

FINANCIAL RESOURCES REVIEW

Liquidity and Capital Resources

As at 31st December 2007, the Group had a net current deposits position of HK\$1,334 million (net current borrowings position as at 31st December 2006: HK\$807 million) and long-term borrowings of HK\$4,273 million (31st December 2006: HK\$5,609 million). After taking into account of a portfolio of financial assets at fair value through profit or loss of HK\$1,907 million (31st December 2006: HK\$1,676 million), net current fund as at 31st December 2007 amounted to HK\$3,241 million (31st December 2006: HK\$869 million). In addition, banking facilities available for use amounted to HK\$5,902 million (31st December 2006: HK\$4,681 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 2007, the Group's borrowings amounted to HK\$7,778 million (31st December 2006: HK\$8,178 million). All bank loans and overdrafts were unsecured and had a floating interest rate, of which HK\$4,256

million (31st December 2006: HK\$5,577 million) were long-term bank loans while HK\$3,437 million (31st December 2006: HK\$2,521 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2007, a subsidiary of the Group in mainland China had a finance lease of HK\$85 million (31st December 2006: HK\$80 million) equivalent for a portion of its pipeline with instalment payment up to 2009. As at 31st December 2007, the maturity profile of the Group's borrowings was 45 per cent within 1 year and 55 per cent within 2 to 5 years (31st December 2006: 31 per cent within 1 year; 20 per cent within 1 to 2 years and 49 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 2007 remained healthy at 9 per cent (31st December 2006: 24 per cent). After taking into account of a portfolio of financial assets at fair value through profit or loss of HK\$1,907 million as at 31st December 2007 (31st December 2006: HK\$1,676 million), the net gearing ratio [net debt / (shareholders' funds + net debt)] stood at 3 per cent (31st December 2006: 19 per cent).

Contingent Liabilities

As at 31st December 2007, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associated companies, jointly controlled entities or third parties (31st December 2006: Nil).

Currency Profile

The Group's operations and activities are predominantly based in Hong Kong and 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 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 2007, the investments in securities amounted to HK\$2,974 million (31st December 2006: HK\$2,524 million). The performance of the Group's investments in securities was satisfactory.