

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2001, the Group's cash, managed funds and other listed investments totalled HK\$156,007 million (31 December 2000 - HK\$174,821 million) of which 5% were denominated in HK dollars, 50% in US dollars, 21% in Pounds Sterling (mainly investment in Vodafone Group), 20% in Euro (mainly investment in Deutsche Telekom) and 4% in other currencies. This liquidity pool exceeded the Group's total interest bearing borrowings of HK\$145,712 million (31 December 2000 - HK\$124,526 million) by HK\$10,295 million (31 December 2000 - HK\$50,295 million).

During the first six months of the year, all bilateral borrowings that matured were either renewed at satisfactory rates and terms or, at the Group's option, were repaid at maturity. In January this year the Group issued US\$2,657 million principal amount of 2% notes due in 2004, exchangeable into ordinary shares of Vodafone Group on the basis of US\$1,000 principal amounts for 214.51 ordinary shares of Vodafone Group at an exchange price of US\$4.6618 per share. In February this year the Group issued US\$1,500 million 7% notes due in 2011 which are listed on the Luxembourg Stock Exchange. The proceeds from this issue were used to repay early, without penalty, a US\$1,500 million bank loan facility which was due to mature in 2003.

Approximately 39% of the Group's borrowings bear interest at floating rates and the remaining 61% are at fixed rates.

The Group's borrowings at 30 June 2001 are denominated and repayable as follow:

	HK\$	US\$	£	Euro	Others	Total
Within 1 year	6%	1%	-	-	2%	9%
In years 2 to 4	10%	34%	2%	-	3%	49%
In year 5	7%	-	1%	2%	1%	11%
In years 6 to 10	8%	6%	1%	-	-	15%
In years 11 to 20	-	11%	2%	-	-	13%
Beyond 20 years	-	3%	-	-	-	3%
	31%	55%	6%	2%	6%	100%

At 30 June 2001, assets of HK\$50,890 million (31 December 2000 - nil) were pledged as security for project financing facilities and HK\$14,580 million (31 December 2000 - HK\$7,272 million) were pledged as security for bank and other loans of the Group.

During the first six months of the year, the Group's capital expenditures, excluding expenditures for properties under development and for sale, totalled HK\$2,887 million (30 June 2000 - \$5,622 million). These expenditures were funded primarily from cash generated from the sale of selected telecommunication assets, cash on hand, internal cash generation and to the extent required, by borrowings.