Group Capital Resources and Liquidity

Treasury Management

The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Board, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's assets and liabilities' exposure to interest rate and foreign exchange rate fluctuations. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles.

Cash management and funding

The Group operates a central cash management system for all of its subsidiaries. In general, financing is raised mainly in the form of bank borrowings to meet funding requirements of the operating subsidiaries of the Group. The Group regularly and closely monitors its overall debt position and reviews its funding costs and debt maturity profile to facilitate refinancing.

Interest rate exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Group is exposed to interest rate changes that affect Hong Kong dollar borrowings which are at floating rates.

Foreign currency exposure

The Group runs telecommunications operations principally in Hong Kong, with transactions denominated in Hong Kong dollars. The Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. The Group is exposed to other currency movements, primarily in terms of certain trade receivables or payables and bank deposits denominated in United States dollars, Macau Patacas, Renminbi, Euros and British pounds.

Credit exposure

The Group's holdings of surplus funds with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

Capital and Net Debt

As at 31 December 2017, the Group recorded share capital of HK$1,205 million and total equity of HK$15,955 million.

Subsequent to the receipt of cash proceeds of HK$14,527 million from the disposal of subsidiaries in 2017, the Group prepaid the bank loan of HK$1,000 million during the year. The cash and cash equivalents of the Group amounted to HK$13,717 million as at 31 December 2017 (2016 (Restated): HK$357 million), over 99% of which were denominated in Hong Kong dollars, with remaining in various other currencies. The Group's carrying amount of bank borrowings was HK$3,900 million as at 31 December 2017 (2016: HK$4,467 million), all denominated in Hong Kong dollars. The outstanding balance of HK$3,900 million under loan facilities maturing in 2019 was fully prepaid in January 2018.

As at 31 December 2017, the consolidated net cash of the Group was HK$9,817 million (2016 (Restated): net debt of HK$4,110 million).

Charges on Group Assets

As at 31 December 2017, same as prior year, except for all of the shares of a joint venture owned by the Group which were pledged as security in favour of the joint venture partner under a cross share pledge arrangement, no material asset of the Group was under any charge.

Borrowing Facilities Available

Committed borrowing facilities available to the Group but not drawn as at 31 December 2017 amounted to HK$900 million (2016: HK$1,500 million).

Contingent Liabilities

As at 31 December 2017, the Group provided performance and other guarantees of HK$5 million (2016 (Restated): HK$636 million).

Commitments

As at 31 December 2017, the Group had total capital commitments of property, plant and equipment amounting to HK$444 million (2016 (Restated): HK$799 million).

As at 31 December 2017, the Group had total operating lease commitments for buildings and other assets amounting to HK$335 million (2016 (Restated): HK$369 million).

A subsidiary of the Group acquired various blocks of spectrum bands for the provision of telecommunications services in Hong Kong, certain of which over various assignment years up to year 2021. The licence fees for certain spectrum bands was charged on 5% of the network revenue or the Appropriate Fee (as defined in the Unified Carrier Licence), whichever is greater. The net present value of the Appropriate Fee has already been recorded as licence fee liabilities.