

Financial Analysis

The Group adopted prudent financial policies and was in a sound financial position while maintaining a double-digit growth in its operating results during the Period.

Liquidity

As at June 30, 2005, the Group held Rmb1,883.1 million in current assets, amongst which account receivables, other receivables and inventories accounted for 25.1% (December 31, 2004: 21.9%).

As at June 30, 2005, the Group had adequate net cash inflow generated from operating activities that amounted to Rmb1,062.3 million.

The current ratio (current assets divided by current liabilities) was 1.0 at June 30, 2005 (December 31, 2004: 1.1). Considering the nature of the principal businesses of the Group and the large percentage of cash and cash equivalents amongst its current assets, the present current ratio represents a satisfactory level of liquidity for the Group.

Borrowings and Capital Structure

Borrowings

During the Period, total interest-bearing borrowings of the Group increased from Rmb2,443.5 million at the beginning of the Period to Rmb2,638.9 million as at June 30, 2005. The long-term interest-bearing borrowings that the Group held as of June 30, 2005 amounted to Rmb1,623.6 million, representing a decrease of 1.9% from that at the beginning of the Period, while the short-term interest-bearing borrowings that the Group held amounted to Rmb1,015.3 million, representing an increase of 28.9% from that at the beginning of the Period. Details are as follows:

	Gross amount	Maturity profiles		
	Rmb'000	Within 1 year	2-5 years inclusive	Beyond 5 years
		Rmb'000	Rmb'000	Rmb'000
Floating rates				
World Bank loan	776,292	157,892	365,827	252,573
Fixed rates				
Commercial bank loans	790,000	790,000	—	—
Corporate bonds	1,000,000	—	—	1,000,000
Government loans	72,600	67,380	5,220	—
Total as at June 30, 2005	2,638,892	1,015,272	371,047	1,252,573
Total as at December 31, 2004	2,443,462	787,892	377,847	1,277,724

During the Period, the interest rates of the Group's semi-annual and annual domestic commercial bank borrowings, which amounted to Rmb790.0 million, ranged between 4.67% and 5.58%. The effective interest rate of the Group's Rmb776.3 million World Bank loans, denominated in US dollar, was 4.11% during the Period. The coupon rate of the Rmb1 billion corporate bonds issued by the Company was 4.29% per annum, with interest payable once a year. The interest rate of government loans in Renminbi remained the same as that applicable as at December 31, 2004.

Except for the US dollar loans extended by the World Bank that bore interest at a floating rate, the interest rates of the Group's other interest-bearing borrowings during the Period were fixed.

With profit before interest and tax at approximately Rmb1,197.7 million, the Group's interest cover ratio (profit before interest and tax over interest expense) for the Period was 25.0 (June 30, 2004: 17.6).

Capital Structure

As at June 30, 2005, the Group had Rmb11,880.8 million total equity, Rmb1,862.6 million fixed-rate liabilities, Rmb776.3 million floating-rate liabilities and Rmb1,354.4 million interest-free liabilities, representing approximately 74.8%, 11.7%, 4.9% and 8.6%, respectively, of the Group's total capital.

The gearing ratio, which represents the sum of fixed-rate liabilities, floating-rate liabilities and interest-free liabilities over total equity, was 33.6% as at June 30, 2005 (December 31, 2004: 30.9%). The Directors believe that the solvency of the Group remained strong during the Period.

Net Current Assets and Total Assets Less Current Liabilities

As at June 30, 2005, the Group had Rmb1,883.1 million current assets, Rmb1,940.9 million current liabilities and Rmb15,874.1 million total assets, thereby the net current assets (current assets minus current liabilities) of the Group was Rmb-57.8 million (December 31, 2004: Rmb303.3 million), while total assets less current liabilities was Rmb13,933.2 million (December 31, 2004: Rmb13,852.7 million).

Financial Resources

As at June 30, 2005, the Group had cash and cash equivalents of Rmb671.1 million in aggregate, time deposits of Rmb92.2 million and short-term investments of Rmb629.7 million, totaling Rmb1,393.0 million (December 31, 2004: Rmb1,480.1 million). Details are as follows:

	As at June 30, 2005 Rmb'000	As at December 31, 2004 Rmb'000
Cash and cash equivalents	671,126	721,999
Renminbi	671,074	717,559
US dollar equivalent	–	4,434
Euro equivalent	–	–
HK equivalent	52	6
Time deposits	92,200	81,740
Renminbi	92,200	81,740
US dollar equivalent	–	–
Euro equivalent	–	–
HK equivalent	–	–
Short-term investments	629,720	676,447
Renminbi	629,720	676,447
Total	1,393,046	1,480,186
Renminbi	1,392,994	1,475,746
US dollar equivalent	–	4,434
Euro equivalent	–	–
HK equivalent	52	6

During the Period, short-term investments were reduced by 6.9% to Rmb629.7 million, amongst which 93.4% were held in treasury bonds, with the remaining being close-ended securities investment funds. The reduction in the overall size of the Group's short-term investment is expected to continue in the second half of the year 2005.

The Directors believe that its capital expenditure needs and its working capital funding, as well as its other known or expected commitments or liabilities, can be met from its existing resources and facilities in the foreseeable future.

Capital Expenditure Commitments and Utilization

The total capital expenditure incurred by the Group and the Company amounted to approximately Rmb578.9 million and Rmb335.1 million during the Period, respectively. Approximately 89.0% of the Group's total capital expenditure was applied toward the Widening Project.

As at June 30, 2005, the capital expenditure committed by the Group amounted to Rmb4,804.8 million, of which approximately Rmb3,108.4 million will be applied toward the Widening Project.

Contingent Liabilities and Pledge of Assets

As at June 30, 2005, the Group did not have any contingent liabilities nor any pledge of assets (December 31, 2004: nil).

Foreign Exchange Exposure

Except for a World Bank loan of approximately Rmb776.3 million denominated in US dollar, and dividends for H shares payable by the Company that are settled in HK dollar, the Group's principal operations are transacted and booked in Renminbi.

The recent change in the Renminbi's exchange rate regime against the US dollar would be beneficial to the Group in relation to its repayment of the World Bank loan, though the impact is not significant. Although the Directors do not foresee any material foreign exchange risks for the Group, there is no assurance that any further changes in the foreign exchange environment will not adversely affect the operating results of the Group in the future.