

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, 2021, cash and bank deposits on hand amounted to HK\$8,085 million and the total borrowings of the Group amounted to HK\$29,847 million, which included Hong Kong dollar borrowings of HK\$2,673 million and foreign currency borrowings of HK\$27,174 million. Of the total borrowings, 35 per cent were repayable in 2022, 61 per cent were repayable between 2023 and 2026 and 4 per cent were repayable beyond 2026. To refinance certain borrowings repayable in 2022, the Group has obtained and is finalising loan facilities with certain banks. 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 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, 2021, the Group maintained a net debt position with a net debt to net total capital ratio of 14.7 per cent. This was based on HK\$21,762 million of net debt and HK\$147,609 million of net total capital, which represents the total borrowings plus total equity net of cash and bank deposits. This ratio was higher than the net debt to net total capital ratio of 13.1 per cent at the year end of 2020. This change was mainly due to the funds utilised for the redemption of US\$1.2 billion perpetual capital securities issued in 2016, which were partially compensated by the funds raised in issues of US\$0.6 billion perpetual capital securities during the year.

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, 2021, the notional amounts of these derivative instruments amounted to HK\$61,980 million.

CHARGE ON GROUP ASSETS

As at 31st December, 2021, certain assets were pledged to secure bank borrowings totalling HK\$1,442 million granted to the Group.

CONTINGENT LIABILITIES

As at 31st December, 2021, the Group was subject to the following contingent liabilities:

HK\$ million	
Guarantee in respect of bank loan drawn by an affiliated company	583
Other guarantee given in respect of an affiliated company	363
Performance bond indemnities	175
Sub-contractor warranties	15
Total	1,136

EMPLOYEES

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,365 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$949 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.