
(HK\$ million)						
FACILITY TYPE	FACILITY AMOUNT	OUTSTANDING AMOUNT		REPAYMENT		
		FIXED RATE	FLOATING RATE	01/02	02/03	Onwards
As at 30 June 2001						
5% Convertible bonds	1,950.00	931.59	-	931.59	-	-
1% Convertible bonds	1,950.00	1,381.74	-	-	1,381.74	-
10% Notes	200.00	200.00	-	-	-	200.00
Floating rate notes	351.00	-	351.00	-	351.00	-
Short-term bank loan facilities	692.00	-	82.68	82.68	-	-
RMB bank loan facilities	975.42	869.63	-	46.95	96.26	726.42
Long-term bank loan facility	600.00	-	600.00	-	-	600.00
Syndicated loan revolving/term loan facility	5,070.00	-	4,927.65	4,927.65	-	-
Syndicated term loan facility	2,184.00	-	2,184.00	-	436.80	1,747.20
Syndicated term loan facility	2,730.00	-	-	-	-	-
Other loan	54.13	-	1.57	1.57	-	-
Total amount	16,756.55	3,382.96	8,146.90	5,990.44	2,265.80	3,273.62

At year-end FY2001, Total Debt (total borrowings less loans from minority shareholders of subsidiaries) rose from HK\$8.96 billion in FY2000 to HK\$11.53 billion at the end of FY2001. The rise was due to a full draw-down of the US\$280 million syndicated bank loan facility and a HK\$500 million draw-down of the HK\$600 million term loan facility. This increase was offset by repayment of the syndicated bank loan for Wuhan Airport Expressway. Accordingly, the proportion of floating-rate debt rose to 70.7% of Total Debt, compared to 64.4% at 30 June 2000.

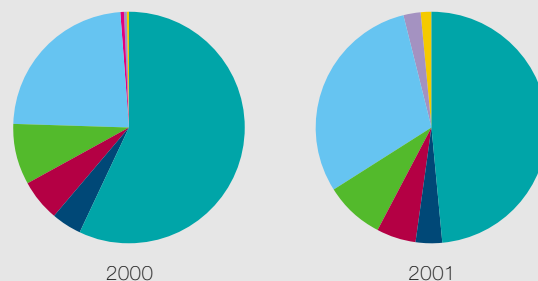
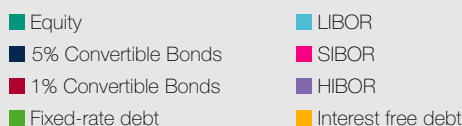
Some 52% of Total Debt is repayable in FY2002 while 19.6% and 28.4% of Total Debt is repayable in FY2003 and FY2004 to FY2007 respectively. The Company has arranged a US\$350 million syndicated loan to partly refinance debt repayable in FY2002. There was no draw down of this syndicated loan facility by year-end.

US dollar debt amounted to US\$1.26 billion and accounted for 85.5% of Total Debt FY2001. Some half of US dollar currency risk was eliminated with forward purchase of US\$650 million against Hong Kong dollar exchange rates below 7.80.

All the above debt is unsecured except for Rmb loan facilities, which accounted for 7.5% of Total Debt. These are secured by the Group's interest in certain joint ventures and a PRC subsidiary. At the project level, the shares in a jointly controlled entity are pledged to secure a bank loan facility of HK\$1.75 billion granted to that jointly controlled entity. The outstanding amount under the bank loan facility was some HK\$497.8 million at year-end FY2001.

Borrowing capacity

The Total Debt to Equity of NWI increased from 65.8% in FY2000 to 94.8% in FY2001 due to draw-down of the aforementioned bank loan facilities and a reduction in Equity. After deducting cash and bank balances from Total Debt, the Net Total Debt to Equity of NWI reached 54.1%, compared to 49.8% at year-end FY2000.



At year-end FY2001, total capitalisation of the Group amounted to HK\$25.08 billion, compared to HK\$23.88 billion in FY2000. Equity decreased by 10.6%, or some HK\$1.44 billion to HK\$12.17 billion, and accounted for 48.5% of capitalization, compared to 57% as at year-end FY2000. The decrease in equity was mainly attributed to the decrease in valuation of non-trading securities. The net deficit on revaluation amounted to HK\$1.77 billion.

Equity was further reduced by HK\$51.8 million due to the repurchase of 6,589,600 ordinary shares.

The proportion of fixed-rate debt was 17.5% of total capitalisation while the proportion of floating-rate debt rose from 24.2% to 32.5% of total capitalisation in FY2001. The increase in floating-rate debt was mainly due to a drawn-down of a US\$280 million syndicated bank loan facility and a further draw-down of the HK\$600 million term loan facility. This increase was offset by repayment of the syndicated bank loan for WAE. The weighted average interest rate for floating-rate debt was 7.3% for FY2001. The effect of the interest rate cuts that began in January 2001 will have an impact in FY2002. At year-end FY2001, NWI had swapped the floating interest rates of its borrowings totaling US\$185 million into fixed interest rates to hedge against interest rate risk exposure.

Interest free debt, represented by non-interest bearing loans from minority shareholders of certain subsidiaries mainly located in the PRC, accounted for 1.5% of the Group's total capitalisation.

Capitalisation = Equity + Total Debt + Loans from minority shareholders of subsidiaries

CAPITAL STRUCTURE						
	2001			2000		
	HK\$'000	Proportion	Average rate of interest	HK\$'000	Proportion	Average rate of interest
Equity	12,166,283	48.5%	-	13,614,255	57.0%	-
5% Convertible Bonds	931,593	3.7%	5.0%	1,005,810	4.2%	5.0%
1% Convertible Bonds	1,381,739	5.5%	4.2%	1,381,739	5.8%	3.6%
Fixed-rate debt	2,070,273	8.3%	10.0%	2,022,112	8.5%	10.4%
Floating-rate debt			7.3%			7.1%
LIBOR	7,546,902	30.1%		5,568,366	23.3%	
SIBOR	-	0.0%		106,080	0.5%	
HIBOR	600,000	2.4%		100,000	0.4%	
Interest free debt	388,112	1.5%	-	82,901	0.3%	-
	25,084,902	100%		23,881,263	100%	

Outlook

The Company will continue its effort to improve the debt to equity ratio. With repayment of the 5% convertible bonds in July 2001 and the US\$650 million syndicated bank loan maturing in 2002, the debt to equity ratio is expected to remain at healthy levels.

ANALYSIS OF CONSOLIDATED CASH FLOW STATEMENT			
	2001 HK\$'000	2000 HK\$'000	Change %
Net cash (outflow)/inflow from operating activities	(1,115,384)	25,962	-44x
Net cash inflow from returns on investments and servicing of finance	1,091,850	685,864	59%
Interest paid	(23,534)	711,826	-103%
Taxation	(708,315)	(519,776)	-36%
Net cash inflow/(outflow) from investing activities	(12,372)	(21,506)	42%
Net cash inflow/(outflow) before financing	1,117,670	(1,212,151)	192%
Net cash inflow from financing	373,449	(1,041,607)	136%
Increase in cash and cash equivalents	2,578,327	2,209,191	17%
	2,951,776	1,167,584	153%

Inflow

Net cash inflow from return on investments and servicing of finance rose by HK\$406 million over FY2000. This was mainly due to the increase in dividends received from jointly controlled entities and an increase in interest income received during the year. The increase was offset by payment of the final dividend for FY2000.

Net cash inflow from investing activities amounted to HK\$1.12 billion, an increase of HK\$2.33 billion compared to a net cash outflow of HK\$1.21 billion in FY2000. The increase was represented by the proceeds from disposal of investments, such as Beijing Datang, Jiangsu Expressway, Sichuan Expressway and Guangzhou Three New Bridges, less the payment for investments in associated companies and potential projects.

Net cash inflow from financing amounted to HK\$2.58 billion. This was mainly due to a net increase in the draw down of bank and other borrowings of HK\$2.66 billion. The rise in borrowings was to finance capital investments during the year.

Outflow

Net cash outflow from operating activities amounted to HK\$1.12 billion, compared to an inflow of HK\$26 million in FY2000. Cash generated from operations was mainly for working capital purposes and the increase in net cash outflow was due to the purchase of raw materials of HK\$500 million for set-top boxes and a purchase deposit of HK\$698.5 million paid for additional raw materials.

CUMULATIVE CAPITAL INVESTMENT

ANALYSIS BY SEGMENT						
	Proportion	2001 HK\$'000	Proportion	2000 HK\$'000	Change HK\$'000	Change %
Energy and Water Treatment	14.4%	2,647,625	19.1%	3,904,527	(1,256,902)	-32.2%
Roads	33.6%	6,183,118	34.1%	6,955,662	(772,544)	-11.1%
Bridges	5.3%	973,120	10.3%	2,090,845	(1,117,725)	-53.5%
Cargo Handling	27.3%	5,028,557	24.7%	5,028,557	-	0.0%
e-infrastructure/technology	15.4%	2,823,830	8.2%	1,670,549	1,153,281	69.0%
Others	4.0%	743,098	3.6%	736,048	7,050	1.0%
Total	100%	18,399,348	100%	20,386,188	(1,986,840)	-9.7%

Cumulative capital investments at 30 June 2001 decreased substantially by HK\$1.99 billion to HK\$18.4 billion, compared to HK\$20.39 billion in FY2000. As a result of a rationalization program undertaken during the year, NWI disposed of investments in Beijing Datang, Sichuan Expressway, Jiangsu Expressway and Guangzhou Three New Bridges to boost long-term profitability and improve cash flow. This led to a decrease in total capital investment in the Energy, Road and Bridge Segments.

Due to expansion into e-infrastructure/technology in FY2000, net increase in capital investment of this segment amounted to HK\$1.15 billion during the year. The major technology investment during the year was Prediwave Corp., a specialist in multi-media technology.

ANALYSIS BY REGION						
	2001		2000		Change	Change
	Proportion	HK\$'000	Proportion	HK\$'000	HK\$'000	%
Hong Kong	29.1%	5,360,045	26.3%	5,353,514	6,531	0.1%
Macau	5.4%	1,001,500	4.9%	1,001,500	-	0.0%
Overseas	14.7%	2,702,444	7.6%	1,551,476	1,150,968	74.2%
PRC						
Provinces						
Guangdong	24.9%	4,585,050	28.6%	5,835,055	(1,250,005)	-21.4%
Guangxi	3.1%	564,047	3.0%	606,385	(42,338)	-7.0%
Shandong	1.3%	237,400	1.2%	237,400	-	0.0%
Jiangsu	0.0%	-	2.3%	475,149	(475,149)	-100.0%
Sichuan	0.8%	139,140	2.6%	531,725	(392,585)	-73.8%
Shanxi	5.8%	1,064,962	5.2%	1,052,086	12,876	1.2%
Cities						
Wuhan	6.0%	1,101,031	5.4%	1,101,031	-	0.0%
Tianjin	8.9%	1,643,729	6.9%	1,399,234	244,495	17.5%
Beijing	0.0%	-	6.1%	1,241,633	(1,241,633)	-100.0%
	100%	18,399,348	100%	20,386,188	(1,986,840)	-9.7%

Hong Kong dominates the share of total cumulative capital investments since the Reorganisation of port and port-related investments in March 2000. An increase of investments in technology projects marked a significant rise in share for the Overseas Region from 7.6% in FY2000 to 14.7% in FY2001. With the disposal of the assets mentioned earlier, the share of the total cumulative capital investments of Guangdong and Sichuan decreased while Jiangsu and Beijing ceased to have a presence.

Capital investments for the Group were mainly funded by cash on-hand and the loans drawn during the year.

CAPITAL COMMITMENTS

ANALYSIS BY SEGMENT				
	Outstanding commitments as at 30 June 2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 and onwards HK\$'000
Cargo Handling	904,555	298,534	249,267	356,754
Roads	41,622	41,622	-	-
e-infrastructure/ Technology	1,694,019	1,694,019	-	-
	2,640,196	2,034,175	249,267	356,754

Total capital commitments of the Group at 30 June 2001 amounted to HK\$2.64 billion, of which commitments for the Cargo Handling Segment of HK\$904.6 million were borne by PPC. There were no new commitments on Basic Infrastructure projects during FY2001. Commitments of HK\$41.6 million on the Road Segment represented an obligation for projects committed in previous years. Commitments on e-infrastructure/technology projects amounted to HK\$1.69 billion of which HK\$1.62 billion represented an amount authorised by management for investing in an e-infrastructure/technology project but not yet contracted by the Group.

MAJOR FINANCING ACTIVITIES

In March 2001, NWI (China) secured a Rmb500 million loan from the Bank of China. The purpose of the loan is to finance the construction costs of Jincheng-Jiaozuo Expressway (Shanxi Section). The loan carries an interest rate of 6.21% per annum and is secured by interests in certain PRC subsidiaries. As at 30 June 2001, there was no draw-down of the loan facility. The additional Rmb loan facility represents a further step to reduce US dollar debt exposure.

In May 2001, NWI entered into a US\$350 million 5-year syndicated loan facility which was co-arranged by The Hongkong and Shanghai Banking Corp. Ltd. and Deutsche Bank AG. The purpose of the loan is to partly refinance the US\$650 million syndicated bank loan that matures in May 2002.

PRACTICE NOTE 19 TO THE LISTING RULES

In accordance with the general disclosure obligation under Paragraph 2(1) of the Listing Agreement and supplemented by Practice Note No. 19 to the Listing Rules, the Company is required to disclose the following information to its shareholders and the general public:

Specific performance of the Controlling Shareholder

Reference was made to the US\$650 million syndicated loan agreement dated 23 May 1997 with a final maturity in 2002, a US\$280 million syndicated loan agreement dated 25 April 2000 with a final maturity in 2005, a HK\$600 million term loan facility agreement dated 16 June 2000 with a final maturity in 2005 (provided that the lender does not exercise its option to demand repayment in 2003) and a US\$350 million syndicated bank loan agreement dated 30 May 2001 with a final maturity in 2006. In accordance with the terms of the aforementioned agreements, NWD is required to control more than 50% of the voting share capital or the composition of more than 50% of the board of directors of the Company. As at 30 June 2001, the total outstanding amount of the aforementioned loans was approximately HK\$7.71 billion, compared to HK\$5.03 billion in FY2000.

Financial assistance and guarantees

At 30 June 2001, the Group has given shareholder loans/advances and guarantees to its affiliated companies with an aggregate of some HK\$3.71 billion and HK\$284.4 million respectively. The Group has committed to further provide a total of HK\$436 million in shareholder loans/advances to affiliated companies. Total shareholder loans/advances and guarantees represented approximately 32.8% of the consolidated net asset value at 30 June 2001.

Except for an amount of approximately HK\$113.5 million, which carries interest at the Hong Kong prime rate, and a total amount of some HK\$1.59 billion, which bears interest ranging from 8% to 15% per annum, all other loans are interest free.

Except for an amount of some HK\$375.7 million and HK\$456.6 million, which are repayable in 5 and 10 years respectively, these loans have no definite repayment terms. All loans are unsecured and repayable in cash out of the net cash surplus from operations of affiliated companies.

The shareholder loans/advances were funded by equities raised at the initial public offering of the Company or by borrowings or by internal resources.

In additions to the above, certain subsidiaries and jointly controlled entities of the Group are parties to agreements with third parties pursuant to the joint development of Container Terminal 9 in Hong Kong, the related berth swap arrangement and the funding therefor. The Company has given guarantees in respect of these obligations of the subsidiaries and jointly controlled entities to provide additional funds. Were the Company required to perform its obligations under the guarantees, the maximum amount of the Company's share of the liability under the guarantees will be HK\$5.12 billion.

Indebtedness, capital commitments and contingent liabilities

At 30 June 2001, the affiliated companies of the Group mentioned above had outstanding borrowings of some HK\$11.36 billion comprising secured bank loans of HK\$4.16 billion, unsecured bank loans of HK\$433.9 million, and other loans of some HK\$6.77 billion. The total capital commitments of affiliated companies amounted to about HK\$1.99 billion and total contingent liabilities amounted to HK\$31.7 million at 30 June 2001.