

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 2022, approximately 34% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 66% were at fixed rates (31 December 2021 – 31% floating; 69% fixed). The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$21,360 million principal amount of floating interest rate borrowings that were used to finance long term investments to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 27% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 73% were at fixed rates at 31 December 2022 (31 December 2021 – 26% floating; 74% 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. Reported EBITDA ⁽¹⁾ for 2022 was HK\$119,010 million and, on a recurring basis (excluding the gain on disposal of tower assets completed in 2022, disposal gain from the Group's Indonesia telecommunication business merger, non-cash impairment of goodwill of the Group's telecommunication businesses in Italy and Sri Lanka and the Group's share of Cenovus Energy's non-cash impairment on certain refinery assets), 49% was derived from European operations, including 23% from the UK. At 31 December 2022, of the Group's total principal amount of bank and other debts after currency swap arrangements, 42% and 4% were denominated in Euro and British Pounds respectively, whilst liquid assets comprised 14% Euro and 7% British Pounds denominated cash and cash equivalents. As a result, 74% and 1% of the Group's consolidated net debt ⁽²⁾ of HK\$133,109 million were denominated in Euro and British Pounds respectively. Net assets ⁽³⁾ was HK\$660,554 million, with 17% and 21% attributable to Continental Europe and UK operations respectively.

At 31 December 2022, the Group's total principal amount of bank and other debts were denominated as follows: 35% in Euro, 49% in US dollars, 2% in HK dollars, 5% in British Pounds and 9% in other currencies. The Group had currency swap arrangements with banks to swap US dollar and British Pounds principal amount of borrowings equivalent to HK\$20,720 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, 43% in US dollars, 2% in HK dollars, 4% in British Pounds and 9% in other currencies.

For purposes of illustrating the Group's currency sensitivity, based on the recurring results for 2022, a 10% depreciation of British Pounds would result in a HK\$2.3 billion decrease in EBITDA, a HK\$0.5 billion decrease in NPAT, HK\$0.1 billion decrease in net debt and 0.3%-point increase on net debt to net total capital ratio. Similarly, a 10% depreciation of Euro would result in a HK\$2.5 billion decrease in EBITDA, a HK\$0.6 billion decrease in NPAT, HK\$9.8 billion decrease in net debt and 0.8%-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, S&P and Fitch at Baa1 (stable outlook), A- (stable outlook) and A- (stable outlook) respectively. CK Hutchison Group Telecom will seek to maintain its ratings by applying the same financial disciplines as the Group.

Market Price Risk

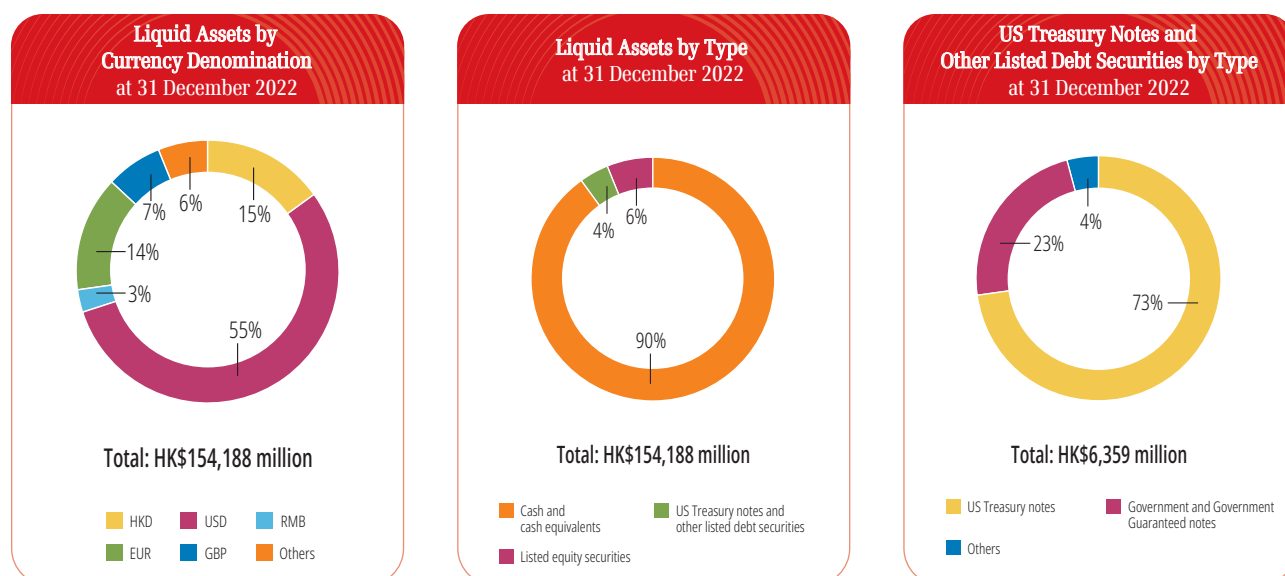
The Group's main market price risk exposures relate to listed debt and equity securities described in "Liquid Assets" below and the interest rate swaps described in "Interest Rate Exposure" above. The Group's holding of listed debt and equity securities represented approximately 10% (31 December 2021 – approximately 5%) 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 2022 was HK\$142,132 million (31 December 2021 – HK\$135,653 million).

Note 2: Under Post-IFRS 16 basis, consolidated net debt as at 31 December 2022 was HK\$132,042 million (31 December 2021 – HK\$166,893 million).

Note 3: Under Post-IFRS 16 basis, net assets as at 31 December 2022 was HK\$647,309 million (31 December 2021 – HK\$644,255 million).

Group Capital Resources and Liquidity



Liquid Assets

The Group continues to maintain a robust financial position. Liquid assets amounted to HK\$154,188 million at 31 December 2022, a decrease of 4% from the balance of HK\$161,360 million at 31 December 2021, 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, redemption of perpetual capital securities, 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 15% in HK dollars, 55% in US dollars, 3% in Renminbi, 14% in Euro, 7% in British Pounds and 6% in other currencies.

Cash and cash equivalents represented 90% (31 December 2021 – 95%) of the liquid assets, US Treasury notes and other listed debt securities 4% (31 December 2021 – 4%) and listed equity securities 6% (31 December 2021 – 1%). The US Treasury notes and other listed debt securities, including those held under managed funds, consisted of US Treasury notes of 73%, government and government guaranteed notes of 23% and others of 4%. Of these US Treasury notes and other listed debt securities, 99% are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 2.6 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 2022 was HK\$119,010 million, an increase of 7% compared to HK\$111,227 million last year. Consolidated funds from operations⁽⁴⁾ ("FFO") before cash profits from disposals, capital expenditures, investments and changes in working capital was HK\$47,040 million for 2022, a decrease of 14% against last year of HK\$54,508 million.

The Group's capital expenditures (including licences, brand name and other rights) for 2022 amounted to HK\$26,219 million (31 December 2021 – HK\$41,076 million). Capital expenditures (including licences, brand name and other rights) for the ports and related services division amounted to HK\$3,801 million (31 December 2021 – HK\$3,630 million); for the retail division HK\$2,387 million (31 December 2021 – HK\$2,525 million); for the infrastructure division HK\$477 million (31 December 2021 – HK\$367 million); for CK Hutchison Group Telecom HK\$19,069 million (31 December 2021 – HK\$30,289 million); for HAT HK\$349 million (31 December 2021 – HK\$4,110 million); and for the finance and investments and others segment HK\$136 million (31 December 2021 – HK\$155 million).

Note 4: Under Post-IFRS 16 basis, FFO for 2022 was HK\$61,294 million (31 December 2021 – HK\$71,264 million).

The Group's dividends received from associated companies and joint ventures for 2022 amounted to HK\$12,783 million (31 December 2021 – HK\$11,102 million). Dividends received from associated companies and joint ventures for the ports and related services division amounted to HK\$3,128 million (31 December 2021 – HK\$2,599 million); for the retail division HK\$1,635 million (31 December 2021 – HK\$1,977 million); for the infrastructure division HK\$6,368 million (31 December 2021 – HK\$5,937 million); for HAT HK\$415 million (31 December 2021 – nil); and for the finance and investments and others segment HK\$1,237 million (31 December 2021 – HK\$589 million).

The Group's purchases of and advances to associated companies and joint ventures for 2022 amounted to HK\$3,464 million (31 December 2021 – HK\$1,753 million). Purchases of and advances to associated companies and joint ventures for the ports and related services division amounted to HK\$77 million (31 December 2021 – HK\$39 million); for the retail division nil (31 December 2021 – HK\$22 million); for the infrastructure division HK\$168 million (31 December 2021 – HK\$1,569 million); for CK Hutchison Group Telecom HK\$46 million (31 December 2021 – HK\$54 million); for HAT HK\$3,019 million (30 December 2021 – nil); and for the finance and investments and others segment HK\$154 million (31 December 2021 – HK\$69 million).

Net cash inflow before financing activities ⁽⁵⁾ was HK\$37,863 million, an increase of 14% compared to HK\$33,102 million last year, reflecting favourable working capital movements, lower capital expenditures, partly offset by lower 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 2022 amounted to HK\$287,297 million (31 December 2021 – HK\$329,529 million) which comprises principal amount of bank and other debts of HK\$284,674 million (31 December 2021 – HK\$326,357 million) and unamortised fair value adjustments arising from acquisitions of HK\$2,623 million (31 December 2021 – HK\$3,172 million). The Group's total principal amount of bank and other debts at 31 December 2022 consist of 66% notes and bonds (31 December 2021 – 69%) and 34% bank and other loans (31 December 2021 – 31%). The Group's weighted average cost of debt for the year ended 31 December 2022 is 2.0% (31 December 2021 – 1.6%). Interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, totalled HK\$2,567 million as at 31 December 2022 (31 December 2021 – HK\$759 million).

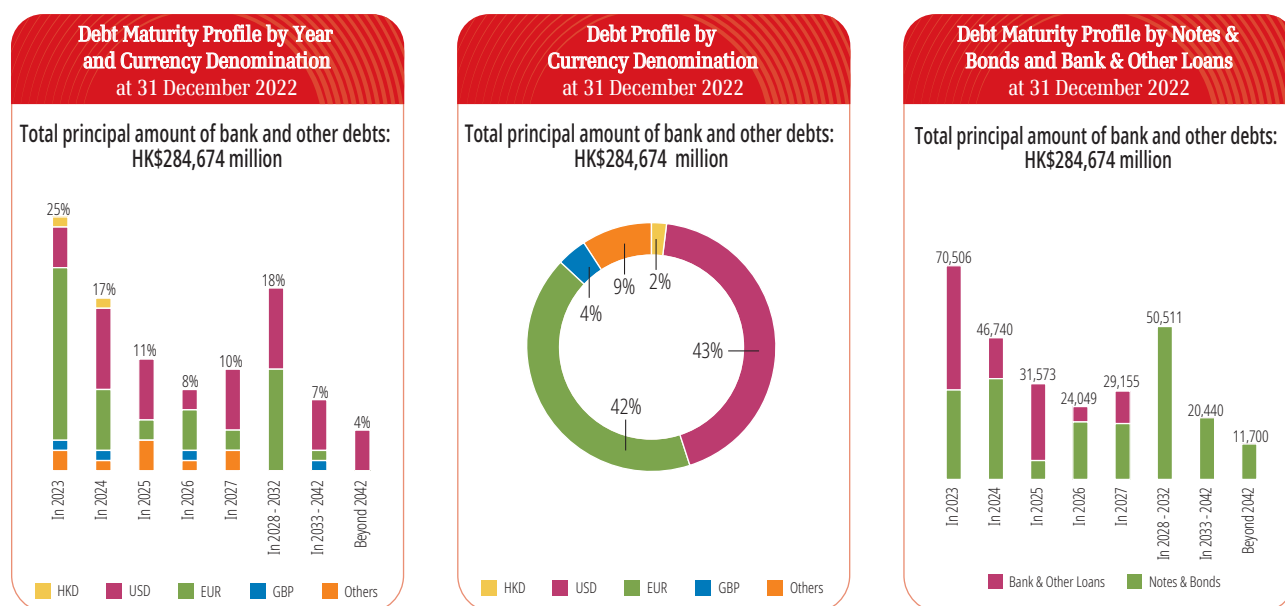
The maturity profile of the Group's total principal amount of bank and other debts at 31 December 2022 is set out below:

	HK\$	US\$	Euro	GBP	Others	Total
In 2023	1%	4%	17%	1%	2%	25%
In 2024	1%	8%	6%	1%	1%	17%
In 2025	–	6%	2%	–	3%	11%
In 2026	–	2%	4%	1%	1%	8%
In 2027	–	6%	2%	–	2%	10%
In 2028 – 2032	–	8%	10%	–	–	18%
In 2033 – 2042	–	5%	1%	1%	–	7%
Beyond 2042	–	4%	–	–	–	4%
Total	2%	43%	42%	4%	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 2022 was HK\$52,358 million (31 December 2021 – HK\$51,634 million).

Group Capital Resources and Liquidity



Changes in Debt Financing and Perpetual Capital Securities

The significant financing activities for the Group in 2022 were as follows:

- In January, repaid US\$1,500 million (approximately HK\$11,700 million) principal amount of fixed rate notes on maturity;
- In March, repaid AUD550 million (approximately HK\$3,136 million) of floating rate term loan on maturity and obtained a five year floating rate term loan facility of the same amount;
- In March, prepaid two floating rate loan facilities of HK\$1,650 million each maturing in May 2022;
- In March, repaid a floating rate term loan facility of US\$200 million (approximately HK\$1,560 million) on maturity;
- In March, obtained a three year floating rate term loan facility of SEK3,660 million (approximately HK\$3,074 million);
- In April, repaid a floating rate term loan facility of SEK4,300 million (approximately HK\$3,612 million) on maturity;
- In April, repaid a floating rate term loan facility of SEK1,800 million (approximately HK\$1,512 million) on maturity;
- In May, US\$1,000 million (approximately HK\$7,800 million) subordinated guaranteed perpetual capital securities issued were redeemed in full;
- In May, repaid two floating rate term loan facilities of AUD200 million (approximately HK\$1,118 million) and AUD300 million (approximately HK\$1,678 million) on maturity and obtained two five year floating rate loan facilities of AUD200 million (approximately HK\$1,118 million) and AUD300 million (approximately HK\$1,678 million);
- In May, repaid a floating rate term loan facility of AUD300 million (approximately HK\$1,677 million) on maturity and obtained a five year floating rate loan facility with the same amount;
- In May, obtained a three year floating rate term loan facility of US\$2,100 million (approximately HK\$16,380 million);
- In May, prepaid a floating rate term loan facility of US\$1,800 million (approximately HK\$14,040 million) maturing in July 2022;
- In June, repaid EUR750 million (approximately HK\$6,308 million) principal amount of fixed rate notes on maturity;
- In July, obtained a five year floating rate term loan facility of US\$322 million (approximately HK\$2,512 million);
- In September, obtained a five year floating rate term loan facility of US\$400 million (approximately HK\$3,120 million);
- In October, obtained a three year floating rate revolving credit facility of EUR300 million (approximately HK\$2,409 million); and
- In November, repaid US\$500 million (approximately HK\$3,900 million) principal amount of fixed rate notes on maturity.

Furthermore, the significant debt financing activity undertaken by the Group subsequent to the year ended 31 December 2022 was as follows:

- In February 2023, repaid a floating rate term loan facility of US\$1,300 million (approximately HK\$10,140 million) on maturity; and
- In February 2023, obtained a three year term loan facility of EUR800 million (approximately HK\$6,776 million).

Capital, Net Debt and Interest Coverage Ratios

The Group's total ordinary shareholders' funds and perpetual capital securities⁽⁶⁾ increased to HK\$537,530 million as at 31 December 2022, compared to HK\$537,212 million as at 31 December 2021, reflecting the profit for 2022, partly offset by the Group's 2021 final and 2022 interim dividends and distributions paid, redemption of perpetual capital securities and other items recognised directly in reserves.

Perpetual capital securities are optionally redeemable capital instruments and provides the Group an alternative source of non-dilutive capital to support its capital management objectives. The Group has issued these instruments since 2010 and remains committed to keeping a sufficient amount of such instruments outstanding in our capital structure as are required from time to time to support our current long term investment grade credit ratings and satisfy rating agencies requirements to continue to assign equity credit to such instruments. If the Group redeems such securities, it is the management's intention to replace such securities with instruments that are equally recognised as capital instrument by the credit rating agencies ahead of such redemption to the extent required for such purpose.

As at 31 December 2022, the consolidated net debt of the Group, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, was HK\$133,109 million (31 December 2021 – HK\$168,169 million), a 21% decrease compared to the net debt at the beginning of the year primarily due to proceeds received from tower sales and net cash generated from operating activities, partly offset by dividend payments, redemption of perpetual capital securities and capital expenditure and investment spending. The Group's consolidated net debt to net total capital ratio⁽⁷⁾ was 16.7% as at 31 December 2022 (31 December 2021 – 20.3%). The Group's consolidated cash and liquid investments as at 31 December 2022 were sufficient to repay all of the Group's outstanding debt maturing before 31 December 2025 and cover 22% of outstanding debt due in 2026.

The Group's consolidated cash interest expenses and other finance costs of subsidiaries, before capitalisation and net of interest income of HK\$5,049 million (31 December 2021 – HK\$3,668 million) in 2022 was HK\$1,768 million (31 December 2021 – HK\$3,376 million). EBITDA of HK\$119,010 million (31 December 2021 – HK\$111,227 million) and FFO excluding net interest⁽⁸⁾ of HK\$48,808 million (31 December 2021 – HK\$57,884 million) for the year covered consolidated net interest expenses and other finance costs 64.5 times (31 December 2021 – 31.9 times) and 27.6 times (31 December 2021 – 17.2 times) respectively.

Secured Financing

At 31 December 2022, assets of the Group totalling HK\$1,442 million (31 December 2021 – HK\$1,440 million) were pledged as security for bank loans.

Borrowing Facilities Available

Committed borrowing facilities available to Group companies but not drawn as at 31 December 2022 amounted to the equivalent of HK\$8,252 million (31 December 2021 – HK\$10,794 million).

Contingent Liabilities

At 31 December 2022, the Group provided guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures totalling HK\$4,856 million (31 December 2021 – HK\$5,058 million), of which HK\$4,623 million (31 December 2021 – HK\$4,602 million) has been drawn down as at 31 December 2022 and also provided performance and other guarantees of HK\$5,033 million (31 December 2021 – HK\$8,353 million).

Note 6: Under Post-IFRS 16 basis, total ordinary shareholders' funds and perpetual capital securities as at 31 December 2022 was HK\$528,074 million (31 December 2021 – HK\$525,566 million).

Note 7: Under Post-IFRS 16 basis, net debt to net total capital ratio for 2022 was 16.9% (31 December 2021 – 20.5%).

Note 8: Under Post-IFRS 16 basis, FFO excluding net interest for 2022 was HK\$65,296 million (31 December 2021 – HK\$78,173 million).