

# FINANCIAL RESOURCES REVIEW

## Liquidity and Capital Resources

As at 31st December 2016, the Group had a net current deposits position of HK\$5,505 million (31st December 2015: HK\$3,541 million) and long-term borrowings of HK\$27,296 million (31st December 2015: HK\$23,363 million). In addition, banking facilities available for use amounted to HK\$11,500 million (31st December 2015: HK\$13,000 million).

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

## Financing 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. Up to 31st December 2016 after the repayment of Renminbi notes during the year, the Group issued notes in the total amount of HK\$11,934 million (31st December 2015: HK\$11,818 million) with maturity terms of 10 years, 12 years, 15 years, 30 years and 40 years in Australian dollar, Japanese yen and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 31st December 2016 was HK\$11,196 million (31st December 2015: HK\$11,055 million).

As at 31st December 2016, the outstanding principal amount of the 10-year US dollar Guaranteed Notes (the "Guaranteed Notes") issued by the Group in August 2008 at a fixed coupon rate of 6.25 per cent per annum was US\$995 million (31st December 2015: US\$995 million) and the carrying value was HK\$7,701 million (31st December 2015: HK\$7,682 million).

As at 31st December 2016, the Group's borrowings amounted to HK\$33,248 million (31st December 2015: HK\$33,076 million). While the Notes mentioned above together with the bank and other loans of HK\$4,381 million (31st December 2015: HK\$1,684 million) had fixed interest rate and were unsecured, the remaining bank and other loans of the Group were unsecured and had a floating interest rate, of which HK\$6,496 million (31st December 2015: HK\$5,582 million) were long-term bank loans and HK\$3,474 million (31st December 2015: HK\$7,073 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2016, the maturity profile of the Group's borrowings was 18 per cent within 1 year, 28 per cent within 1 to 2 years, 22 per cent within 2 to 5 years and 32 per cent over 5 years (31st December 2015: 29 per cent within 1 year, 5 per cent within 1 to 2 years, 37 per cent within 2 to 5 years and 29 per cent over 5 years).

The US dollar Guaranteed Notes, the AUD Note and JPY Note issued are hedged to Hong Kong dollars by currency swaps. Except for some borrowings of certain subsidiaries are arranged in or hedged to their functional currency in Renminbi, the Group's borrowings are primarily denominated in Hong Kong dollars and local currency of subsidiaries in mainland China. The Group therefore has no significant exposure to foreign exchange risk.

In January 2014, the Group issued its first Perpetual Subordinated Guaranteed Capital Securities (the "Perpetual Capital Securities") amounting to US\$300 million with distribution rate of 4.75 per cent per annum for the first five years and thereafter at floating distribution rate. With no fixed maturity and the distribution payment can be deferred at the discretion of the Group, the Perpetual Capital Securities are redeemable at the Group's option on or after 28th January 2019 and are accounted for as equity in the financial statements. The Perpetual Capital Securities are guaranteed by the Company. The issuance helps

strengthen the Group's financial position, improve its financing maturity profile and diversify its funding sources.

The gearing ratio [net borrowing / (shareholders' funds + perpetual capital securities + net borrowing)] for the Group as at 31st December 2016 remained healthy at 28 per cent (31st December 2015: 26 per cent).

## Contingent Liabilities

As at 31st December 2016 and 31st December 2015, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associates, joint ventures or third parties.

## 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 of the Group's subsidiaries, associates 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 Financial Investments in Securities

Under the guidance of the Group's Treasury Committee, financial investments have been made in equity and debt securities. As at 31st December 2016, the investments in securities amounted to HK\$1,649 million (31st December 2015: HK\$1,646 million). The performance of the Group's financial investments in securities was satisfactory.