

## Financial Review

As at 31st March, 2005, the Group's total net asset amounted to approximately HK\$2,842 million (2004: HK\$2,474 million), an increase of HK\$368 million or 15% when compared with 2004.

Total debt to equity ratio was 59% (2004: 51%) and net debt to equity ratio was 15% (2004: 4%), which are expressed as a percentage of bank and other borrowings, and net borrowings respectively, over the total net asset of HK\$2,842 million (2004: HK\$2,474 million).

At the balance sheet date, the Group's bank and other borrowings amounted to HK\$1,688 million (2004: HK\$1,260 million). Cash and deposit at bank including pledged deposits amounted to HK\$1,260 million (2004: HK\$1,156 million) and net borrowings amounted to HK\$428 million (2004: HK\$104 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.

Finance costs for the year amounted to HK\$27 million (2004: HK\$43 million), a decrease of HK\$16 million as compared with 2004.

The Company has provided guarantees in respect of loan facilities granted to subsidiaries, amounting to HK\$765 million (2004: HK\$878 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.

