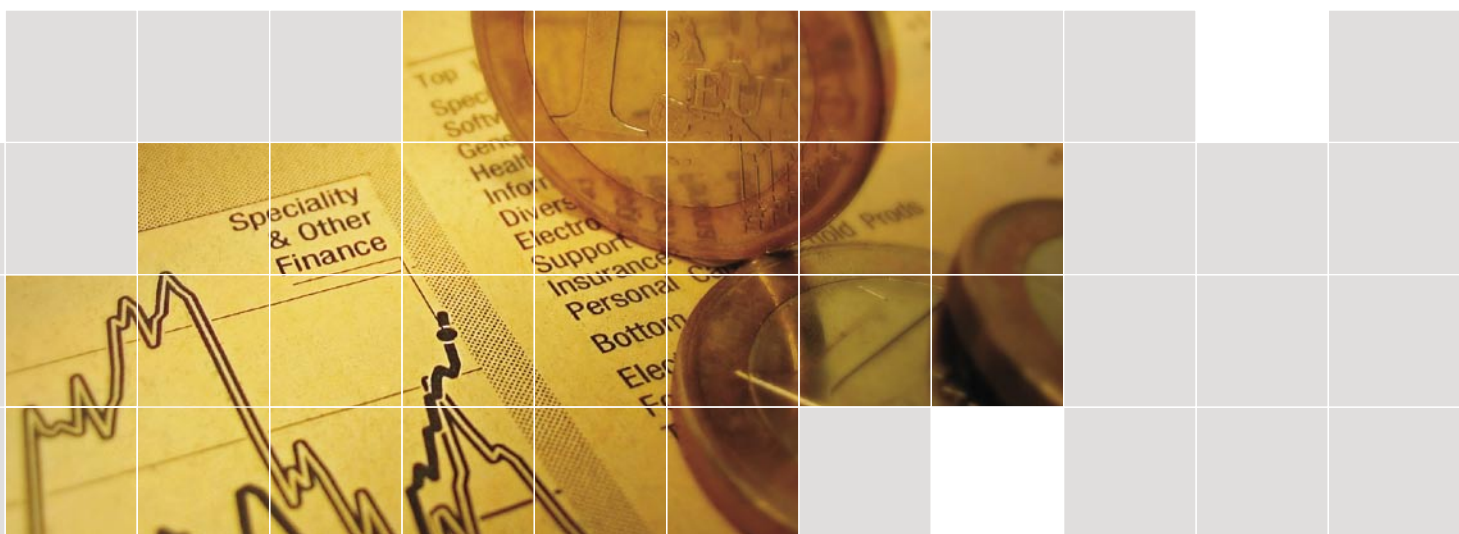


# Financial Review



## Liquidity and Financial Resources

The Group's financial position remains sound. At 31 December 2005, the Group's shareholders' funds increased by 5% to HK\$5,297 million as compared to HK\$5,023 million at 31 December 2004.

At 31 December 2005, the Group's total banking facilities stood at HK\$10,195 million (31 December 2004: HK\$7,947 million) of which term loans amounted to HK\$1,733 million (31 December 2004: HK\$1,882 million). The reduction in borrowings for the year reflected a reduction in working capital, particularly inventory in Mainland China, offset by ongoing investment and capital expenditure for business expansion. The Group has sufficient financial resources and adequate banking facilities to fund its ongoing operations, including capital expenditure, for the coming fiscal year.

The maturity profiles of the Group's term loans are:

Within one year	HK\$770 million
In the second year	HK\$132 million
In the third to fifth years, inclusive	HK\$761 million
Beyond five years	HK\$70 million

### Gearing

At 31 December 2005, the Group's gearing ratio measured on the basis of total debts to equity was 57% against 65% at 31 December 2004 with the reduction due to significant reductions in working capital. Finance costs for the year ended 31 December 2005 were covered 4.1 times by EBITDA (including associates' results) as compared to 5.7 times for the year ended 31 December 2004.

### Capital Structure

During the year, 11 million shares of HK\$1 each were issued for cash at an exercise price of HK\$3 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK\$33 million. The warrant subscription reserve of HK\$5.5 million attaching to the exercised warrants was accordingly reclassified into the share premium account.

### Interest Rates and Foreign Currency Exposure

The Group's financing and treasury activities are monitored by a Central Treasury at the corporate level. The Central Treasury structures to match the tenure of its borrowings with its assets and liabilities. The Group also aims to minimise its risks of currency exposure in its Trading and Distribution businesses by matching the currency of importing with the selling currency and buying forward, through hedging mechanisms, where appropriate.