

As at 31st March, 2006, the Group's total net assets attributable to equity holders of the Company amounted to approximately HK\$2,721 million (2005: HK\$2,540 million), an increase of HK\$181 million or 7% when compared with 2005. Such increase was mainly attributable to the profit attributable to equity shareholders of the Company of HK\$331 million, offsetting by payments of dividends during the year totalling HK\$176 million.

Total debt to equity ratio was 73% (2005: 66%) and net debt to equity ratio was 38% (2005: 17%), which are expressed as a percentage of bank and other borrowings, and net borrowings respectively, over the total net assets of HK\$2,721 million (2005: HK\$2,540 million). The increases of these ratios were attributable to increases in both total and net borrowings to finance the Group's property development projects in the PRC and acquisition of Pacific Coffee.

At the balance sheet date, the Group's bank and other borrowings amounted to HK\$1,997 million (2005: HK\$1,688 million). Cash and deposits at bank, including fixed and structured deposits, amounted to HK\$961 million (2005: HK\$1,260 million) and net borrowings amounted to HK\$1,036 million (2005: HK\$428 million). Most of the borrowings are carrying floating interest rates based on Hong Kong Interbank Offering Rates, with small portions based on Prime Rate. Among those floating rate loans, HK\$100 million are hedged to fixed rates through Interest Rate Swap Agreements.

With the increase in borrowing and the rise of interest rates during the year, finance costs for the year amounted to HK\$80 million (2005: HK\$27 million), an increase of HK\$53 million as compared with 2005.

The Group has provided guarantees in respect of banking facilities granted to associates, amounting to HK\$110 million (2005: HK\$95 million).

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in Hong Kong or US dollars. The Group's liquidity and financing requirements are frequently reviewed. In anticipating new investments or maturity of bank loans, the Group will consider new financing while maintaining an appropriate level of gearing.