

# FINANCIAL REVIEW

## Liquidity and Financial Resources

Resulting from stable cash flow generated from its assets, the Group's total debt to total assets ratio and gearing ratio (net debt to equity attributable to the equity holders of the Company) were further improved to 31% (30th June, 2006: 33%) and 15% (30th June, 2006: 18%) respectively. The gearing structure is set out below :

	2006	
	As at 30th June HK\$ million	As at 31st December HK\$ million
Total debt	5,283	<b>5,138</b>
Net debt <i>(Note)</i>	1,875	<b>1,552</b>
Total assets	16,076	<b>16,319</b>
Equity attributable to the equity holders of the Company	10,300	<b>10,619</b>
Total debt/Total assets	33%	<b>31%</b>
Net debt/Equity attributable to the equity holders of the Company	18%	<b>15%</b>

*Note : Net debt is defined as total debt less bank balances and cash together with pledged bank balances and deposits.*

As at 31st December, 2006, the bank and other borrowings of the jointly controlled entities proportionately shared by the Group amounted to HK\$4,492 million (30th June, 2006: HK\$4,642 million), with the following profile :

- (a) 99.9% (30th June, 2006: 98%) was bank loans and 0.1 % (30th June, 2006: 2%) was other loans; and
- (b) 72% (30th June, 2006: 71%) was denominated in United States dollars and 28% (30th June, 2006: 29%) was denominated in Renminbi.

The net current assets of the Group increased by 6% from HK\$3,065 million as at 30th June, 2006 to HK\$3,246 million as at 31st December, 2006.

In October 2005, the Group successfully completed a 5-year unsecured syndicated bank revolving credit and term loan facility of HK\$3.6 billion and the facility was undrawn as at 30th June and 31st December, 2006.

As at 31st December, 2006, the Group's available and undrawn facility and bank balances and cash amounted to approximately HK\$6,873 million (30th June, 2006: HK\$6,614 million). Together with stable cash dividend from the Group's jointly controlled entity, the Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV"), the Group's funding capabilities have been further strengthened for planned and potential investment opportunities given its solid deposits, cash holdings as well as the available undrawn facility on hand.

## Warrants

The warrants of the Company carrying subscription rights in aggregate of HK\$365,890,598 were created in registered form on 5th August, 2003 which conferred the right to registered holders to subscribe for shares of the Company at an initial subscription price of HK\$4.18 per share exercisable during the period from 6th August, 2003 to 5th August, 2006 ("Subscription Rights"). By the date of expiry, the Subscription Rights of HK\$357,499,863 (representing 98% of the aggregate Subscription Rights) were exercised by registered holders to convert into 85,526,283 shares of the Company.

## Debt Maturity Profile

The maturity profile of bank and other borrowings of the jointly controlled entities proportionately shared by the Group as at 31st December, 2006 as compared to that at 30th June, 2006 is shown as follows :

	2006	
	As at 30th June	As at 31st December
Repayable within 1 year	6%	5%
Repayable between 1 to 5 years	22%	24%
Repayable beyond 5 years	72%	71%

Other than the above, the Group has no other bank borrowings both at 31st December and 30th June, 2006. Bank borrowings of the jointly controlled entities carry floating interest rates.

# FINANCIAL REVIEW (continued)

## Interest Rate and Exchange Rate Exposures

There have been no significant changes in the Group's policy in terms of interest rate and exchange rate exposures. Neither the Group nor the jointly controlled entities have any financial derivative instruments to hedge the interest rate or foreign currency exchange rate exposures as Hong Kong dollars are pegged to United States dollars. In addition, the reform of Renminbi exchange rate regime, with an initial appreciation of approximately 2% in July 2005, benefited the Group as a whole as the revenue from business operations of the Group and its jointly controlled entities is mainly denominated in Renminbi.

## Treasury Policies

The Group continues to adopt conservative treasury policies in financial and funding management. Its liquidity and financial resources are reviewed on a regular basis to minimise the cost of funding and enhance the return on financial assets. Cash is generally placed in short-term deposits denominated in United States dollars and Hong Kong dollars.

## Charges on Assets

Details of charges on assets are set out in note 16 to the condensed consolidated financial statements.

## Capital Commitments

Details of capital commitments are set out in note 15 to the condensed consolidated financial statements.

## Contingent Liabilities

As at 31st December, 2006, there was no material change in contingent liabilities of the Group since 30th June, 2006.

## Material Acquisition or Disposal

During the six months ended 31st December, 2006, there was no material acquisition or disposal of the Company's subsidiaries or associated companies.