

FINANCIAL RESOURCES REVIEW

Liquidity and Capital Resources

As at 31st December 2009, the Group had a net current deposits position of HK\$8,422 million (31st December 2008: HK\$10,104 million) and long-term borrowings of HK\$15,672 million (31st December 2008: HK\$12,343 million). After taking into account a portfolio of financial assets at fair value through profit or loss of HK\$405 million (31st December 2008: HK\$767 million), net current funds as at 31st December 2009 amounted to HK\$8,827 million (31st December 2008: HK\$10,871 million). In addition, banking facilities available for use amounted to HK\$5,897 million (31st December 2008: HK\$3,864 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 allows notes to be issued under the Programme within 12 months' period. During the year, the Group issued notes in the total amount of HK\$2,760 million with maturity terms of 10 years, 15 years, 30 years and 40 years in Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the MTNs as at 31st December 2009 was HK\$2,710 million.

As at 31st December 2009, 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 2008: US\$995 million) and the carrying value was HK\$7,626 million (31st December 2008: HK\$7,613 million).

As at 31st December 2009, 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, was US\$141 million and the carrying value was HK\$1,110 million. The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited.

As at 31st December 2009, the Group's borrowings amounted to HK\$20,420 million (31st December 2008: HK\$14,585 million). Other than the Notes mentioned on above which had fixed interest rate while the Guaranteed Senior Notes were secured by a pledge of shares of certain subsidiaries of Towngas China Company Limited, all bank and other loans were unsecured and had a floating interest rate, of which HK\$4,226 million (31st December 2008: HK\$4,730 million) were long-term bank loans while HK\$4,748 million (31st December 2008: HK\$2,242 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2009, the maturity profile of the Group's borrowings was 23 per cent within 1 year; 23 per cent within 1 to 2 years, 3 per cent within 2 to 5 years and 51 per cent over 5 years (31st December 2008: 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).

The US dollar Guaranteed 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 2009 remained healthy at 18 per cent (31st December 2008: 7 per cent). After taking into account a portfolio of financial assets at fair value through profit or loss of HK\$405 million as at 31st December 2009 (31st December 2008: HK\$767 million), the net gearing ratio [net debt/(shareholders' funds + net debt)] stood at 17 per cent (31st December 2008: 5 per cent).

Contingent Liabilities

As at 31st December 2009, 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 2008: 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 2009, the investments in securities amounted to HK\$3,401 million (31st December 2008: HK\$1,873 million). The performance of the Group's investments in securities was satisfactory.