



Financial Review

Financial Resources, Treasury Activities and Gearing Ratio

The Group's capital expenditure and investments were funded from cash in hand, internal cash generation, syndicated loans, notes issued and other project loans.

As at 31st December, 2004, total borrowings of the Group amounted to HK\$13,411 million, which included Hong Kong dollar syndicated loan of HK\$3.8 billion, foreign currency borrowings of HK\$9,254 million and RMB bank loans of HK\$357 million. Of the total borrowings, 3 per cent. were repayable in 2005, 78 per cent. repayable in 2006 to 2009 and 19 per cent. repayable beyond 2009. The Group's financing activities continue to be well received and fully supported by its bankers. In September 2004, the Group entered into a syndicated loan facility agreement of A\$300 million which has been fully drawn to refinance certain Australian dollar loans.

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 or Australian dollars. The Group's liquidity and financing requirements are reviewed regularly. The Group will consider new financing while maintaining an appropriate level of gearing in anticipation of new investments or maturity of bank loans.

As at 31st December, 2004, the Group maintained a gearing ratio of 14 per cent. which was based on its net debt of HK\$4,382 million and equity of HK\$31,170 million. This ratio was lower than the gearing ratio of 18 per cent. at the year end of 2003 mainly due to strong cashflow generated from operation which was partially offset by the adverse exchange impact on the Group's foreign currency borrowings.

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, 2004, the contractual notional amounts of these derivative instruments amounted to HK\$7,838 million.

Charge on Group Assets

As at 31st December, 2004, the Group's interests in an affiliated company with carrying value of HK\$1,896 million were pledged as part of the security to secure bank borrowings totalling HK\$3,759 million granted to the affiliated company. Moreover, the Group's obligations under finance leases totalling HK\$55 million were secured by charge over the leased assets with carrying value of HK\$220 million.

Contingent Liabilities

As at 31st December, 2004, the Group was subject to the following contingent liabilities:

HK\$ million	
Guarantees in respect of bank loans drawn by affiliated companies	1,942
Guarantee in respect of standby letter of credit	3
Total	1,945

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,430 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$298 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 submitted the pink application forms to subscribe 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.