

Financial Resources Review

Liquidity and capital resources

As at 31st December 2023, the Group had a net current borrowings position of HK\$8,015 million (31st December 2022: HK\$6,387 million) and long-term borrowings of HK\$40,716 million (31st December 2022: HK\$39,623 million). In addition, banking facilities available for use amounted to HK\$25,300 million (31st December 2022: HK\$21,400 million).

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities, bond 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 June 2021, the Programme was updated with the size increased to US\$5 billion. Medium term notes totalling HK\$1,708 million, with a tenor of 3 years, have been issued in 2023. In line with the Group's long-term business investments, as at 31st December 2023, the total nominal amount of medium term notes issued has reached HK\$21.6 billion with tenors ranging from 2 to 40 years, mainly at fixed interest rates with an average of 3.4 per

cent per annum and an average tenor of 13.7 years. In addition, our major listed subsidiary company Towngas Smart Energy Company Limited ("Towngas Smart Energy") also established its Medium Term Note Programme of US\$2 billion in June 2021, which add flexibility and capacity to its financing in future, and thus strengthening its financial position. In April 2022, Towngas Smart Energy issued its first 5-year Sustainability-Linked Bond (the "SLB") and raised a total of US\$200 million. As at 31st December 2023, the total nominal amount of medium term notes issued has reached RMB2.0 billion with tenors ranging from 3 to 5 years, mainly at fixed interest rates with an average of 4.2 per cent per annum and an average tenor of 4 years. The carrying value of the issued notes in Renminbi, Australian dollar, Japanese yen, United States dollar and Hong Kong dollar under the Programmes (the "MTNs") as at 31st December 2023 was HK\$23,754 million (31st December 2022: HK\$23,850 million).

To further diversify the funding sources, Towngas Smart Energy issued its first 1-year and 3-year panda bonds on the Chinese mainland in June 2023 (the "Panda Bonds"), raising a total of RMB1.5 billion with an average annual interest rate of 3.27%. Among them is the first sustainability-linked Panda Bond issued by a Hong Kong enterprise on the Chinese mainland. The carrying value of the Panda Bonds as at 31st December 2023 was HK\$1,650 million.

As at 31st December 2023, the Group's borrowings amounted to HK\$57,769 million (31st December 2022: HK\$59,304 million). Convertible bonds ("CB") of nominal amount at RMB1,836 million were issued by Towngas Smart Energy to a strategic investor in November 2021 and the carrying value of the debt component of the issued CB as at 31st December 2023 was HK\$1,858 million (31st December 2022: HK\$1,855 million). While the majority of the notes and CB mentioned above together with some bank and other loans had fixed interest rate and were unsecured, a certain portion of notes and the remaining bank and other loans were unsecured and had a floating interest rate, of which HK\$15,822 million (31st December 2022: HK\$12,075 million) were long-term and HK\$5,996 million (31st December 2022: HK\$13,444 million) had maturities within one year. As at 31st December 2023, the maturity profile of the Group's borrowings was 30 per cent within 1 year, 19 per cent within 1 to 2 years, 33 per cent within 2 to 5 years and 18 per cent over 5 years (31st December 2022: 33 per cent within 1 year, 13 per cent within 1 to 2 years, 36 per cent within 2 to 5 years and 18 per cent over 5 years).

As at 31st December 2023, the RMB, AUD and JPY notes issued and the USD SLB issued by Towngas Smart Energy are hedged to Hong Kong dollars or Renminbi respectively by currency swaps. Except for the borrowings under Towngas Smart Energy and that of the subsidiaries in the Chinese mainland are arranged in or hedged to their functional currency in Renminbi, the Group's borrowings are primarily denominated in Hong Kong dollars after swap (Hong Kong dollars: HK\$30,508 million; Renminbi: HK\$2,550 million; US dollars: HK\$2,344 million). 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 at 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. On 22nd December 2023, the Group announced that it will redeem all of the Perpetual Capital Securities on the first call date of 12th February 2024. In this connection, the Perpetual Capital Securities were re-classified as redeemable perpetual

securities under current liabilities as at 31st December 2023. The redemption was completed on 14th February 2024 after payment has been made in accordance with terms and conditions of the Perpetual Capital Securities.

The gearing ratio [net borrowings/ (total equity + net borrowings)] for the Group as at 31st December 2023 remained healthy at 41 per cent (31st December 2022: 38 per cent).

Guarantee

As at 31st December 2023 and 2022, 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 the Chinese mainland. 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 the Chinese mainland are predominantly denominated in the local currency, Renminbi, in order to provide natural hedging for the investment there.