

Financial Review

Review of Results

Profit attributable to shareholders for the year ended 30 June 2005 was HK\$10,371 million, an increase of 50% compared with HK\$6,923 million for the previous year. Earnings per share also increased in the same proportion from HK\$2.88 for the previous year to HK\$4.32 for the year 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 mainly Asia Container Terminals Holdings Limited which contributed a profit of HK\$1,417 million.

Financial Resources and Liquidity

(a) Net debt and gearing

The Group has a large equity base, with shareholders' funds as at 30 June 2005 increased to HK\$150,152 million or HK\$62.54 per share from HK\$135,239 million or HK\$56.33 per share at the previous year end. The increase of HK\$14,913 million or 11% was primarily attributable to the net profit retained after dividend payments during the year and revaluation gain, based on independent professional valuations, of HK\$9,155 million from the Group's investment property portfolio.

The Group's financial position remains strong with a low debt leverage and strong interest cover. Gearing ratio as at 30 June 2005, calculated on the basis of net debt to shareholders' funds, increased slightly to 11% from 9.4% at 30 June 2004. Interest cover, measured by the ratio of profit from operations to total net interest expenses including those capitalized, was 24.0 times compared to 29.4 times for the previous year.

As at 30 June 2005, the Group's gross borrowings totalled HK\$23,066 million. Of these, HK\$2,309 million related to the bank borrowings of the Group's subsidiary, Route 3 (CPS) Company Limited, which were secured by way of charges over its assets. All other borrowings of the Group are unsecured. Net debt, after deducting cash and bank deposits of HK\$6,519 million, amounted to HK\$16,547 million. The maturity profile of the Group's gross borrowings is set out as follows :

	30 June 2005 HK\$ million	30 June 2004 HK\$ million
Repayable :		
Within one year	1,605	1,078
After one year but within two years	4,045	3,224
After two years but within five years	17,266	11,012
After five years	150	4,634
Total borrowings	23,066	19,948
Cash and bank deposits	6,519	7,207
Net debt	16,547	12,741

The Group has also secured substantial committed and undrawn banking facilities, most of which are arranged on a medium to long term basis, which will help minimize the refinancing risk of its debts and provide the Group with strong financing flexibility.

With ample committed banking facilities in place, continuous cash inflow from property sales and a solid base of recurrent income, the Group will have adequate financial resources for its capital and operational requirements.

Financial Resources and Liquidity (cont'd)

(b) Treasury policies

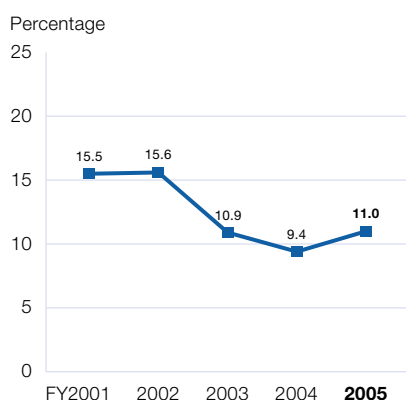
All the Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 30 June 2005, about 88% of the Group's borrowings were raised through its wholly-owned finance subsidiaries and the remaining 12% through operating subsidiaries.

The Group's foreign exchange risk was minimal given its large asset base and operational cash flow primarily denominated in Hong Kong dollars. As at 30 June 2005, about 96% of the Group's borrowings were denominated in Hong Kong dollars, with the balance in US dollars mainly for the purpose of funding property projects in the Mainland.

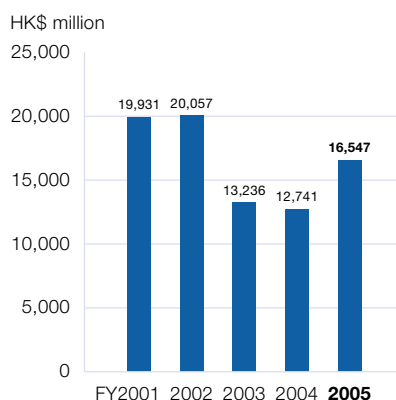
The Group's borrowings are principally arranged on a floating rate basis. For the fixed rate notes issued by the Group, interest rate swaps have been used to convert them into floating rate debts. The use of financial derivative instruments is strictly controlled and solely for management of the Group's interest rate and foreign currency exchange rate exposures in connection with its borrowings. It is the Group's policy not to enter into derivative transactions for speculative purposes.

As at 30 June 2005, 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.

Net Debt to Shareholders' Funds Ratio

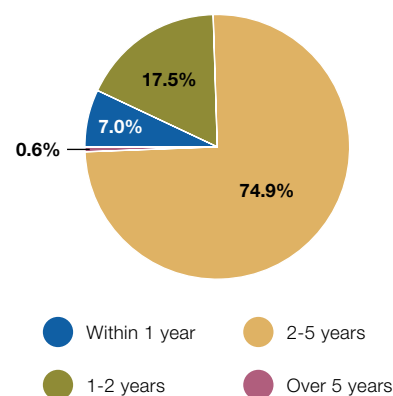


Net Debt



Debt Maturity Profile

As at 30 June 2005



Charges of assets

As at 30 June 2005, certain bank deposits of the Group's subsidiary, SmarTone, in the aggregate amount of HK\$328 million, were pledged for securing performance bonds related to 3G licence and some other guarantees issued by the banks. In addition, the assets of the Group's subsidiary, Route 3 (CPS) Company Limited, with an aggregate net book value of HK\$5,230 million have been charged as collateral securities for its bank borrowings. Except for the above two charges of assets, all the Group's assets are unsecured.

Contingent liabilities

As at 30 June 2005, 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\$4,505 million (2004 : HK\$4,857 million).