

Financial Review

Financial Position, Liquidity and Financial Resources

The Group's financial position remained strong. Capital expenditure and investments were primarily funded by cash from operations, dividends and other repatriation from investments. Interest in joint ventures and associates at the year end were HK\$86,142 million (2018: HK\$79,422 million). Total unsecured bank loans outstanding at the year end were HK\$3,319 million (2018: HK\$3,437 million). In addition, the Group had bank deposits and cash of HK\$4,876 million (2018: HK\$5,229 million). Due to its strong cash position, the Group did not maintain any undrawn committed bank facility at the year end (2018: HK\$Nil).

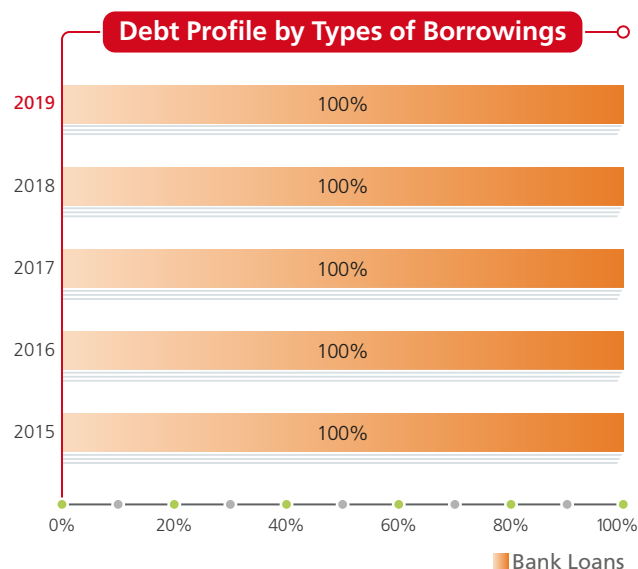
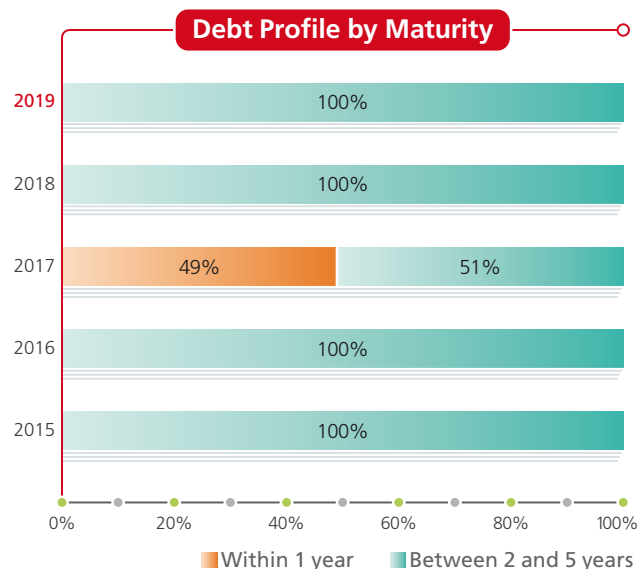
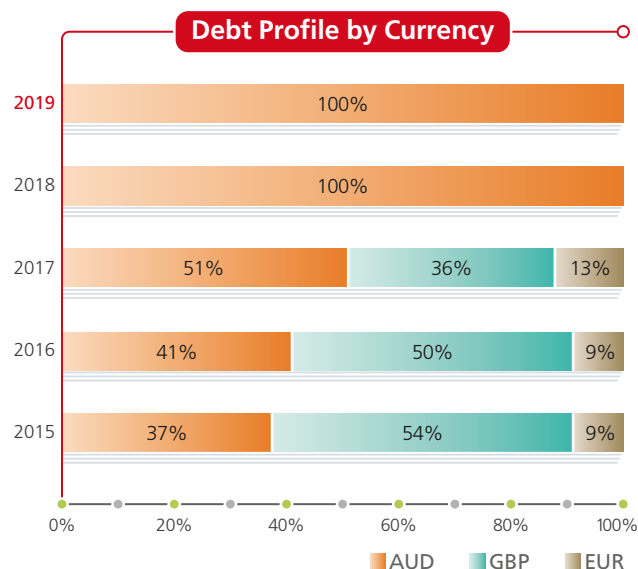
Treasury Policy, Financing Activities and Debt Structure

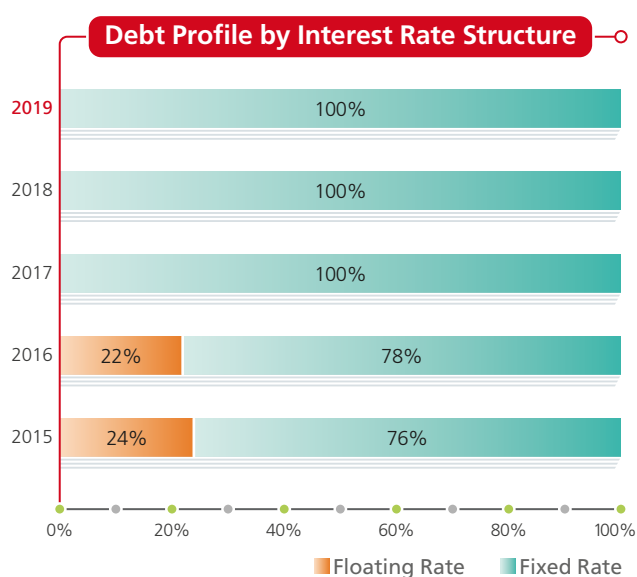
The Group manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The treasury policy is designed to manage the Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from dividends and other repatriation from investments, are generally placed in short-term deposits denominated primarily in Australian dollars, pounds sterling and United States dollars. The Group aims to ensure that adequate financial resources are available for refinancing and business growth, whilst maintaining a prudent capital structure.

The Group's financial profile remained strong during the year. On 15 February 2019, Standard & Poor's reaffirmed the "A" long-term issuer credit rating and the "Stable" outlook of the Company, unchanged since September 2018.

As at 31 December 2019, the net cash position of the Group was HK\$1,557 million (2018: HK\$1,792 million).

The profile of the Group's external borrowings as at 31 December 2019, after taking into account interest rate swaps, is set out in the tables below:





The Group's policy is to maintain at least a significant portion of its debt at fixed interest rates. Interest rate risk is managed by either securing fixed rate borrowings or by using interest rate derivatives.

Currency and interest rate risks are actively managed in accordance with the Group's treasury policy. Derivative financial instruments are used primarily for managing interest rate and foreign currency risks and not for speculative purposes. Treasury transactions are only executed with counterparties with acceptable credit ratings to control counterparty risk exposure.

The Group's principal foreign currency exposures arise from its investments outside Hong Kong. Foreign currency transaction exposure also arises from settlement to vendors which is not material and is managed mainly through purchases in the spot market or utilisation of foreign currency receipts of the Group. Currency exposure arising from investments outside Hong Kong is, where considered appropriate, mitigated by financing those investments in local currency borrowings, or by entering into forward foreign exchange contracts or cross currency swaps. The fair value of such borrowings at 31 December 2019 was

HK\$3,319 million (2018: HK\$3,437 million). The fair value of forward foreign exchange contracts and cross currency swaps at 31 December 2019 was an asset of HK\$1,061 million (2018: asset of HK\$1,313 million). Foreign currency fluctuations will affect the translated value of the net assets of investments outside Hong Kong and the resultant translation difference is included in the Group's reserve account. Income received from the Group's investments outside Hong Kong which is not denominated in Hong Kong dollars is, unless otherwise placed as foreign currency deposits, converted into United States dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 31 December 2019 amounted to HK\$35,502 million (2018: HK\$35,575 million).

Charges on Assets

At 31 December 2019, the Group's interest in an associate of HK\$182 million (2018: HK\$232 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 31 December 2019, the Group had given guarantees and indemnities totalling HK\$493 million (2018: HK\$529 million).

Employees

The Group continues its policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Group's total remuneration costs for the year ended 31 December 2019, excluding directors' emoluments, amounted to HK\$24 million (2018: HK\$21 million). As at 31 December 2019, the Group employed 13 (2018: 11) employees. No share option scheme is in operation.