

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 and other new project loans.

The Group maintained bank balances and cash totalling HK\$4,046 million as at 31st December, 2001, of which more than 90 per cent. were denominated in Hong Kong dollars or U.S. dollars.

As at 31st December, 2001, total borrowings of the Group amounted to HK\$8,435 million, which included Hong Kong dollar syndicated loan of HK\$3,800 million, foreign currency bank and other borrowings of HK\$4,513 million and RMB bank loans of HK\$122 million. Of the total borrowings, 47 per cent. were repayable in 2002, 4 per cent. repayable in 2003 and the remaining portion repayable in 2004 to 2006. Committed borrowing facilities available to the Group, but not yet drawn as at 31st December, 2001, amounted to HK\$49 million. Of these undrawn facilities, 68 per cent. will expire in 2002 and the remaining portion will expire in 2003. 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 cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in Hong Kong or U.S. 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, 2001, the Group maintained a gearing ratio at 16 per cent. which was based on its net debt of HK\$4,389 million and equity of HK\$26,787 million. This ratio was lower than the gearing ratio of 34 per cent. at the year end of 2000, mainly because of the repayment of a short-term Australian dollar bridging loan during the year. For potential project financing requirements from business growth, the Group has established a medium term note programme of up to US\$2 billion in March 2001 and secured the refinancing of HK\$3,800 million syndicated loan maturing in September 2002.

To minimise currency risk exposure, the Group has a policy of hedging its investments in other countries with the appropriate level of borrowings denominated in the local currencies of those countries. As at 31st December, 2001, the Group has swapped the floating interest rates of its borrowings totalling HK\$4,320 million into fixed interest rates. The Group will consider entering into further interest and currency swap transactions to hedge against its interest rate and currency risk exposures, as appropriate.

Charge on Group Assets

As at 31st December, 2001, certain of the Group's land and buildings, fixed deposit and other assets with carrying values totalling HK\$139 million were pledged to secure bank borrowings and a performance bond totalling HK\$71 million.

Contingent Liabilities

As at 31st December, 2001, the Group was subject to the following contingent liabilities:

HK\$ million	
Guarantee in respect of bank loan drawn by an affiliated company	682
Performance bonds	25
Total	707

Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,177 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$448 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 had been given to its 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 flotation of the Company in 1996. The Group does not have any share option scheme for employees.