

Liquidity and Capital Resources

As at 31st December 2011, the Group had a net current deposits position of HK\$7,515 million (31st December 2010: HK\$1,356 million) and long-term borrowings of HK\$21,628 million (31st December 2010: HK\$11,746 million). After taking into account a portfolio of financial assets at fair value through profit or loss of HK\$313 million (31st December 2010: HK\$529 million), net current funds as at 31st December 2011 amounted to HK\$7,828 million (31st December 2010: HK\$1,885 million). In addition, banking facilities available for use amounted to HK\$6,962 million (31st December 2010: HK\$6,966 million).

In February 2011, the Group concluded a HK\$3.8 billion 5-year syndicated term loan and revolving credit facility, the first syndicated financing transaction for the Group since 2006, for refinancing the HK\$3.0 billion inaugural syndicated facility taken up in 2006. The response to the syndication was overwhelming with an over-subscription of more than 70 per cent. This enabled the facility amount to be increased from an initial HK\$3.0 billion to HK\$3.8 billion backed by a total of 11 international and regional financial institutions including Japanese, American, Taiwanese, Spanish and Hong Kong banks. The success of this syndicated facility demonstrates the banking community's strong confidence in the Group's business development prospects.

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 favorable terms and timing under the Programme. In late March 2011, the Group issued its first RMB Note of RMB1 billion at a fixed coupon rate of 1.40 per cent per annum and 5-year maturity term in Hong Kong. In December 2011, the Group issued AUD Note of

AUD50 million at a fixed coupon rate of 6.43 per cent per annum and 10-year maturity term. Up to 31st December 2011, the Group issued notes in the total amount of HK\$5,855 million (31st December 2010: HK\$3,010 million) with maturity terms of 5 years, 10 years, 12 years, 15 years, 30 years and 40 years in Renminbi, Australian dollar and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 31st December 2011 was HK\$5,807 million (31st December 2010: HK\$2,951 million).

As at 31st December 2011, 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 2010: US\$995 million) and the carrying value was HK\$7,660 million (31st December 2010: HK\$7,654 million).

On 23rd September 2011, the outstanding principal amount of the 7-year US dollar Guaranteed Senior Notes due 2011 (the "Guaranteed Senior Notes") issued in September 2004 by a subsidiary of the Group, Towngas China Company Limited of US\$141 million (31st December 2010: US\$141 million), was fully redeemed at maturity. This Guaranteed Senior Notes were listed on the Singapore Exchange Securities Trading Limited.

As at 31st December 2011, the Group's borrowings amounted to HK\$25,849 million (31st December 2010: HK\$21,728 million). The increase was mainly due to the new issue of MTNs of total equivalent of HK\$2,845 million, and net drawn down of bank loans for the rest. The Notes mentioned on above together with the bank and other loans of HK\$681 million had fixed interest rate and were unsecured. While the bank and other loans of HK\$196 million of the two newly acquired joint ventures during the year 2011 were secured by a pledge of certain assets of the joint ventures, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK\$7,317 million (31st December 2010: HK\$1,141 million) were long-term bank loans while HK\$4,188 million (31st December 2010: HK\$8,868 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2011, the maturity profile of the Group's borrowings was 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 (31st December 2010: 46 per cent within 1 year, 5 per cent within 2 to 5 years and 49 per cent over 5 years).

The US dollar Guaranteed Notes, the RMB Note and AUD Note issued 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 2011 remained healthy at 25 per cent (31st December 2010: 22 per cent). After taking into account a portfolio of financial assets at fair value through profit or loss of HK\$313 million as at 31st December 2011 (31st December 2010: HK\$529 million), the net gearing ratio [net debt / (shareholders' funds + net debt)] stood at 25 per cent (31st December 2010: 21 per cent).

Contingent Liabilities

As at 31st December 2011, 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 2010: 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 2011, the investments in securities amounted to HK\$3,424 million (31st December 2010: HK\$3,970 million). The performance of the Group's investments in securities was satisfactory.