

Financial Resources Review

Liquidity and Capital Resources

As at 31st December 2008, the Group had a net current deposits position of HK\$10,104 million (31st December 2007: HK\$1,334 million) and long-term borrowings of HK\$12,343 million (31st December 2007: HK\$4,273 million). After taking into account a portfolio of financial assets at fair value through profit or loss of HK\$767 million (31st December 2007: HK\$1,907 million), net current funds as at 31st December 2008 amounted to HK\$10,871 million (31st December 2007: HK\$3,241 million). In addition, banking facilities available for use amounted to HK\$3,864 million (31st December 2007: HK\$5,902 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 August 2008, the Group issued US\$1 billion Guaranteed Notes ("the Notes") at a fixed coupon rate of 6.25 per cent per annum and at an issue price of 99.319 per cent to qualified institutional buyers in the US and other investors outside the US. The Notes have a maturity of 10 years. The Group applied the net proceeds towards refinancing part of the existing indebtedness of the Group, funding capital expenditures of the Group, and for

general corporate purposes. In October 2008, the Group repurchased Notes with principal amount of US\$5 million at the price of 88.37 per cent. The outstanding principal amount of Notes following the repurchase was US\$995 million. The carrying value of the Notes as at 31st December 2008 was HK\$7,613 million.

As at 31st December 2008, the Group's borrowings amounted to HK\$14,585 million (31st December 2007: HK\$7,778 million). Other than the Notes, all bank loans and overdrafts were unsecured and had a floating interest rate, of which HK\$4,730 million (31st December 2007: HK\$4,256 million) were long-term bank loans while HK\$2,242 million (31st December 2007: HK\$3,437 million) had maturities within one year on revolving credit or term loan facilities. During the year, a subsidiary of the Group in mainland China settled a finance lease liability with balance as at 31st December 2007 of HK\$85 million. As at 31st December 2008, the maturity profile of the Group's borrowings was 16 per cent within 1 year; 8 per cent within 1 to 2 years, 24 per cent within 2 to 5 years and 52 per cent over 5 years (31st December 2007: 45 per cent within 1 year and 55 per cent within 2 to 5 years).

The US dollar Notes issued are hedged to Hong Kong dollars by currency swaps and the Group's bank borrowings are primarily denominated in Hong Kong dollars; 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 2008 remained healthy at 7 per cent (31st December 2007: 9 per cent). After taking into account a portfolio of financial assets at fair value through profit or loss of HK\$767 million as at 31st December 2008 (31st December 2007: HK\$1,907 million), the net gearing ratio [net debt / (shareholders' funds + net debt)] stood at 5 per cent (31st December 2007: 3 per cent).

Contingent Liabilities

As at 31st December 2008, 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 2007: 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 either Hong Kong dollars 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 2008, the investments in securities amounted to HK\$1,873 million (31st December 2007: HK\$2,974 million).