

FINANCIAL REVIEW

FINANCIAL RESOURCES, TREASURY ACTIVITIES AND GEARING RATIO

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

As at 31st December, 2011, cash and bank deposit on hand amounted to HK\$5,947 million and the total borrowings of the Group amounted to HK\$14,468 million, which were all denominated in foreign currencies. Of the total borrowings, 78 per cent were repayable in 2012, 1 per cent were repayable between 2013 and 2016 and 21 per cent were repayable beyond 2016. To refinance the borrowings repayable in 2012, the Group is in discussion with certain banks with good progress. Funds of about US\$300 million (approximately HK\$2.3 billion) have been raised in the issue of perpetual securities via a fiduciary in February 2012. 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, Australian dollars, Pounds Sterling or Renminbi. The Group's liquidity and financing requirements are reviewed regularly. The Group will continue to maintain a strong capital structure when considering financing for new investments or maturity of bank loans.

As at 31st December, 2011, the Group maintained a net debt position with a net debt to equity ratio of 14 per cent, which was based on its net debt of HK\$8,521 million and total equity of HK\$59,772 million. This ratio was higher than the net debt to equity ratio of 6 per cent at the year end of 2010. This change was mainly due to the funds utilised for investments in the water project in the United Kingdom during the current year.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of those countries. The Group also entered into certain interest rate and currency swaps to mitigate interest rate and other currency exposure risks. As at 31st December, 2011, the notional amounts of these derivative instruments amounted to HK\$26,709 million.

CHARGE ON GROUP ASSETS

As at 31st December, 2011:

- the Group's obligations under finance leases totalling HK\$79 million were secured by charges over the leased assets with carrying value of HK\$73 million; and
- certain plant and machinery of the Group with carrying value of HK\$66 million were pledged to secure bank borrowings totalling HK\$29 million granted to the Group.

CONTINGENT LIABILITIES

As at 31st December, 2011, the Group was subject to the following contingent liabilities:

HK\$ million	
Other guarantees given in respect of affiliated companies	1,144
Sub-contractor warranties	11
Total	1,155

EMPLOYEES

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 991 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$286 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 subscribed 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.