

Financial Review

FINANCIAL RESOURCES AND LIQUIDITY

As of 31st December, 2001, shareholders' fund of the Group amounted to approximately HK\$19,680 million, as compared to HK\$19,250 million that was registered as at 30th June, 2001. As at the end of the interim period under review, the total amount of banking facilities available to the Group amounted to approximately HK\$8,918 million, of which HK\$6,780 million were obtained from commercial banks on a committed basis. As at the end of the previous financial year, the total banking facilities available were HK\$19,180 million of which HK\$17,530 million were committed lines. Total net bank borrowings of the Group as of 31st December, 2001 amounted to HK\$1,213 million, representing an increase of 35% when compared to the net bank borrowings of the Group that amounted to HK\$899 million as at 30th June, 2001, this was mainly due to the utilization of around HK\$280 million in the bank deposit of a Group's subsidiary, Henderson Cyber Limited, for investment in investment-grade U.S. Dollar debt securities with an aim to enhance treasury investment yield. Bank loans and borrowings are obtained by the Group on an unsecured basis except for a very small portion of bank borrowings raised in Renminbi in connection with the financing of certain infrastructural projects in Mainland China by a previous associate of the Group which was converted to a subsidiary in late-2000. Otherwise, as at the end of the period under review and as at 30th June, 2001, the Group did not have any assets which were charged to third parties. Also, as at the end of such corresponding periods, the Group did not have any off-balance sheet borrowings or any such related contingent liabilities.

Other than the investment in debt securities as described above, the Group did not undertake any significant acquisition or disposal of assets outside its core businesses during the interim period under review.

LOAN MATURITY PROFILE

The maturity profile of the Group's bank loans and borrowings which were outstanding is shown below:-

	As at 31st December, 2001 HK\$'000	As at 30th June, 2001 HK\$'000
Bank Loans and Borrowings Repayable:		
Within 1 year	485,995	273,150
After 1 year but within 2 years	1,120,156	751,421
After 2 years but within 5 years	330,870	858,170
After 5 years	65,275	96,980
Total Bank Loans and Borrowings	<u>2,002,296</u>	1,979,721
Less: Bank Deposits and Cash	<u>(789,417)</u>	<u>(1,080,547)</u>
Total Net Bank Borrowings	<u>1,212,879</u>	<u>899,174</u>

GEARING

The total net bank borrowings to shareholders' fund ratio was recorded at 6.1% as at 31st December, 2001 as compared with 4.7% registered as at 30th June, 2001. Profit from operations covered 6.3 times of the net interest expenses before capitalization for the interim financial period under review, this compared favourably with the 1.3 times for the interim period ended 31st December, 2000.

INTEREST RISK EXPOSURE AND FOREIGN CURRENCY EXPOSURE

Interests on bank loans and borrowings of the Group are chargeable mainly based on certain agreed interest margins over the Hong Kong Interbank Offer Rate and such bank facilities are therefore of floating rate in nature. The core operations of the Group are not exposed to any significant foreign exchange rate risks. As at the end of December, 2001 and June, 2001, the Group did not have any interest rate or currency hedging agreement outstanding. In respect of the Group's investment in certain infrastructural projects in Mainland China, these were primarily financed by banking facilities denominated in Renminbi in order to reduce foreign currency exposure, these are linked to fixed interest rates for commercial loans as announced by The People's Bank of China from time to time.

CAPITAL COMMITMENTS

As at 31st December, 2001, capital commitments of the Group amounted to HK\$109.3 million, and this compared with HK\$99.0 million recorded as at 30th June, 2001. These commitments are mainly represented by two major components. Contracted commitments of the Group that related to acquisition of property, plant and equipment, property development and renovation expenditure totally amounted to HK\$20.0 million at the end of the interim period under review whilst these commitments amounted to HK\$23.8 million as at 30th June, 2001. The other major component comprised those contracted commitments relating to future minimum lease payments under non-cancellable operating leases in respect of rented premises totally amounting to HK\$86.6 million as at 31st December, 2001, as compared to HK\$67.6 million recorded as at 30th June, 2001.

CONTINGENT LIABILITIES

Contingent liabilities of the Group amounted to HK\$19 million as at 31st December, 2001 which stood at the same level as that recorded at 30th June, 2001. This was related to a performance bond guaranteed by a bank on behalf of a subsidiary company in accordance with the terms of the fixed telecommunications network services licence granted to the Group.

USE OF CAPITAL AND FUNDING

Capital of the Company and retained profits of the Group will continue to be put to good use to develop the Group's business. The Group has adequate capital resources and abundant unutilised banking facilities for funding its ongoing operations and further expansion.