

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, loans, notes, bonds, share placement and other project loans.

As at 31st December, 2019, cash and bank deposits on hand amounted to HK\$12,077 million and the total borrowings of the Group amounted to HK\$31,742 million, which included Hong Kong dollar borrowings of HK\$4,620 million and foreign currency borrowings of HK\$27,122 million. Of the total borrowings, 14 per cent were repayable in 2020, 82 per cent were repayable between 2021 and 2024 and 4 per cent were repayable beyond 2024. 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, British pound, Canadian dollars or Euro. 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, 2019, the Group maintained a net debt position with a net debt to net total capital ratio of 13.5 per cent. This was based on HK\$19,665 million of net debt and HK\$146,039 million of net total capital, which represents the total borrowings plus total equity net of cash and bank deposits. This ratio was lower than that of 16.5 per cent at the year end of 2018, attributable to the cash inflows from the investment portfolios together with the sale proceeds from the partial disposal of interest in an associate.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with (i) currency swaps and (ii) appropriate level of borrowings denominated in the local currencies. The Group also entered into certain interest rate swaps to mitigate interest rate risks. As at 31st December, 2019, the notional amounts of these derivative instruments amounted to HK\$60,039 million.

CHARGE ON GROUP ASSETS

As at 31st December, 2019:

- leased assets with carrying value of HK\$11 million were pledged to secure certain lease liabilities; and
- Certain assets were pledged to secure bank borrowings totalling HK\$1,272 million granted to the Group.

CONTINGENT LIABILITIES

As at 31st December, 2019, the Group was subject to the following contingent liabilities:

HK\$ million	
Guarantee in respect of bank loan drawn by an affiliated company	1,161
Other guarantee given in respect of an affiliated company	493
Performance bond indemnities	103
Total	1,757

EMPLOYEES

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,137 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$810 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.