

Financial Review

REVIEW OF RESULTS

Profit attributable to shareholders for the six months ended 31 December 2004 was HK\$5,549 million, an increase of 95% compared with HK\$2,840 million for the same period last year. Earnings per share also increased in the same proportion from HK\$1.18 for the same period last year to HK\$2.31 for the current period under review. The significant growth in profit was mainly due to higher property sales and development profit margin as well as exceptional profit arising on disposal of long-term investments including Asia Container Terminals Holdings Limited which contributed a profit of HK\$1,414 million.

The 37% rise in selling and marketing expenses from HK\$328 million to HK\$449 million was largely due to increase in property sale activities and marketing for inauguration of SmarTone's 3G services.

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 44.5 times the net interest expenses including those capitalized, compared with 21.5 times for the same period last year. Based on shareholders' funds of HK\$138,000 million and net debt of HK\$13,201 million as at 31 December 2004, gearing ratio was 9.6% compared with 9.4% as at 30 June 2004.

(b) As at 31 December 2004, the Group's gross borrowings totalled HK\$21,293 million, all of which are unsecured, with a maturity profile set out as below:

	31 December 2004	30 June 2004
	HK\$ Million	HK\$ Million
Repayable :		
Within one year	346	1,078
After one year but within two years	4,285	3,224
After two years but within five years	9,178	11,012
After five years	7,484	4,634
Gross borrowings	21,293	19,948
Cash and bank deposits	8,092	7,207
Net debt	13,201	12,741

(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 the Group's borrowings are subject to floating interest rates. The Group has constantly monitored this exposure and, when appropriate, will apply interest swaps to manage the risk.

FINANCIAL RESOURCES AND LIQUIDITY (cont'd)

(e) As at 31 December 2004, the Group had outstanding interest rate swaps (to swap into floating rate debts) in the aggregate amount of HK\$1,650 million and a currency swap (to hedge principal repayment of USD debt) in the amount of HK\$234 million.

CHARGE OF ASSETS

As at 31 December 2004, certain bank deposits of SmarTone Telecommunications Holdings Limited, the Group's subsidiary, in the aggregate amount of HK\$337 million, were pledged for securing performance bonds related to 3G licence and some other guarantees issued by banks.

CONTINGENT LIABILITIES

As at 31 December 2004, 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\$4,502 million (30 June 2004 : HK\$4,857 million).