

Group Capital Resources and Liquidity

Treasury Management

The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. It is the Group's policy not to have credit rating triggers that would accelerate the maturity dates of the Group's borrowings. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's exposure to interest rate and foreign exchange rate fluctuations. The Group generally does not enter into foreign currency hedges in respect of its foreign currency earnings and no derivative instruments to hedge the Group's earnings were entered during the year or remain outstanding at the end of the year. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, that have significant underlying leverage or derivative exposure.

Cash Management and Funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associated companies to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, for which the proportions will change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

Interest Rate Exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Group's main interest rate exposure relates to US dollar, British Pound, Euro and HK dollar borrowings.

At 31 December 2021, approximately 31% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 69% were at fixed rates (31 December 2020 – 35% floating; 65% fixed). The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$5,460 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$23,142 million principal amount of floating interest rate borrowings that were used to finance long term investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 26% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 74% were at fixed rates at 31 December 2021 (31 December 2020 – 31% floating; 69% fixed). All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

Foreign Currency Exposure

For subsidiaries, associated companies, joint arrangements, branches and other investments (the activities of which are based or conducted in non-HK dollar or non-US dollar), the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For businesses (the activities of which are based or conducted in non-HK dollar or non-US dollar) that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cash flow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to its underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in foreign subsidiaries and associated companies, except in relation to certain infrastructure investments.

The Group has operations in about 50 countries and conducts businesses in around 50 currencies. The Group's functional currency for reporting purposes is Hong Kong Dollars and the Group's reported results in Hong Kong Dollars are exposed to exchange translation on its foreign currency earnings, net debt and net assets, in particular for Euro and British Pounds. EBITDA ⁽¹⁾ for 2021 was HK\$111,227 million, on a recurring basis (excluding the gain on disposal of tower assets completed in 2021, non-cash impairment of goodwill of the Group's Italian telecommunication business, impairment charge of Cenovus and a non-cash foreign exchange reserve loss following the Cenovus-Husky merger), 58% was derived from European operations, including 23% from the UK. At 31 December 2021, of the Group's total principal amount of bank and other debts after currency swap arrangements, 42% and 5% were denominated in Euro and British Pounds respectively, whilst liquid assets comprised 9% Euro and 4% British Pounds denominated cash and cash equivalents. As a result, 72% and 7% of the Group's consolidated net debt ⁽²⁾ of HK\$168,169 million were denominated in Euro and British Pounds respectively. Net assets ⁽³⁾ was HK\$659,850 million, with 16% and 22% attributable to Continental Europe and UK operations respectively.

At 31 December 2021, the Group's total principal amount of bank and other debts were denominated as follows: 34% in Euro, 49% in US dollars, 3% in HK dollars, 5% in British Pounds and 9% in other currencies. The Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$23,790 million to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, were denominated as follows: 42% in Euro, 41% in US dollars, 3% in HK dollars, 5% in British Pounds and 9% in other currencies.

For purposes of illustrating the Group's currency sensitivity, based on the recurring results for 2021, a 10% depreciation of British Pounds would result in a HK\$2.5 billion decrease in EBITDA, a HK\$0.8 billion decrease in NPAT, HK\$1.2 billion decrease in net debt and 0.2%-point increase on net debt to net total capital ratio. Similarly, a 10% depreciation of Euro would result in a HK\$3.1 billion decrease in EBITDA, a HK\$1.0 billion decrease in NPAT, HK\$12.1 billion decrease in net debt and 0.9%-point decrease on net debt to net total capital ratio. Actual sensitivity will depend on actual results and cash flows for the period under consideration.

Credit Exposure

The Group's holdings of cash, managed funds and other liquid investments, interest rate and foreign currency swaps and forward currency contracts with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities, particularly in its ports businesses. Such risks are continuously monitored by the local operational management.

Credit Profile

Our long term credit rating from Moody's, S&P and Fitch remained at A2 (stable outlook), A (stable outlook) and A- (stable outlook) respectively. The Group aims to maintain a capital structure that is appropriate for long-term investment grade ratings of A2 on the Moody's Investor Service scale, A on the S&P Rating Services scale and A- on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. CK Hutchison Group Telecom Holdings ("CK Hutchison Group Telecom"), a wholly-owned subsidiary of the Group, obtained long term credit rating from Moody's and S&P at Baa1 (stable outlook) and A- (stable outlook) respectively. In December 2021, Fitch Ratings upgraded CK Hutchison Group Telecom's rating from BBB+ (stable outlook) to A- (stable outlook). CK Hutchison Group Telecom will seek to maintain its ratings by applying the same financial disciplines as the Group.

Market Price Risk

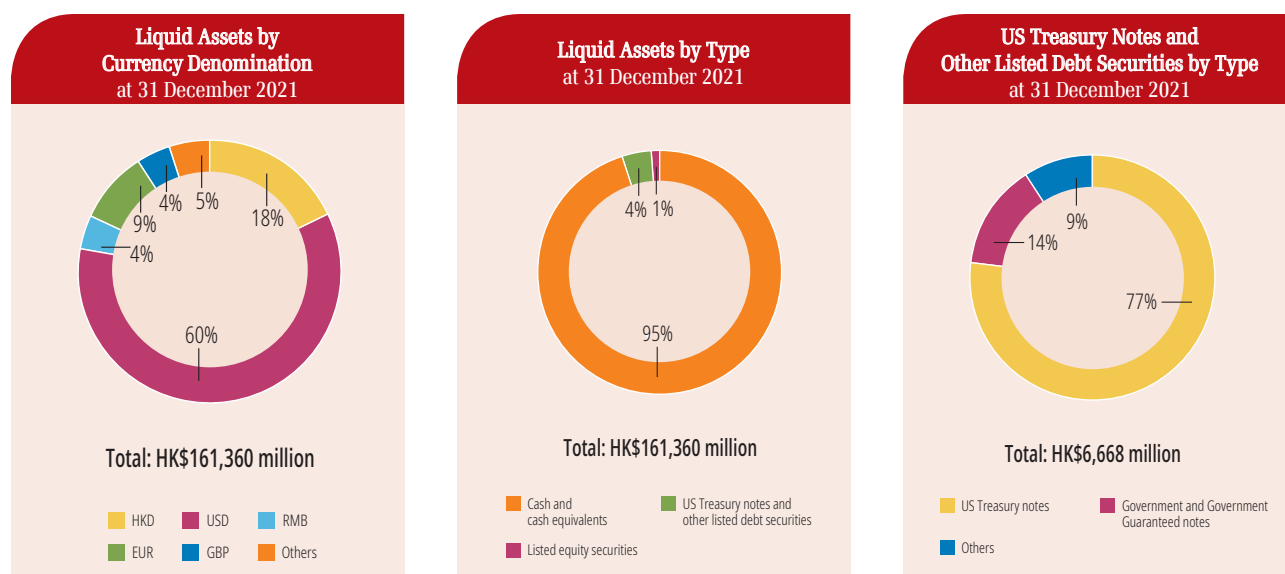
The Group's main market price risk exposures relate to listed debt and equity securities described in "Liquid Assets" below and the interest rate swaps described in "Interest Rate Exposure" above. The Group's holding of listed debt and equity securities represented approximately 5% (31 December 2020 – approximately 6%) of the cash, liquid funds and other listed investments ("liquid assets"). The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

Note 1: Under Post-IFRS 16 basis, EBITDA for 2021 was HK\$135,653 million (31 December 2020 – HK\$122,348 million).

Note 2: Under Post-IFRS 16 basis, consolidated net debt as at 31 December 2021 was HK\$166,893 million (31 December 2020 – HK\$185,103 million).

Note 3: Under Post-IFRS 16 basis, net assets as at 31 December 2021 was HK\$644,255 million (31 December 2020 – HK\$630,063 million).

Group Capital Resources and Liquidity



Liquid Assets

The Group continues to maintain a robust financial position. Liquid assets amounted to HK\$161,360 million at 31 December 2021, a decrease of 3% from the balance of HK\$166,539 million at 31 December 2020, mainly reflecting dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, repayment and early repayment of certain borrowings, net redemption of perpetual capital securities, buy-back of issued shares, adverse working capital movements and capital expenditure and investment spending, partly offset by proceeds received from tower sales, cash arising from positive funds from operations from the Group's businesses and cash from new borrowings. Liquid assets were denominated as to 18% in HK dollars, 60% in US dollars, 4% in Renminbi, 9% in Euro, 4% in British Pounds and 5% in other currencies.

Cash and cash equivalents represented 95% (31 December 2020 – 94%) of the liquid assets, US Treasury notes and other listed debt securities 4% (31 December 2020 – 4%) and listed equity securities 1% (31 December 2020 – 2%). The US Treasury notes and other listed debt securities, including those held under managed funds, consisted of US Treasury notes of 77%, government and government guaranteed notes of 14% and others of 9%. Of these US Treasury notes and other listed debt securities, 99% are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 1.7 years on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

Cash Flow

EBITDA for 2021 was HK\$111,227 million, an increase of 15% compared to HK\$96,944 million last year. Consolidated funds from operations⁽⁴⁾ ("FFO") before cash profits from disposals, capital expenditures, investments and changes in working capital was HK\$54,508 million for 2021, a decrease of 2% against last year of HK\$55,543 million.

The Group's capital expenditures (including licences, brand name and other rights) for 2021 amounted to HK\$41,076 million (31 December 2020 – HK\$29,588 million). Capital expenditures (including licences, brand name and other rights) for the ports and related services division amounted to HK\$3,630 million (31 December 2020 – HK\$1,712 million); for the retail division HK\$2,525 million (31 December 2020 – HK\$1,947 million); for the infrastructure division HK\$367 million (31 December 2020 – HK\$205 million); for CK Hutchison Group Telecom HK\$30,289 million (31 December 2020 – HK\$21,542 million); for HAT HK\$4,110 million (31 December 2020 – HK\$4,003 million); and for the finance and investments and others segment HK\$155 million (31 December 2020 – HK\$179 million).

Note 4: Under Post-IFRS 16 basis, FFO for 2021 was HK\$71,264 million (31 December 2020 – HK\$72,655 million).

The Group's dividends received from associated companies and joint ventures for 2021 amounted to HK\$11,102 million (31 December 2020 – HK\$10,241 million). Dividends received from associated companies and joint ventures for the ports and related services division amounted to HK\$2,599 million (31 December 2020 – HK\$1,543 million); for the retail division HK\$1,977 million (31 December 2020 – HK\$1,301 million); for the infrastructure division HK\$5,937 million (31 December 2020 – HK\$6,676 million); and for the finance and investments and others segment HK\$589 million (31 December 2020 – HK\$721 million).

The Group's purchases of and advances to associated companies and joint ventures for 2021 amounted to HK\$1,753 million (31 December 2020 – HK\$833 million). Purchases of and advances to associated companies and joint ventures for the ports and related services division amounted to HK\$39 million (31 December 2020 – nil); for the retail division HK\$22 million (31 December 2020 – HK\$308 million); for the infrastructure division HK\$1,569 million (31 December 2020 – HK\$251 million); for CK Hutchison Group Telecom HK\$54 million (31 December 2020 – HK\$76 million); and for the finance and investments and others segment HK\$69 million (31 December 2020 – HK\$198 million).

Net cash inflow before financing activities ⁽⁵⁾ was HK\$33,102 million, a decrease of 32% compared to HK\$48,733 million last year, reflecting adverse working capital movements and higher capital expenditure, partly offset by higher proceeds received from tower sales.

The capital expenditures and investments of the Group are primarily funded by cash generated from operations, cash on hand and to the extent appropriate, by external borrowings.

For further information of the Group's capital expenditures by division and cash flow, please see Note 5(b)(v) and the "Consolidated Statement of Cash Flows" section of this Annual Report.

Debt Maturity and Currency Profile

The Group's total bank and other debts, including unamortised fair value adjustments from acquisitions, at 31 December 2021 amounted to HK\$329,529 million (31 December 2020 – HK\$351,837 million) which comprises principal amount of bank and other debts of HK\$326,357 million (31 December 2020 – HK\$347,953 million) and unamortised fair value adjustments arising from acquisitions of HK\$3,172 million (31 December 2020 – HK\$3,884 million). The Group's total principal amount of bank and other debts at 31 December 2021 consist of 69% notes and bonds (31 December 2020 – 65%) and 31% bank and other loans (31 December 2020 – 35%). The Group's weighted average cost of debt for the year ended 31 December 2021 is 1.6% (31 December 2020 – 1.7%). Interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, totalled HK\$759 million as at 31 December 2021 (31 December 2020 – HK\$798 million).

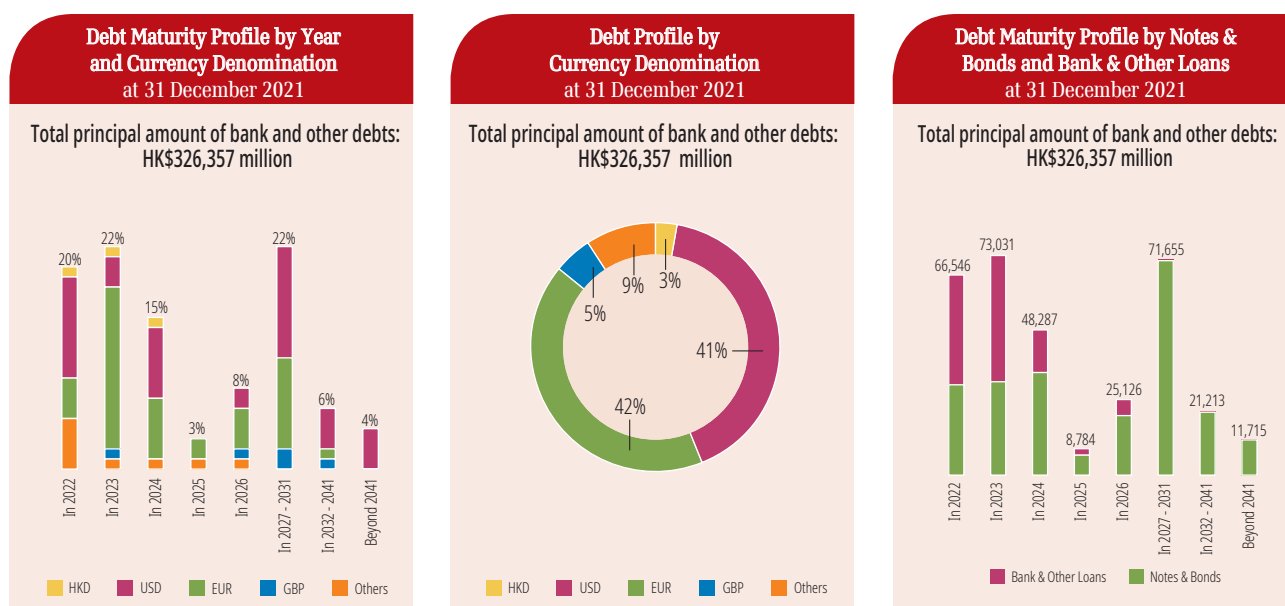
The maturity profile of the Group's total principal amount of bank and other debts at 31 December 2021 is set out below:

	HK\$	US\$	Euro	GBP	Others	Total
In 2022	1%	10%	4%	–	5%	20%
In 2023	1%	3%	16%	1%	1%	22%
In 2024	1%	7%	6%	–	1%	15%
In 2025	–	–	2%	–	1%	3%
In 2026	–	2%	4%	1%	1%	8%
In 2027 – 2031	–	11%	9%	2%	–	22%
In 2032 – 2041	–	4%	1%	1%	–	6%
Beyond 2041	–	4%	–	–	–	4%
Total	3%	41%	42%	5%	9%	100%

The non-HK dollar and non-US dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies. None of the Group's consolidated borrowings have credit rating triggers that would accelerate the maturity dates of any outstanding consolidated Group's debt.

Note 5: Under Post-IFRS 16 basis, net cash inflow before financing activities for 2021 was HK\$51,634 million (31 December 2020 – HK\$66,707 million).

Group Capital Resources and Liquidity



Changes in Debt Financing and Perpetual Capital Securities

The significant financing activities for the Group in 2021 were as follows:

- In January, prepaid EUR1,650 million (approximately HK\$15,527 million) of a floating rate term loan facility of EUR2,100 million maturing in October 2022;
- In March, US\$1,200 million (approximately HK\$9,360 million) Guaranteed Perpetual Capital Securities issued by OVPH Limited and guaranteed by CKI were redeemed in full;
- In March, obtained two three year floating rate loan facilities of US\$50 million (approximately HK\$390 million) and US\$100 million (approximately HK\$780 million) and repaid a floating rate loan facility of US\$150 million (approximately HK\$1,170 million) on maturity;
- In March, repaid a floating rate loan facility of HK\$1,000 million on maturity;
- In March, obtained a three year floating rate loan facility of US\$130 million (approximately HK\$1,010 million);
- In March, obtained a five year floating rate loan facility of HK\$1,000 million and repaid a floating rate term loan of the same amount on maturity;
- In March, obtained a five year floating rate loan facility of EUR260 million (approximately HK\$2,410 million);
- In April, prepaid EUR280 million (approximately HK\$2,597 million) of a floating rate loan facility maturing in August 2021;
- In April, issued US\$500 million (approximately HK\$3,900 million) guaranteed notes due 2026 and US\$850 million (approximately HK\$6,630 million) guaranteed notes due 2031, as well as US\$650 million (approximately HK\$5,070 million) guaranteed notes due 2041;
- In April, prepaid US\$500 million (approximately HK\$3,900 million) of a floating rate syndicated loan facility maturing in June 2021;
- In May, obtained a three year floating rate loan facility of AUD100 million (approximately HK\$602 million) and a five year floating rate loan facility of AUD100 million (approximately HK\$602 million) and repaid two floating rate loan facilities in aggregate amount of AUD200 million (approximately HK\$1,204 million) on maturity;
- In May, obtained two three year floating rate term loan facilities of EUR200 million each (approximately HK\$3,800 million);
- In May, repaid a floating rate term loan facility of EUR500 million (approximately HK\$4,750 million) on maturity;
- In June, prepaid two floating rate loan facilities of US\$300 million (approximately HK\$2,340 million) and US\$250 million (approximately HK\$1,950 million) maturing in September 2021 and obtained two three year floating rate term loan facilities of US\$250 million (approximately HK\$1,950 million) and US\$200 million (approximately HK\$1,560 million);

- In June, repaid two floating rate term loan facilities in aggregate amount of US\$220 million (approximately HK\$1,716 million) on maturity;
- In June, US\$300 million (approximately HK\$2,340 million) guaranteed perpetual capital securities guaranteed by CKI were issued by Cheung Kong Infrastructure Finance (BVI) Limited;
- In July, prepaid EUR450 million (approximately HK\$4,172 million) of a floating rate loan facility of EUR2,100 million maturing in October 2022;
- In July, prepaid EUR1,050 million (approximately HK\$9,734 million) of a floating rate loan facility of EUR2,100 million maturing in October 2024;
- In July, prepaid EUR100 million (approximately HK\$927 million) of a floating rate loan facility maturing in May 2023;
- In July, US\$300 million (approximately HK\$2,340 million) guaranteed perpetual capital securities guaranteed by CKI were issued by Cheung Kong Infrastructure Finance (BVI) Limited;
- In July, obtained a one year floating rate term loan facility of US\$1,800 million (approximately HK\$14,040 million);
- In September, repaid HK\$2,000 million of a floating rate term loan facility maturing in October 2021;
- In October, repaid US\$750 million (approximately HK\$5,850 million) principal amount of fixed rate notes on maturity;
- In October, repaid HK\$400 million of a fixed rate term loan on maturity;
- In November, repaid EUR1,500 million (approximately HK\$13,245 million) principal amount of fixed rate notes on maturity;
- In November, issued EUR500 million (approximately HK\$4,415 million) guaranteed notes due 2029 and EUR500 million (approximately HK\$4,415 million) guaranteed notes due 2033;
- In November, repaid a club loan facility of US\$110 million (approximately HK\$858 million) on maturity;
- In November, repaid HK\$300 million of a fixed rate term loan on maturity;
- In November, obtained a five year floating rate loan facility of AUD250 million (approximately HK\$1,394 million) and repaid a floating rate loan facility of the same amount on maturity; and
- In November, obtained a five year floating rate term loan facility of AUD550 million (approximately HK\$3,080 million).

Furthermore, the significant debt financing activity undertaken by the Group subsequent to the year ended 31 December 2021 was as follows:

- In January 2022, repaid US\$1,500 million (approximately HK\$11,700 million) principal amount of fixed rate notes on maturity.

Capital, Net Debt and Interest Coverage Ratios

The Group's total ordinary shareholders' funds and perpetual capital securities⁽⁶⁾ increased to HK\$537,212 million as at 31 December 2021, compared to HK\$518,975 million as at 31 December 2020, reflecting the profit for 2021 and other items recognised directly in reserves, partly offset by the Group's 2020 final and 2021 interim dividends and distributions paid.

As at 31 December 2021, the consolidated net debt of the Group, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, was HK\$168,169 million (31 December 2020 – HK\$185,298 million), a 9% decrease compared to the net debt at the beginning of the year primarily due to proceeds received from tower sales, partly offset by dividend payments, buy-back of issued shares, capital expenditure and investment spending. The Group's consolidated net debt to net total capital ratio⁽⁷⁾ was 20.3% as at 31 December 2021 (31 December 2020 – 22.2%). The Group's consolidated cash and liquid investments as at 31 December 2021 were sufficient to repay all of the Group's outstanding debt maturing before 31 December 2023 and cover 45% of outstanding debt due in 2024.

The Group's consolidated cash interest expenses and other finance costs of subsidiaries, before capitalisation and net of interest income of HK\$3,668 million (31 December 2020 – HK\$5,398 million) in 2021 was HK\$3,376 million (31 December 2020 – HK\$1,707 million). EBITDA of HK\$111,227 million (31 December 2020 – HK\$96,944 million) and FFO excluding net interest⁽⁸⁾ of HK\$57,884 million (31 December 2020 – HK\$57,250 million) for the year covered consolidated net interest expenses and other finance costs 31.9 times (31 December 2020 – 53.6 times) and 17.2 times (31 December 2020 – 33.5 times) respectively.

Note 6: Under Post-IFRS 16 basis, total ordinary shareholders' funds and perpetual capital securities as at 31 December 2021 was HK\$525,566 million (31 December 2020 – HK\$506,711 million).

Note 7: Under Post-IFRS 16 basis, net debt to net total capital ratio for 2021 was 20.5% (31 December 2020 – 22.7%).

Note 8: Under Post-IFRS 16 basis, FFO excluding net interest for 2021 was HK\$78,173 million (31 December 2020 – HK\$78,046 million).

Group Capital Resources and Liquidity

Secured Financing

At 31 December 2021, assets of the Group totalling HK\$1,440 million (31 December 2020 – HK\$1,411 million) were pledged as security for bank loans.

Borrowing Facilities Available

Committed borrowing facilities available to Group companies but not drawn at 31 December 2021 amounted to the equivalent of HK\$10,794 million (31 December 2020 – HK\$20,766 million).

Contingent Liabilities

At 31 December 2021, the Group provided guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures totalling HK\$5,058 million (31 December 2020 – HK\$7,022 million), of which HK\$4,602 million (31 December 2020 – HK\$6,246 million) has been drawn down as at 31 December 2021 and also provided performance and other guarantees of HK\$8,353 million (31 December 2020 – HK\$7,868 million).