

# Financial Resources Review

## Liquidity and Capital Resources

As at 31st December 2006, the Group had a net current borrowings position of HK\$807 million (31st December 2005: HK\$4,374 million) and long-term borrowings of HK\$5,609 million (31st December 2005: HK\$2,425 million). After taking into account of a portfolio of financial assets at fair value through profit or loss of HK\$1,676 million (31st December 2005: HK\$1,891 million), net current fund as at 31st December 2006 amounted to HK\$869 million (net current debt as at 31st December 2005: HK\$2,483 million). In addition, banking facilities available for use amounted to HK\$4,681 million (31st December 2005: HK\$2,234 million).

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity and banking facilities. The Group has adequate and stable sources of funds and unutilised banking facilities to meet its future capital expenditures and working capital requirements.

## Borrowing Structure

As at 31st December 2006, the Group's borrowings amounted to HK\$8,178 million (31st December 2005: HK\$8,282 million). All bank loans and overdrafts were unsecured and had a floating interest rate, of which HK\$5,577 million (31st December 2005: HK\$2,370 million) were long-term

bank loans while HK\$2,521 million (31st December 2005: HK\$5,835 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2006, a subsidiary of the Group in the mainland China had a finance lease of HK\$80 million (31st December 2005: HK\$77 million) equivalent for a portion of its pipeline with instalment payment up to 2009. As at 31st December 2006, the maturity profile of the Group's borrowings was 31 per cent within 1 year; 20 per cent within 1 to 2 years and 49 per cent within 2 to 5 years (31st December 2005: 71 per cent within 1 year and 29 per cent within 2 to 5 years).

The Group's borrowings are primarily denominated in Hong Kong dollars and the Group has no significant exposure to foreign exchange fluctuations. The gearing ratio net borrowing / (shareholders' funds + net borrowing) for the Group as at 31st December 2006 remained healthy at 24 per cent (31st December 2005: 29 per cent). After taking into account of a portfolio of financial assets at fair value through profit or loss of HK\$1,676 million as at 31st December 2006 (31st December 2005: HK\$1,891 million), the net gearing ratio net debt / (shareholders' funds + net debt) stood at 19 per cent (31st December 2005: 23 per cent).

On 15th February 2006, the Group took advantage of the ample liquidity in the Hong Kong bank market and concluded a HK\$3 billion unsecured 5-year syndicated term and revolving loan facilities to refinance its shorter

maturity existing loans and finance the general corporate funding requirements at a low benchmark pricing for corporations in Hong Kong.

## Contingent Liabilities

As at 31st December 2006, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associated companies (31st December 2005: HK\$840 million).

## Currency Profile

The Group's operations and activities are predominantly based in Hong Kong and the mainland China. As such, its cash, cash equivalents or borrowings are mainly denominated in either Hong Kong dollars or United States dollars, whereas borrowings for the Group's subsidiaries and joint ventures in the mainland China are however predominantly denominated in the local currency, Renminbi, in order to provide natural hedging for the investment there.

## Group's Investments in Securities

Under the guidance of the Group's Treasury Committee, investments have been made in equity and debt securities. As at 31st December 2006, the investments in securities amounted to HK\$2,524 million (31st December 2005: HK\$2,659 million). The performance of the Group's investments in securities was satisfactory.