

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 2023, 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 2022 – 34% floating; 66% fixed). The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$3,461 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 32% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 68% were at fixed rates at 31 December 2023 (31 December 2022 – 27% floating; 73% 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 operations, except in relation to certain infrastructure investments.

The Group has operations in over 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 2023 was HK\$104,880 million, of which 49% was derived from European operations, including 21% from the UK. At 31 December 2023, of the Group's total principal amount of bank and other debts after currency swap arrangements, 34% and 4% were denominated in Euro and British Pounds respectively, whilst liquid assets comprised 23% Euro and 5% British Pounds denominated cash and cash equivalents. As a result, 46% and 3% of the Group's consolidated net debt ⁽²⁾ of HK\$131,810 million were denominated in Euro and British Pounds respectively. Net assets ⁽³⁾ was HK\$683,810 million, with 22% attributable to both Continental Europe and UK operations.

At 31 December 2023, the Group's total principal amount of bank and other debts were denominated as follows: 33% in Euro, 49% in US dollars, 5% in HK dollars, 5% in British Pounds and 8% in other currencies. The Group had currency swap arrangements with banks to swap British Pounds principal amount of borrowings equivalent to HK\$4,970 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: 34% in Euro, 49% in US dollars, 5% in HK dollars, 4% in British Pounds and 8% in other currencies.

For purposes of illustrating the Group's currency sensitivity, based on the results for 2023, a 10% depreciation of British Pounds would result in a HK\$2.2 billion decrease in EBITDA, a HK\$0.5 billion decrease in NPAT, HK\$0.4 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\$0.5 billion decrease in NPAT, HK\$6.1 billion decrease in net debt and 0.3%-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

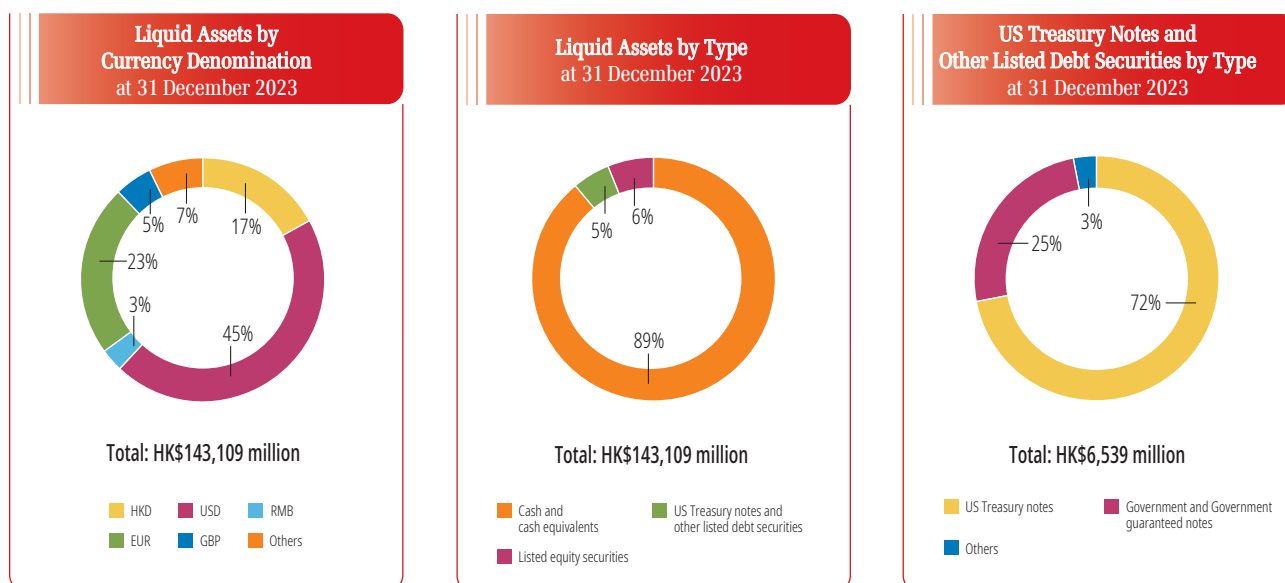
The Group's main market price risk exposures relate to listed debt and equity securities described in "Liquid Assets" below and the interest rate swaps described in "Interest Rate Exposure" above. The Group's holding of listed debt and equity securities represented approximately 11% (31 December 2022 – approximately 10%) 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 2023 was HK\$127,309 million (31 December 2022 – HK\$142,132 million).

Note 2: Under Post-IFRS 16 basis, consolidated net debt as at 31 December 2023 was HK\$130,585 million (31 December 2022 – HK\$132,042 million).

Note 3: Under Post-IFRS 16 basis, net assets as at 31 December 2023 was HK\$670,549 million (31 December 2022 – HK\$647,309 million).

Group Capital Resources and Liquidity



Liquid Assets

The Group continues to maintain a robust financial position. Liquid assets amounted to HK\$143,109 million at 31 December 2023, a decrease of 7% from the balance of HK\$154,188 million at 31 December 2022, 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, capital expenditure and investment spending, partly offset by cash arising from positive funds from operations from the Group's businesses and cash from new borrowings. Liquid assets were denominated as to 17% in HK dollars, 45% in US dollars, 3% in Renminbi, 23% in Euro, 5% in British Pounds and 7% in other currencies.

Cash and cash equivalents represented 89% (31 December 2022 – 90%) of the liquid assets, US Treasury notes and other listed debt securities 5% (31 December 2022 – 4%) and listed equity securities 6% (31 December 2022 – 6%). The US Treasury notes and other listed debt securities, including those held under managed funds, consisted of US Treasury notes of 72%, government and government guaranteed notes of 25% and others of 3%. All of these US Treasury notes and other listed debt securities are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 1.8 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 2023 was HK\$104,880 million, a decrease of 12% compared to HK\$119,010 million last year. Consolidated funds from operations⁽⁴⁾ ("FFO") before cash profits from disposals, capital expenditures, investments and changes in working capital was HK\$45,067 million for 2023, a decrease of 4% against last year of HK\$47,040 million.

The Group's capital expenditures (including licences, brand name and other rights) for 2023 amounted to HK\$25,510 million (31 December 2022 – HK\$26,219 million). Capital expenditures (including licences, brand name and other rights) for the ports and related services division amounted to HK\$5,521 million (31 December 2022 – HK\$3,801 million); for the retail division HK\$2,814 million (31 December 2022 – HK\$2,387 million); for the infrastructure division HK\$322 million (31 December 2022 – HK\$477 million); for CK Hutchison Group Telecom HK\$16,533 million (31 December 2022 – HK\$19,069 million); for HAT HK\$128 million (31 December 2022 – HK\$349 million); and for the finance and investments and others segment HK\$192 million (31 December 2022 – HK\$136 million).

Note 4: Under Post-IFRS 16 basis, FFO for 2023 was HK\$59,402 million (31 December 2022 – HK\$61,294 million).

The Group's dividends received from associated companies and joint ventures for 2023 amounted to HK\$11,388 million (31 December 2022 – HK\$12,783 million). Dividends received from associated companies and joint ventures for the ports and related services division amounted to HK\$2,326 million (31 December 2022 – HK\$3,128 million); for the retail division HK\$2,370 million (31 December 2022 – HK\$1,635 million); for the infrastructure division HK\$4,976 million (31 December 2022 – HK\$6,368 million); for HAT HK\$404 million (31 December 2022 – HK\$415 million); and for the finance and investments and others segment HK\$1,312 million (31 December 2022 – HK\$1,237 million).

The Group's purchases of and advances to associated companies and joint ventures for 2023 amounted to HK\$819 million (31 December 2022 – HK\$3,464 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 2022 – HK\$77 million); for the infrastructure division HK\$700 million (31 December 2022 – HK\$168 million); for CK Hutchison Group Telecom HK\$74 million (31 December 2022 – HK\$46 million); for HAT nil (30 December 2022 – HK\$3,019 million); and for the finance and investments and others segment HK\$6 million (31 December 2022 – HK\$154 million).

Net cash inflow before financing activities⁽⁵⁾ was HK\$21,534 million, a decrease of 43% compared to HK\$37,863 million last year, mainly due to proceeds from the disposal of tower assets in 2022, excluding which, net cash inflow before financing activities increased by 12%, reflecting lower capital expenditures, and higher loan repayment from associated companies and joint ventures, partly offset by decrease in EBITDA.

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 2023 amounted to HK\$274,919 million (31 December 2022 – HK\$287,297 million) which comprises principal amount of bank and other debts of HK\$272,626 million (31 December 2022 – HK\$284,674 million) and unamortised fair value adjustments arising from acquisitions of HK\$2,293 million (31 December 2022 – HK\$2,623 million). The Group's total principal amount of bank and other debts at 31 December 2023 consist of 67% notes and bonds (31 December 2022 – 66%) and 33% bank and other loans (31 December 2022 – 34%). The Group's weighted average cost of debt for the year ended 31 December 2023 is 3.2% (31 December 2022 – 2.0%). Interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, totalled HK\$3,245 million as at 31 December 2023 (31 December 2022 – HK\$2,567 million).

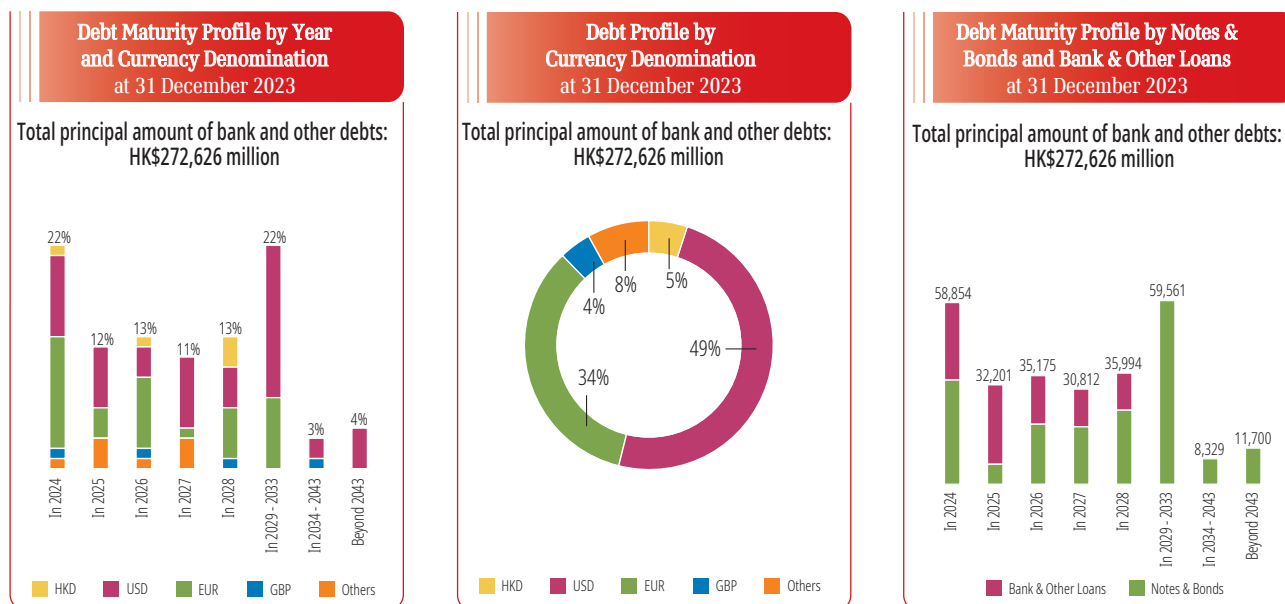
The maturity profile of the Group's total principal amount of bank and other debts at 31 December 2023 is set out below:

	HK\$	US\$	Euro	GBP	Others	Total
In 2024	1%	8%	11%	1%	1%	22%
In 2025	–	6%	3%	–	3%	12%
In 2026	1%	3%	7%	1%	1%	13%
In 2027	–	7%	1%	–	3%	11%
In 2028	3%	4%	5%	1%	–	13%
In 2029 – 2033	–	15%	7%	–	–	22%
In 2034 – 2043	–	2%	–	1%	–	3%
Beyond 2043	–	4%	–	–	–	4%
Total	5%	49%	34%	4%	8%	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 2023 was HK\$36,022 million (31 December 2022 – HK\$52,358 million).

Group Capital Resources and Liquidity



Changes in Debt Financing and Perpetual Capital Securities

The significant financing activities for the Group in 2023 were as follows:

- In February, repaid a floating rate term loan facility of US\$1,300 million (approximately HK\$10,140 million) on maturity;
- In February, obtained a three year term loan facility of EUR800 million (approximately HK\$6,776 million);
- In March, obtained a three year floating rate term loan facility of HK\$1,000 million;
- In March, repaid a floating rate term loan facility of HK\$1,000 million on maturity;
- In March, repaid US\$750 million (approximately HK\$5,850 million) principal amount of fixed rate notes on maturity;
- In April, obtained a three year floating rate term loan facility of US\$80 million (approximately HK\$624 million);
- In April, repaid a floating rate term loan facility of US\$90 million (approximately HK\$702 million) on maturity;
- In April, repaid EUR1,350 million (approximately HK\$11,624 million) principal amount of fixed rate notes on maturity;
- In April, issued US\$1,250 million (approximately HK\$9,750 million) guaranteed fixed rate notes due 2028 and US\$1,250 million (approximately HK\$9,750 million) guaranteed fixed rate notes due 2033;
- In April, prepaid a floating rate term loan facility of US\$128 million (approximately HK\$998 million) maturing in November 2023;
- In April, obtained a five year floating rate term loan facility of HK\$2,000 million;
- In May, repaid two floating rate term loan facilities of AUD350 million (approximately HK\$1,822 million) and AUD200 million (approximately HK\$1,041 million) on maturity;
- In June, repaid a floating rate term loan facility of US\$1,000 million (approximately HK\$7,800 million) on maturity;
- In June, obtained a five year floating rate revolving credit facility of HK\$2,000 million;
- In June, obtained a five year floating rate term loan facility of HK\$3,900 million;
- In September, obtained a 12-month floating rate term loan facility with option to extend for another 6 months of EUR1,500 million (approximately HK\$12,450 million);
- In October, repaid a floating rate term loan facility of HK\$1,000 million on maturity and obtained a three year floating rate term loan facility of the same amount;
- In October, repaid EUR1,500 million (approximately HK\$12,450 million) principal amount of fixed rate notes on maturity;
- In November, repaid a floating rate term loan facility of GBP250 million (approximately HK\$2,485 million) on maturity;
- In November, obtained a four and a half year floating rate term loan facility of GBP200 million (approximately HK\$1,998 million);
- In December, repaid a floating rate term loan facility of EUR1,000 million (approximately HK\$8,620 million) on maturity; and
- In December, obtained a three year floating rate term loan facility of EUR1,000 million (approximately HK\$8,620 million).

Furthermore, the significant debt financing activity undertaken by the Group subsequent to the year ended 31 December 2023 was as follows:

- In March 2024, repaid a floating rate term loan facility of US\$130 million (approximately HK\$1,014 million) on maturity.

Capital, Net Debt and Interest Coverage Ratios

The Group's total ordinary shareholders' funds and perpetual capital securities⁽⁶⁾ increased to HK\$557,997 million as at 31 December 2023, compared to HK\$537,530 million as at 31 December 2022, reflecting the profit for 2023 and other items recognised directly in reserves, partly offset by the Group's 2022 final and 2023 interim dividends and distributions paid.

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 in our capital structure as are required from time to time to support our current long term investment grade credit ratings. When such securities become redeemable, the Group will take into consideration a multitude of factors in order to determine whether to maintain, replace or redeem such securities.

As at 31 December 2023, the consolidated net debt of the Group, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, was HK\$131,810 million (31 December 2022 – HK\$133,109 million), a 1% decrease compared to the net debt at the beginning of the year mainly due to net cash generated from operating activities, partly offset by dividend payments, and capital expenditure and investment spending. The Group's consolidated net debt to net total capital ratio⁽⁷⁾ was 16.1% as at 31 December 2023 (31 December 2022 – 16.7%). The Group's consolidated cash and liquid investments as at 31 December 2023 were sufficient to repay all of the Group's outstanding debt maturing before 31 December 2026 and cover 55% of outstanding debt due in 2027.

The Group's consolidated cash interest expenses and other finance costs of subsidiaries, before capitalisation and net of interest income of HK\$8,448 million (31 December 2022 – HK\$5,049 million) in 2023 was HK\$1,128 million (31 December 2022 – HK\$1,768 million). EBITDA of HK\$104,880 million (31 December 2022 – HK\$119,010 million) and FFO excluding net interest⁽⁸⁾ of HK\$46,195 million (31 December 2022 – HK\$48,808 million) for the year covered consolidated net interest expenses and other finance costs 85.5 times (31 December 2022 – 64.5 times) and 41.0 times (31 December 2022 – 27.6 times) respectively.

Secured Financing

At 31 December 2023, assets of the Group totalling HK\$1,533 million (31 December 2022 – HK\$1,442 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 2023 amounted to the equivalent of HK\$12,730 million (31 December 2022 – HK\$8,252 million).

Contingent Liabilities

At 31 December 2023, the Group provided guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures totalling HK\$4,560 million (31 December 2022 – HK\$4,856 million), of which HK\$3,661 million (31 December 2022 – HK\$4,623 million) has been drawn down as at 31 December 2023 and also provided performance and other guarantees of HK\$4,115 million (31 December 2022 – HK\$5,033 million).

Note 6: Under Post-IFRS 16 basis, total ordinary shareholders' funds and perpetual capital securities as at 31 December 2023 was HK\$548,601 million (31 December 2022 – HK\$528,074 million).

Note 7: Under Post-IFRS 16 basis, net debt to net total capital ratio for 2023 was 16.2% (31 December 2022 – 16.9%).

Note 8: Under Post-IFRS 16 basis, FFO excluding net interest for 2023 was HK\$63,037 million (31 December 2022 – HK\$65,296 million).