

Capital Structure

	2002	2001
	HK\$'000	HK\$'000
Shareholders' funds	320,466	532,162
Interest bearing borrowings	1,405,375	1,657,137
Total borrowing costs	95,713	170,117
Gearing ratio	439%	311%
Average cost of borrowings	6.8%	11.4%

Funding and treasury policies of the Group are centrally managed and controlled in Hong Kong.

New re-financing arrangements

During the year, Debt Restructure of the Group which was made in 2000 expired and the Debt Restructure Agreement dated 8 May 2000 was cancelled. At the same time, the Group successfully entered into new re-financing arrangements with its bank creditors which include The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, Hang Seng Bank Limited, Nanyang Commercial Bank Limited and China Agricultural Finance Company Limited. The new re-financing arrangements comprised long term loans on normal commercial terms. As a result of the new re-financing arrangements with the bank creditors, the financial position of the Group was further improved by reduction of the interest margin substantially.

The gearing ratio (interest bearing borrowings/shareholders' funds) changed from 311% in 2001 to 439% in 2002.

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong Dollars. The exposure to exchange rate risk is not material.

During the year, the Group did not engage in any derivative activities or use any financial instruments to hedge its balance sheet exposures.

All the bank borrowings of the Group are at floating interest rate.