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## FINANCIAL REVIEW

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### 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, 2015, cash and bank deposits on hand amounted to HK\$7,897 million and the total borrowings of the Group amounted to HK\$17,177 million, which included Hong Kong dollar notes of HK\$260 million and foreign currency borrowings of HK\$16,917 million. Of the total borrowings, 93 per cent were repayable between 2017 and 2020 and 7 per cent were repayable beyond 2020. 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, 2015, the Group maintained a net debt position with a net debt to net total capital ratio of 8 per cent, which was based on its net debt of HK\$9,280 million and net total capital, which represents the total borrowings plus total equity net of cash and bank deposits, of HK\$119,839 million. This ratio was lower than the net debt to net total capital ratio of 10 per cent at the year end of 2014. This change was mainly due to the funds raised in share replacement and the sales proceeds from disposals of investment in securities, which were partially utilised for investments in a transportation project in the United Kingdom and a wind energy project in Portugal during the 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, 2015, the notional amounts of these derivative instruments amounted to HK\$44,731 million.

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## CHARGE ON GROUP ASSETS

As at 31st December, 2015:

- the Group's obligations under finance leases totalling HK\$22 million were secured by charges over the leased assets with carrying value of HK\$20 million; and
- the shares of a subsidiary with net asset value of HK\$1,027 million were pledged to secure bank borrowings totalling HK\$1,008 million granted to the Group.

## CONTINGENT LIABILITIES

As at 31st December, 2015, the Group was subject to the following contingent liabilities:

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| HK\$ million  |       |
|---|-------|
| Guarantee in respect of bank loan drawn by affiliated companies | 1,120 |
| Other guarantee given in respect of an affiliated company       | 695   |
| Performance bond indemnities                                    | 94    |
| Sub-contractor warranties                                       | 6     |
| Total   | 1,915 |

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## EMPLOYEES

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,070 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$685 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.