

The Group has centralized funding for all its operations. This policy achieves better control of treasury operations and lower average cost of funds.

The Group closely reviews and monitors its foreign exchange exposure. As at 31 December 2008, total foreign currency borrowings (excluding Renminbi (“RMB”) borrowings) amounted to the equivalence of HK\$3,947 million and RMB loans amounted to the equivalence of HK\$501 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 25% and 3% respectively, of the Group’s total borrowings of HK\$16,112 million as at 31 December 2008.

The non-RMB total foreign currency borrowings of HK\$3,947 million mainly include the Fixed Rate Bonds amounting to US\$420 million (approximately HK\$3,237 million (net of direct issue costs)). The Group has arranged cross currency swap contracts amounting to US\$417 million to hedge the exchange rate exposure between Hong Kong dollars and United States dollars.

Out of the Group’s total borrowings as at 31 December 2008, HK\$1,907 million (representing approximately 12%) was repayable within one year, HK\$759 million (representing approximately 5%) was repayable in the second year, HK\$10,148 million (representing approximately 63%) was repayable in the third to fifth years and HK\$3,298 million (representing approximately 20%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 96% of total borrowings as at 31 December 2008. The Group will continue to obtain financing on an unsecured basis whenever possible, and supplement such borrowings with secured project financing as and when the need arises.

As at 31 December 2008, the gearing ratio for the Group was 25.9% (2007: 20.3%), calculated based on net debt of HK\$12,045 million and shareholders’ equity of HK\$46,538 million.

As at 31 December 2008, the Group had outstanding interest rate swap contracts which amounted to HK\$2,300 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile in the next few years.

In terms of the Group’s available financial resources as at 31 December 2008, the Group had total undrawn bank loan and overdraft facilities of HK\$13,025 million and net cash on hand of HK\$4,067 million. In addition, the generation of strong recurrent cashflows from the Group’s investment property portfolio, hotel operations and logistics, freight forwarding and warehousing businesses provide the Group with a strong financial position, and enables the Group to reap the benefits of investment opportunities as and when they arise.

On 8 December 2008, Standard & Poor’s affirmed a “BBB-” credit rating for Kerry Properties Limited with a stable outlook.