

Liquidity and Financial Resources

Resulting from stable cash flow generated from its assets, the Group's gearing ratio (net debt to equity attributable to the equity holders of the Company) was further improved to 24% (30th June, 2005: 27%). The Group's total debt to total assets ratio was stable at 34% (30th June, 2005: 35%) and the gearing structure is set out below:

	2005	
	As at 30th June, HK\$ million	As at 31st December, HK\$ million
Total debt	5,399	5,354
Net debt <i>(Note)</i>	2,602	2,395
Total assets	15,394	15,645
Equity attributable to the equity holders of the Company	9,535	9,785
Total debt/Total assets	35%	34%
Net debt/Equity attributable to the equity holders of the Company	27%	24%

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

As at 31st December, 2005, the bank and other borrowings of the jointly controlled entities proportionately shared by the Group amounted to HK\$4,727 million (30th June, 2005: HK\$4,784 million) with the following profile:

- (a) 98% was bank loans (30th June, 2005: 98%) and 2% was other loans (30th June, 2005: 2%); and
- (b) 71% was denominated in US dollars (30th June, 2005: 72%) and 29% was denominated in Renminbi (30th June, 2005: 28%).

The net current assets of the Group increased 8% from HK\$2,497 million as at 30th June, 2005 to HK\$2,695 million as at 31st December, 2005.

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, 2005 as compared to that at 30th June, 2005 is shown as follows:

	2005	
	As at 30th June,	As at 31st December,
Repayable within 1 year	4%	4%
Repayable between 1 to 5 years	36%	22%
Repayable beyond 5 years	60%	74%

The Group has no unconsolidated bank borrowings both at 31st December and 30th June, 2005. Bank borrowings of the jointly controlled entities carry floating interest rates.

The extension of the bank loan maturities for the Guangzhou E-S-W Ring Road Company Limited (the "Ring Road JV") and the GS Superhighway JV by approximately an average of 3.5 years subsequent to the respective refinancings in June and August 2005 has further improved the Group's liquidity position by reducing the proportion of bank and other borrowings repayable between 1 to 5 years from 36% to 22%. Furthermore, in October 2005, the Group successfully completed a 5-year unsecured syndicated bank revolving credit and term loan facility of HK\$3.6 billion. All these have further strengthened the Group's funding capabilities.

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 US 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 given 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 prudent 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 US dollars and Hong Kong dollars.

Charges on Assets

As at 31st December, 2005, certain assets of the jointly controlled entities of the Group were pledged to banks with a total net book value of approximately HK\$7,703 million (30th June, 2005: HK\$7,519 million) to secure general banking facilities granted to the jointly controlled entities. The net book value of these assets are analysed as follows:

2005		
	As at 30th June, <i>HK\$ million</i>	As at 31st December, <i>HK\$ million</i>
Toll expressways	6,989	6,992
Prepaid lease payments	84	84
Bank deposits	334	473
Other assets	112	154
	7,519	7,703

The toll collection right of the GS Superhighway JV was pledged to banks to secure its general banking facilities. In addition, 90% and 65% of the toll collection rights of the Ring Road JV and Guangdong Guangzhou-Zhuhai West Superhighway Company Limited (the "West Route JV") respectively were pledged to banks for securing general banking facilities granted to the respective jointly controlled entities.

Capital Commitments

As at 31st December, 2005, the Group had agreed, subject to the approvals of the relevant authorities, to make capital contribution to the West Route JV for development of the Phases II and III of the Western Delta Route amounting to approximately HK\$1,372 million (30th June, 2005: HK\$805 million for the Phase II of the Western Delta Route) which is expected to be contributed over the coming three calendar years. In addition, the GS Superhighway JV, the Ring Road JV and the West Route JV had outstanding commitments in respect of acquisition of property and equipment contracted but not provided for amounting to approximately HK\$8 million (30th June, 2005: HK\$4 million).

Contingent Liabilities

As at 31st December, 2005, there was no material change in contingent liabilities of the Group since 30th June, 2005.

Material Acquisition or Disposal

During the six months ended 31st December, 2005, there was no material acquisition or disposal of the Company's subsidiaries or associates.