

Financial Review

Financial Resources and Bank Borrowings

The total bank borrowings of the Group as at 31 December 2005 amounted to HK\$2,642 million including HK\$88 million from Polytec Asset. This represents an increase of HK\$890 million from HK\$1,752 million recorded at the end of 2004. The gearing ratio, calculated on the basis of bank borrowings to equity attributable to shareholders of the Company was 52%. During the year under review, the Group paid HK\$192 million in relation to the proposed acquisition of Shenzhen Properties and repaid HK\$240 million to a subsidiary of the ultimate holding company. Of the HK\$826 million acquisition cost for a 56.84% interest in Polytec Asset, HK\$685 million has been paid with HK\$141 million remained payable to the major shareholder as at 31 December 2005. Substantial amount of cash has been generated from the Group's development projects in 2005, with HK\$460 million contributed from La Baie Du Noble in Macau and HK\$263 million from Padek Palace in Hong Kong.

All banking facilities are arranged on a floating rate basis with HK\$700 million bank loans being hedged by structured swaps contracted during the year under review.

The Chinese currency reform in mid-2005 has increased the Group's outstanding obligation (50% of RMB459 million) in respect of the proposed acquisition of Shenzhen Properties by approximately HK\$3 million. The Group's exposure to other currency risk is insignificant as most of the Group's operations are in Hong Kong and transactions are denominated in local currency.

With committed undrawn financing facilities in place, recurrent cash inflow from investment properties and property sales, the Group has



sufficient financial resources to satisfy its commitments and working capital requirements.

Capital Commitments

As at 31 December 2005, the Group had contracted commitments of HK\$222 million in respect of the acquisition of Shenzhen Properties. Commitments for construction work amounted to HK\$97 million.

Contingent Liabilities and Pledge of Assets

The Group has given guarantees in the amount of HK\$8 million to insurance companies in respect of performance bonds entered into by associated companies engaged in property management services.

As at 31 December 2005, properties and securities valued at HK\$4,983 million and time deposits of HK\$38 million were pledged to banks to secure credit facilities, and as margin deposits for the Group's investments in securities.