

Financial Review

Liquidity and Financial Resources

The Group's financial position remains strong. Shareholder's funds increased to HK\$5,023 million as at 31 December 2004 from HK\$4,425 million in 2003.

At the balance sheet date, the Group's total banking facilities stood at HK\$7,947 million and term loans amounted to HK\$1,882 million compared to HK\$6,028 million and HK\$954 million respectively for the previous year. The increase in banking facilities and borrowings was due to additional capital expenditure and working capital requirements primarily for business expansion in Mainland China. The Group has sufficient financial resources and adequate banking facilities to fund its ongoing operations, including capital expenditure in year 2005.

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

	2004 HK\$ million	2003 HK\$ million
Within one year	1,220	433
In the second year	129	290
In the third to fifth years, inclusive	463	231
Beyond five years	70	–

Gearing

The gearing ratio of the Group on the basis of long term debt to equity was 13% (2003: 12%). Profit from operating activities covered 3.6 times over the finance costs as compared to last year's 5.1 times.

Interest Rates and Foreign Currency Exposure

The Group's funding reflects the capital structure of each business. All its financing and treasury activities are monitored by a Central Treasury at the corporate level. The Group structures to match the tenure of its borrowing with its assets and liabilities and manages its interest rates exposure in relation to the interest rates level and outlook. The Group also aims to minimize its risks of currency exposure by buying forward, through hedging mechanisms, where appropriate.