

## Liquidity and Financial Resources

The Group's financial position remains strong with a total balance of HK\$18,680 million available and undrawn banking facilities together with deposits and cash holdings as at 31st December, 2006 (30th June, 2006: HK\$17,874 million).

On 31st December, 2006, the Group had net cash balances of HK\$4,451 million (30th June, 2006: HK\$3,650 million), including which HK\$3,273 million was held by HHI (30th June, 2006: HK\$3,014 million). The increase of cash balances are mainly contributed by the cash proceeds from the sales of Nova City in Macau and Hopewell New Town in Huadu.

In June 2006, the Group procured a HK\$5,350 million five-year revolving loan facility from 17 international and local banks. As at 31st December, 2006, there is no corporate debt outstanding (same position as at 30th June, 2006).

With net cash balances in hand as well as available banking facilities, the Group has sufficient financial resources to cater for its recurring operating activities, present and potential investment activities.

## Treasury Policies

The Group's treasury activities were managed centrally at the corporate level by managing the financial risks, such as interest rate and foreign exchange risks, and for providing cost efficient funding to the Group as a whole. The use of financial instrument is strictly controlled and is solely for managing the Group's interest rate and foreign currency exchange rate exposures in connection with its borrowings.

The continuing appreciation of Renminbi since the reform of Renminbi exchange rate regime in July 2005 has benefited the Group as a whole, since the revenue from business operations of HHI and its jointly controlled entities are mainly denominated in Renminbi.

The borrowings of the Group are principally on a floating rate basis and denominated in Hong Kong dollars. As at 31st December, 2006, the Group has no banking borrowing. The Group has constantly monitored its interest rate and foreign exchange exposure and, when appropriate, the Group may apply hedging instruments to minimize these risks.

The capital structure of the Group is mainly financed by equity, and is shown as below:

	<i>30.6.2006</i> <i>HK\$'M</i>	<b><i>31.12.2006</i></b> <b><i>HK\$'M</i></b>
Equity attributable to equity holders of the Company	17,234	18,418
Minority interests	2,862	2,972
Total Equity	20,096	21,390
Bank Borrowings	—	—
Total Capitalization	20,096	21,390

### **Contingent Liabilities**

Details of the contingent liabilities are set out in note 23 to the condensed consolidated financial statements.

### **Charges on Assets**

During the six months ended 31st December, 2006, no mortgage was charged on the Group's properties.

### **Project Commitments**

Details of the project commitments are set out in note 22 to the condensed consolidated financial statements.

### **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 associates.