

Financial Review

Financial Resources and Bank Borrowings

The total bank borrowings of the Group as at 31 December 2004 amounted to HK\$1,752 million representing a decrease of HK\$457 million as from the end of 2003. In early 2004, the Group raised HK\$569 million from the issue of 83 million new shares. The sale of the development projects, La Maison Du Nord and Padek Palace, contributed a total cash inflow of more than HK\$250 million. In addition, the US\$50 million 10 year note held by the Group was redeemed early by the note issuer during the year under review. During 2004, the Group acquired an 80% interest in La Baie Du Noble, Macau, at a consideration of HK\$400 million and two investment properties in Tsim Sha Tsui East with a total cost of HK\$152 million.

The gearing ratio, calculated on the basis of bank borrowings to shareholders' equity, was substantially reduced to 41% at 31 December 2004 as compared with 67% at the end of 2003.

All banking facilities are arranged on a floating rate basis. The Group did not enter into any interest rate swap arrangement during the year. Management will observe the market, monitor the interest exposure closely and consider hedging when appropriate.

With committed undrawn financing facilities in place, cash inflow from property sales and recurrent rental income from the investment properties, the Group has sufficient funds to satisfy its capital commitments and working capital requirements in the upcoming year.

The Group has little exposure to currency risk as most of the Group's operations are in Hong Kong and transactions are denominated in local currency.

Commitments

As at 31 December 2004, the Group had contracted commitments of HK\$635 million for properties and another HK\$87 million for financial investments.

Commitments authorised but not contracted for related to properties under development amounted to HK\$5 million.

Contingent Liabilities and Pledge of Assets

The Group has given guarantees in the amount of HK\$14 million to insurance companies in respect of performance bonds entered into by the associated companies engaged in property management services.

As at 31 December 2004, properties and securities of the Group with an aggregate carrying value of HK\$3,960 million were pledged to banks to secure credit facilities or as margin for financial investments.