

# Financial Review

## Financial Resources, Treasury Activities and Gearing Ratio

The Group's capital expenditure and investments were funded from cash in hand, internal cash generation, syndicated loans, notes issued and other project loans.

As at 31st December, 2003, total borrowings of the Group amounted to HK\$12,337 million, which included Hong Kong dollar syndicated loan of HK\$3.8 billion, foreign currency borrowings of HK\$8,478 million and RMB bank loans of HK\$59 million. Of the total borrowings, 10 per cent. were repayable in 2004, 72 per cent. repayable in 2005 to 2008 and 18 per cent. repayable beyond 2008. The Group's financing activities continue to be well received and fully supported by its bankers.

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars, Hong Kong dollars or Australian dollars. The Group's liquidity and financing requirements are reviewed regularly. The Group will consider new financing while maintaining an appropriate level of gearing in anticipation of new investments or maturity of bank loans.

As at 31st December, 2003, the Group maintained a gearing ratio of 18 per cent. which was based on its net debt of HK\$5,094 million and equity of HK\$29,025 million. This ratio was lower than the gearing ratio of 21 per cent. at the year end of 2002 mainly because of the repayment of Australian dollar bank loans totalling A\$428 million. In addition, the Group entered into a syndicated loan facility agreement of A\$400 million which was fully drawn in December 2003 to repay a short-term Australian dollar bridging loan and partially refinance an Australian dollar syndicated loan.

To minimise currency risk exposure in respect of its investments in other countries, the Group has a policy of hedging those investments with the appropriate level of borrowings denominated in the local currencies of those countries. As at 31st December, 2003, the Group has swapped the floating interest rates of its borrowings totalling HK\$6,062 million into fixed interest rates. The Group will consider entering into further interest and currency swap transactions to hedge against its interest rate and currency risk exposures, as appropriate.

### Charge on Group Assets

As at 31st December, 2003, the Group's interests in an affiliated company with carrying value of HK\$1,888 million were pledged as part of the security to secure bank borrowings totalling HK\$4,268 million granted to the affiliated company.

### Contingent Liabilities

As at 31st December, 2003, the Group was subject to the following contingent liabilities:

HK\$ million

Guarantees in respect of bank loans drawn by affiliated companies	1,900
Performance bonds	36
<b>Total</b>	<b>1,936</b>

### Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,678 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$321 million. The Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

Preferential subscription of 2,978,000 new shares of the Company was given to those employees who had submitted the pink application forms to subscribe for shares of HK\$1.00 each in the Company at HK\$12.65 per share on the flotation of the Company in 1996. The Group does not have any share option scheme for employees.