

# 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, loans, notes, bonds, share placement and other project loans.

As at 31st December, 2020, cash and bank deposits on hand amounted to HK\$13,477 million and the total borrowings of the Group amounted to HK\$32,588 million, which included Hong Kong dollar borrowings of HK\$4,620 million and foreign currency borrowings of HK\$27,968 million. Of the total borrowings, 14 per cent were repayable in 2021, 82 per cent were repayable between 2022 and 2025 and 4 per cent were repayable beyond 2025. 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, New Zealand dollars, British pound, Canadian dollars or Euro. 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, 2020, the Group maintained a net debt position with a net debt to net total capital ratio of 13.1 per cent. This was based on HK\$19,111 million of net debt and HK\$145,373 million of net total capital, which represents the total borrowings plus total equity net of cash and bank deposits. This ratio was similar to that of 13.5 per cent at the year end of 2019.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with (i) currency swaps and (ii) the appropriate level of borrowings denominated in the local currencies. The Group also entered into certain interest rate swaps to mitigate interest rate risks. As at 31st December, 2020, the notional amounts of these derivative instruments amounted to HK\$63,717 million.

## CHARGE ON GROUP ASSETS

As at 31st December, 2020:

- leased assets with carrying value of HK\$10 million were pledged to secure certain lease liabilities; and
- certain assets were pledged to secure bank borrowings totalling HK\$1,507 million granted to the Group.

## CONTINGENT LIABILITIES

As at 31st December, 2020, the Group was subject to the following contingent liabilities:

HK\$ million	
Guarantee in respect of bank loan drawn by an affiliated company	1,191
Other guarantee given in respect of an affiliated company	438
Performance bond indemnities	173
Total	1,802

## EMPLOYEES

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,195 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$831 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.