

Financial Review

As at 31st March, 2004, the Group's total net asset amounted to approximately HK\$2,474 million (2003: HK\$2,200 million), an increase of HK\$274 million or 12.5% when compared with 2003.

Total debt to equity ratio was 51% (2003: 60%) and net debt to equity ratio was 4% (2003: 21%), which are expressed as a percentage of bank and other borrowings, and net borrowings respectively, over the total net asset of 2,474 million (2003: HK\$2,200 million).

At the balance sheet date, the Group's bank and other borrowings amounted to HK\$1,260 million (2003: HK\$1,330 million). Cash and deposit at bank including pledged deposits amounted to HK\$1,156 million (2003: HK\$872 million) and net borrowings amounted to HK\$104 million (2003: HK\$458 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\$750 million are hedged to fixed rates through Interest Rate Swap Agreements.

Finance costs for the year amounted to HK\$43 million (2003: HK\$51 million), a decrease of HK\$9 million as compared with 2003.

The Company has provided guarantees in respect of loan facilities granted to subsidiaries, amounting to HK\$878 million (2003: HK\$879 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.