

FINANCIAL REVIEW



Liquidity and Financial Resources

The Group's financial position remains sound. At 31 December 2006, the Group's shareholders' funds increased by 8% to HK\$5,771 million as compared to HK\$5,333 million restated at 31 December 2005.

At 31 December 2006, the Group's total banking facilities stood at HK\$8,933 million (31 December 2005 (restated): HK\$10,238 million) of which bank loans amounted to HK\$3,508 million (31 December 2005 (restated): HK\$2,897 million). The increase in borrowings for the year reflects 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 bank loans are:

	HK\$ million
Within one year	2,137
In the second year	601
In the third to fifth years, inclusive	770

Gearing and Interest Cover

At 31 December 2006, the Group's gearing ratio measured on the basis of total debts to equity before minority interests was 63% against 58% restated at 31 December 2005 with the increase due to capital expenditure. Finance costs for the year ended 31 December 2006 were covered 5.4 times by EBITDA (including associates' profit before tax) as compared to 5.3 times restated for the year ended 31 December 2005.

Capital Structure

During the period from 1 January 2006 to 19 June 2006, 68,514 ordinary 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\$205,542. The warrant subscription reserve of HK\$34,257 attaching to the exercised warrants was reclassified into the share premium account accordingly.

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.