

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, 2007, total borrowings of the Group amounted to HK\$7,579 million, which are all denominated in foreign currencies. Of the total borrowings, 39 per cent were repayable in 2008, 33 per cent were repayable between 2009 and 2012 and 28 per cent repayable beyond 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 or Pounds Sterling. 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, 2007, the Group has changed to a net cash position from the 4 per cent gearing of net debt to shareholders' equity at the year end of 2006. Such change was mainly due to proceeds from divestment of interests in certain projects in Mainland China and Australia 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, 2007, the notional amounts of these derivative instruments amounted to HK\$9,569 million.

CHARGE ON GROUP ASSETS

As at 31st December, 2007, the Group's interests in an affiliated company with carrying value of HK\$2,082 million were pledged as part of the security to secure bank borrowings totalling HK\$2,231 million granted to the affiliated company. The Group's obligations under finance leases totalling HK\$49 million were secured by charge over the leased assets with carrying value of HK\$263 million. Moreover, certain plant and machinery of the Group with carrying value of HK\$67 million were pledged to secure bank borrowings totalling HK\$44 million granted to the Group.

CONTINGENT LIABILITIES

As at 31st December, 2007, the Group was subject to the following contingent liabilities:

HK\$ million	
Guarantee in respect of a bank loan drawn by an affiliated company	2,522
Performance bonds	59
Total	2,581

EMPLOYEES

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,020 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$274 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.