

Liquidity and Capital Resources

As at 31st December 2015, the Group had a net current deposits position of HK\$3,541 million (31st December 2014: HK\$6,106 million) and long-term borrowings of HK\$23,363 million (31st December 2014: HK\$24,484 million). In addition, banking facilities available for use amounted to HK\$13,000 million (31st December 2014: HK\$11,400 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 2015, the Group issued notes in the total amount of HK\$11,818 million (31st December 2014: HK\$10,360 million) with maturity terms of 5 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 2015 was HK\$11,055 million (31st December 2014: HK\$9,748 million).

As at 31st December 2015, 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 2014: US\$995

million) and the carrying value was HK\$7,682 million (31st December 2014: HK\$7,675 million).

As at 31st December 2015, the Group's borrowings amounted to HK\$33,076 million (31st December 2014: HK\$31,534 million). While the Notes mentioned above together with the bank and other loans of HK\$1,684 million (31st December 2014: HK\$1,326 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\$5,582 million (31st December 2014: HK\$6,446 million) were long-term bank loans and HK\$7,073 million (31st December 2014: HK\$6,339 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2015, the maturity profile of the Group's borrowings was 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 (31st December 2014: 22 per cent within 1 year, 17 per cent within 1 to 2 years, 35 per cent within 2 to 5 years and 26 per cent over 5 years).

The US dollar Guaranteed Notes, the RMB Note, AUD Note and JPY Note issued are hedged to Hong Kong dollars by currency swaps. 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 except for some borrowings of certain subsidiaries which are denominated in currency other than their functional currency.

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 2015 remained healthy at 26 per cent (31st December 2014: 25 per cent).

Contingent Liabilities

As at 31st December 2015 and 31st December 2014, 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 2015, the investments in securities amounted to HK\$1,646 million (31st December 2014: HK\$2,150 million). The performance of the Group's financial investments in securities was satisfactory.