

### LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group raised new fund of HK\$63 million by receiving partial consideration from disposal of its interest in Ngo Kee and consideration from disposals of remaining interests in development of two Private Sector Participation Scheme ("PSPS") projects. The financial position of the Group was further improved by the dividends of HK\$35 million received from Road King during the period.

The maturity profile of the borrowings was as follows:

	30th September, 2001 HK\$' million	31st March, 2001 HK\$' million
Under one year	265	190
In the second year	102	181
In the third to fifth year inclusive	4	1
	<u>371</u>	<u>372</u>

Movement of the total borrowings during the period was:

- (a) In May, 2001, the Group paid off the remaining balance of HK\$49 million due to funds managed by HSBC Private Equity (Asia) Limited. Apart from the above, repayments of bank borrowings amounting to HK\$57 million were made during the period.
- (b) As a result of the disposal of Ngo Kee, the Group had a net outstanding exposure as at 30th September, 2001 amounting to HK\$47 million, being the amount due to Ngo Kee of HK\$124 million less the Group's remaining interest in Ngo Kee of HK\$77 million (after taking into account the put option arrangement). The Board estimates that settlement of such net outstanding exposure will be sufficiently covered by the Group's entitlement to Ngo Kee's future profits generated from its existing projects.
- (c) During the period, the Group entered into two sale and purchase agreements with subsidiaries of Chow Tai Fook Enterprises Limited ("CTF") to dispose of the remaining interests in development of two PSPS projects. Under the arrangement, the Group is required to purchase the disposed interests of two projects back on or before 31st July, 2003 and 30th November, 2003 respectively. As the transaction is financing in nature, the Group recognised the considerations received from the disposals together with their accrued finance costs amounting to HK\$58 million as at 30th September, 2001 as liability. The Board estimates that the repurchase costs will be sufficiently covered by the Group's share of profits from the two PSPS projects upon the Group's repurchase of their interests.

### **LIQUIDITY AND FINANCIAL RESOURCES** (Cont'd)

As at 30th September, 2001, the Group's cash and bank balances amounted to HK\$102 million, of which HK\$44 million bank deposits were pledged to secure the banking facilities granted to the Group.

In line with the successful monitoring of the level of borrowings together with significant drop in the interest rates on borrowings during the period, the Group's net finance costs for the period amounted to HK\$13 million, reduced by 57.8% as compared with that in last period.

The Group's borrowings and cash balances were principally denominated in Hong Kong dollars. Hence, there is no significant exposure to foreign exchange rate fluctuations.

### **CAPITAL STRUCTURE AND GEARING RATIO**

As a result of the financing arrangements made during the period, the net borrowings (total borrowings less cash and bank balances) was increased from HK\$220 million as at 31st March, 2001 to HK\$269 million as at 30th September, 2001. The net gearing ratio, being the ratio of net borrowings to shareholders' funds, was slightly increased from 12.3% to 14.7% during the period. As at 30th September, 2001, the shareholders' funds amounted to HK\$1,831 million (HK\$1,789 million as at 31st March, 2001), representing HK\$2.37 per share (HK\$2.31 per share as at 31st March, 2001). Increase in shareholders' funds was mainly attributable to profit generated for the current period.

### **PLEDGE OF ASSETS**

Apart from the deposits pledged to secure banking facilities granted, 40 million shares and 46.5 million shares of Road King were respectively pledged to secure the redeemable exchangeable bond and the Group's performance in respect of the sale and repurchase of interests in the development of two PSPS projects.

### **CONTINGENT LIABILITIES**

The contingent liabilities of the Group decreased from HK\$2,443 million as at 31st March, 2001 to HK\$1,819 million at 30th September, 2001. The decrease in contingent liabilities was mainly due to the effect of the replacement of a guarantee of HK\$1,750 million given to financial institutions in respect of a PSPS project by a guarantee of HK\$1,071 million given to CTF in respect of banking facilities granted to a jointly controlled entity of the Group.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30th September, 2001, the Group had 1,708 employees (2,158 as at 31st March, 2001), of which 809 (1,263 as at 31st March, 2001) were located in Hong Kong, 832 (834 as at 31st March, 2001) were located in mainland China and 67 (61 as at 31st March, 2001) were located in Taiwan.

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance.

### **OUTLOOK**

The Group's strategy remains firmly focused on consolidating its existing operations and putting in place a firm financial foundation for growth. The successful disposals of the Group's interests in Ngo Kee and Sundart were consistent with this strategy. The Board expects that the remaining business operations will continue to generate cash to pay down debt.

Despite the difficult market environment, the Group will move forward with confidence to meet the opportunities and challenges ahead.