

FINANCIAL RESOURCES AND LIQUIDITY

- (a) The Group's financial position remains strong with a low debt leverage and high interest cover. For the period under review, profit from operations covered 21.5 times the net interest expenses including those capitalized compared to 14.6 times for the same period last year. Based on shareholders' funds of HK\$121,106 million and net debt of HK\$14,198 million at 31st December 2003, gearing ratio was 11.7% compared to 11% at 30th June 2003.
- (b) The Group's gross borrowings totalled HK\$22,096 million, all of which are unsecured, with a maturity profile set out as below :

| | 31st December 2003 | 30th June 2003 |
|---------------------------------------|-----------------------|-------------------|
| | HK\$ Million | HK\$ Million |
| Repayable : | | |
| Within one year | 1,878 | 934 |
| After one year but within two years | 3,620 | 1,745 |
| After two years but within five years | 6,864 | 6,914 |
| After five years | 9,734 | 12,534 |
| Gross borrowings | 22,096 | 22,127 |
| Cash and bank deposits | 7,898 | 8,891 |
| Net debt | 14,198 | 13,236 |

- (c) The group has no significant exposure to foreign exchange risk given its large asset base and operational cash flow primarily denominated in Hong Kong dollars.
- (d) The majority of Group's borrowings are subject to floating interest rates. The Group has always closely monitored this exposure and when appropriate, will apply interest swaps to hedge the risk.
- (e) As at 31st December 2003, the Group had outstanding interest rate swaps (to swap into floating rate debt) in the aggregate amount of HK\$2,750 million and currency swaps (to hedge principal repayment of USD debt) in the amount of HK\$234 million.

CHARGE OF ASSETS

As at 31st December 2003, certain bank deposits of the Group's subsidiary, SmarTone Telecommunications Holdings Limited, with aggregate amount of HK\$335 million were pledged for securing performance bonds related to 3G licence and some other guarantees issued by banks.

CONTINGENT LIABILITIES

As at 31st December 2003, the Group had contingent liabilities in respect of guarantees for bank borrowings of joint venture companies and other guarantees in the aggregate amount of HK\$3,804 million (30th June 2003 : HK\$4,021 million).