

FINANCIAL RESOURCES REVIEW

Liquidity and Capital Resources

As at 31st December 2012, the Group had a net current deposits position of HK\$5,957 million (31st December 2011: HK\$7,515 million) and long-term borrowings of HK\$25,230 million (31st December 2011: HK\$21,628 million). After taking into account a portfolio of financial assets at fair value through profit or loss of HK\$347 million (31st December 2011: HK\$313 million), net current funds as at 31st December 2012 amounted to HK\$6,304 million (31st December 2011: HK\$7,828 million). In addition, banking facilities available for use amounted to HK\$7,139 million (31st December 2011: HK\$6,962 million).

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities and debt financing. The Group has adequate and stable sources of funds and unutilised banking facilities to meet its future capital expenditures and working capital requirements.

Borrowing Structure

In May 2009, the Group established a US\$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favourable terms and timing under the Programme. In May 2012, the Programme was updated with the size increased to US\$2 billion. After the update of the Programme, other than Hong Kong dollar and Australian dollar notes, the Group issued two JPY Note of JPY5 billion each at a fixed coupon rate of 1.36 per cent and 1.19 per cent per annum respectively and both in 10-year maturity term. Up to 31st December 2012, the Group issued notes in the total amount of HK\$10,210 million (31st December 2011: HK\$5,855 million) with maturity terms of 5 years, 10 years, 12 years, 15 years,

30 years and 40 years in Renminbi, Australian dollar, Japanese yen and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 31st December 2012 was HK\$10,046 million (31st December 2011: HK\$5,807 million).

As at 31st December 2012, the outstanding principal amount of the 10-year US dollar Guaranteed Notes (the "Guaranteed Notes") issued in August 2008 at a fixed coupon rate of 6.25 per cent per annum was US\$995 million (31st December 2011: US\$995 million) and the carrying value was HK\$7,651 million (31st December 2011: HK\$7,660 million).

As at 31st December 2012, the Group's borrowings amounted to HK\$31,721 million (31st December 2011: HK\$25,849 million). The increase was mainly due to the new issue of MTNs of total equivalent of HK\$4,356 million, and net drawn down of bank loans for the rest. The Notes mentioned above together with the bank and other loans of HK\$1,331 million had fixed interest rate and were unsecured. While the bank and other loans of HK\$5 million of a joint venture, which was fully repaid in January 2013, was secured by a pledge of certain assets of the joint venture, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK\$6,469 million (31st December 2011: HK\$7,317 million) were long-term bank loans while HK\$6,219 million (31st December 2011: HK\$4,188 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2012, the maturity profile of the Group's borrowings was 20 per cent within 1 year, 4 per cent within 1 to 2 years, 24 per cent within 2 to 5 years and 52 per cent over 5 years (31st December 2011: 16 per cent within 1 year, 7 per cent within 1 to 2 years, 29 per cent within 2 to 5 years and 48 per cent over 5 years).

The US dollar Guaranteed Notes, the RMB Note, AUD Note and JPY Note issued, and a bank loan of RMB500 million raised in Hong Kong are hedged to Hong Kong dollars by currency swaps and the Group's borrowings are primarily denominated in Hong Kong dollars and Renminbi; thus, the Group has no significant exposure to foreign exchange risk. The gearing ratio [net borrowing / (shareholders' funds + net borrowing)] for the Group as at 31st December 2012 remained healthy at 30 per cent (31st December 2011: 25 per cent).

Contingent Liabilities

As at 31st December 2012, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associated companies, jointly controlled entities or third parties (31st December 2011: Nil).

Currency Profile

The Group's operations and activities are predominantly based in Hong Kong and mainland China. As such, its cash, cash equivalents or borrowings are mainly denominated in Hong Kong dollars, Renminbi or United States dollars, whereas borrowings for the Group's subsidiaries and joint ventures in mainland China are predominantly denominated in the local currency, Renminbi, in order to provide natural hedging for the investment there.

Group's Investments in Securities

Under the guidance of the Group's Treasury Committee, investments have been made in equity and debt securities. As at 31st December 2012, the investments in securities amounted to HK\$3,426 million (31st December 2011: HK\$3,424 million). The performance of the Group's investments in securities was satisfactory.