

FINANCIAL RESOURCES REVIEW

Liquidity and Capital Resources

As at 31st December 2020, the Group had a net current borrowings position of HK\$3,224 million (31st December 2019: HK\$1,233 million) and long-term borrowings of HK\$31,286 million (31st December 2019: HK\$28,696 million). In addition, banking facilities available for use amounted to HK\$21,200 million (31st December 2019: HK\$15,700 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. In July 2019, the Programme was updated with the size increased to US\$3 billion. Up to 31st December 2020, the Group issued notes in the total nominal

amount of HK\$20,742 million (31st December 2019: HK\$14,756 million) with maturity terms of 3 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 2020 was HK\$20,165 million (31st December 2019: HK\$14,049 million). Medium term notes of RMB535 million, equivalent to HK\$621 million (net proceeds: RMB535 million, equivalent to HK\$621 million) and HK\$5,365 million (net proceeds: HK\$5,328 million) were issued in 2020.

As at 31st December 2020, the Group’s borrowings amounted to HK\$42,139 million (31st December 2019: HK\$37,936 million). While the notes mentioned above together with the bank and other loans of HK\$8,139 million (31st December 2019: HK\$6,862 million) had fixed interest rate and were unsecured, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK\$6,935 million (31st December 2019: HK\$9,759 million) were long-term bank loans and HK\$6,900 million (31st December 2019: HK\$7,266 million) had maturities within one year on revolving credit or term loan

facilities. As at 31st December 2020, the maturity profile of the Group’s borrowings was 26 per cent within 1 year, 20 per cent within 1 to 2 years, 22 per cent within 2 to 5 years and 32 per cent over 5 years (31st December 2019: 24 per cent within 1 year, 15 per cent within 1 to 2 years, 36 per cent within 2 to 5 years and 25 per cent over 5 years).

The RMB, AUD and JPY notes 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 February 2019, the Group re-issued Perpetual Subordinated Guaranteed Capital Securities (the “Perpetual Capital Securities”) of US\$300 million and the proceeds were mainly used to refinance the 2014 first-issued perpetual capital securities redeemed in January 2019. The Perpetual Capital Securities are able to keep a distribution rate of 4.75 per cent per annum for the first five years and thereafter at fixed distribution rate. With no fixed

maturity and the distribution payment can be deferred at the discretion of the Group, and the Perpetual Capital Securities are redeemable at the Group's option on or after 12th February 2024, they 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 / (total equity + net borrowing)] for the Group as at 31st December 2020 remained healthy at 30 per cent (31st December 2019: 28 per cent).

Contingent Liabilities

As at 31st December 2020 and 2019, 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 for 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 2020, the relevant investments in securities amounted to HK\$685 million (31st December 2019: HK\$705 million). The performance of the Group's financial investments in securities was satisfactory.