

# 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, share placement and other project loans.

As at 31st December, 2014, cash and bank deposits on hand amounted to HK\$7,108 million and the total borrowings of the Group amounted to HK\$18,637 million, which included Hong Kong dollar notes of HK\$260 million and foreign currency borrowings of HK\$18,377 million. Of the total borrowings, 9 per cent were repayable in 2015, 84 per cent were repayable between 2016 and 2019 and 7 per cent were repayable beyond 2019. During the year, the Group redeemed the US\$300 million perpetual capital securities in February. In June, the Group issued a US\$300 million floating rate note. 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, Pounds Sterling, Canadian dollars, Euro 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, 2014, the Group maintained a net debt position with a net debt to net total capital ratio of 10 per cent, which was based on its net debt of HK\$11,529 million and net total capital, which represents the total borrowings plus total equity net of cash and bank deposits, of HK\$113,275 million. This ratio was higher than the net debt to net total capital ratio of 8 per cent at the year end of 2013. This change was mainly due to the funds utilised for investment in the natural gas distribution project in 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, 2014, the notional amounts of these derivative instruments amounted to HK\$42,610 million.

## CHARGE ON GROUP ASSETS

As at 31st December, 2014:

- the Group's obligations under finance leases totalling HK\$60 million were secured by charges over the leased assets with carrying value of HK\$62 million;
- certain plant and machinery of the Group with carrying value of HK\$73 million were pledged to secure bank borrowings totalling HK\$24 million granted to the Group; and
- the shares of a subsidiary with net asset value of HK\$1,228 million were pledged to secure bank borrowings totalling HK\$1,100 million granted to the Group.

## CONTINGENT LIABILITIES

As at 31st December, 2014, the Group was subject to the following contingent liabilities:

HK\$ million	
Guarantee in respect of bank loan drawn by an affiliated company	1,338
Other guarantee given in respect of an affiliated company	836
Performance bond indemnities	91
Sub-contractor warranties	7
Total	2,272

## EMPLOYEES

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,050 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$695 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.