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**CK ASSET HOLDINGS LIMITED**

**長江實業集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1113)

## THE CHAIRMAN'S STATEMENT FOR 2019

### HIGHLIGHTS

	2019	2018	Change
<b>Underlying profit<sup>Note 1</sup> per share</b>	<b>HK\$7.78</b>	HK\$6.53	+19%
<b>Underlying profit<sup>Note 1</sup> (HK\$ million)</b>	<b>28,729</b>	24,134	
<b>Investment property ("IP") revaluation and disposal<sup>Note 2</sup> (per share)</b>	<b>HK\$0.11</b>	HK\$4.32	
<b>IP revaluation and disposal<sup>Note 2</sup> (HK\$ million)</b>	<b>405</b>	15,983	
<b>Reported earnings<sup>Note 3</sup> per share</b>	<b>HK\$7.89</b>	HK\$10.85	-27%
<b>Reported earnings<sup>Note 3</sup> (HK\$ million)</b>	<b>29,134</b>	40,117	
<b>Final dividend per share</b>	<b>HK\$1.58</b>	HK\$1.43	+10.5%
<b>Full year dividend per share</b>	<b>HK\$2.10</b>	HK\$1.90	+10.5%

*Note 1 : Underlying profit, a non-IFRS measure, represents profit before taking into account IP revaluation and disposal and shows the underlying performance of the Group without taking into account IP revaluation and gain on disposal of IP.*

*Note 2 : The IP revaluation and disposal amounts are after tax and non-controlling interests.*

*Note 3 : Reported earnings represent profit attributable to shareholders.*

### PROFIT FOR THE YEAR

The Group's underlying profit <sup>Note 1</sup> per share (before taking into account investment property revaluation and disposal) for the year ended 31 December 2019 was HK\$7.78 (2018 – HK\$6.53), an increase of 19% as compared to last year. Investment property revaluation and disposal after tax and non-controlling interests amounted to HK\$405 million. Reported earnings per share were HK\$7.89 (2018 – HK\$10.85), a decrease of 27% as compared to last year, mainly due to a substantial gain on disposal of an investment property, The Center, in last year's results.

### DIVIDEND

The Directors recommend the payment of a final dividend of HK\$1.58 per share in respect of 2019 to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 20 May 2020. This together with the interim dividend of HK\$0.52 per share paid on 12 September 2019 gives a total of HK\$2.10 per share for the year (2018 – HK\$1.90 per share). The proposed final dividend will be paid on Friday, 29 May 2020 following approval at the 2020 Annual General Meeting.

## **PROSPECTS**

### **Growth in Asset Values through Quality Earnings Enhancement based on Solid Foundations**

#### **Business Review**

CK Asset Holdings Limited achieved a solid performance in line with expectations in 2019 amid a challenging macro environment full of uncertainties. Hong Kong in particular was confronted by unprecedented challenges, and some of our local businesses were affected by various disruptions in the second half of the year. The Group remained resilient and continued to achieve growth by adopting a prudent investment strategy in its pursuit of global investment opportunities. Through the gradual enhancement of its recurrent income base and a further improvement in the quality of earnings, the Group continued to create long-term sustainable value for its shareholders.

#### ***Property Sales***

The property market in Hong Kong was affected by social incidents during the year. Nevertheless, continuing demand for residential properties, coupled with low global interest rates and the relaxation of the cap on the value of the properties under the mortgage insurance programme announced by the Hong Kong Government in October, supported the local property market. With the recognition of profit from the sales of Ocean Pride and Ocean Supreme, My Central and Harbour Glory, a significant increase in property sale contribution was recorded in 2019 as compared to last year. On the Mainland, property sales momentum slowed due to market conditions and the Group's project completion schedule on the Mainland was adjusted accordingly. The Central Government's long-term regulatory mechanism and its directive "housing for residents and not speculators" supported steady market development.

### ***Property Rental***

Revenue from property rental was slightly less than that of last year. 5 Broadgate in London made its first full-year contribution of rental income to the Group in 2019, which partially offset the loss of rental income due to the disposal of The Center in 2018 and the redevelopment of Hutchison House which commenced in 2019. The redevelopment programme is on track and Hutchison House is well-positioned to become a landmark modern Grade A office building in Central. OP Mall along the West Rail Line in Tsuen Wan will be officially opened in the second half of 2020 and pre-leasing response has been encouraging. With a gross floor area of over 430,000 sq. ft., it is expected to contribute rental income in due course. The Group will continue to evaluate acquisition opportunities and optimise its portfolio for steady income yield and long-term capital growth.

### ***Hotel and Serviced Suite Operation***

While contributions from serviced suite operation remained stable, hotel operation was significantly impacted by a decline in visitor arrivals and market sentiment in the second half of the year. An overall decrease in contribution amounting to approximately 2% of underlying profit was recorded as compared to last year. The operation is expected to face increasing pressure in the coming year. The new extension of Harbour Grand Kowloon in Hung Hom debuted in August 2019, and Hotel Alexandra in North Point is expected to welcome guests in the first half of 2020. These two hotel projects add approximately 1,200 rooms to the portfolio. At the year end date, the Group's hotel and serviced suite portfolio comprised approximately 15,000 rooms.

### ***Aircraft Leasing***

The aircraft leasing business underwent a rebranding exercise to streamline and strengthen its global leasing platform. The new brand, AMCK Aviation, is focused on delivering expertise and long-term stability for customers and partners. With solid operational performance in 2019, profit contribution from aircraft leasing for the year amounted to HK\$1,515 million as lease income improved over last year due to an increase in the number of aircraft. In view of the current conditions in the travel and tourism sector, the Group will continue to manage its operation prudently and maintain a diligent and conservative approach when determining its development strategy in the years to come.

### ***Pub Operation***

In October 2019, the Group acquired Greene King, a leading integrated brewer and pub retailer in the United Kingdom which, prior to acquisition, was listed on the London Stock Exchange. Greene King operates over 2,700 pubs, restaurants and hotels across England, Wales and Scotland and has a rich heritage, strong real estate backing and a healthy financial profile. This newly acquired business has started to make profit contribution to the Group.

### ***Infrastructure and Utility Asset Operation***

Infrastructure and utility asset operation is a key contributor of steady recurrent income to the Group. CK William Group contributed HK\$1,548 million from its businesses comprising electricity distribution, gas transmission and distribution, as well as the provision of electricity generation solutions for remote customers in Australia and other countries. Reliance Home Comfort contributed HK\$1,086 million from its building equipment and services business in Canada. ista contributed HK\$1,260 million from its fully integrated energy management services business in Europe. The economic benefits of infrastructure businesses received by the Group under an economic benefits agreement contributed HK\$630 million. The Group will continue to source global diversified infrastructure and utility assets, and related investments to strengthen quality cash flows and enhance the overall portfolio value.

## **Outlook**

The sudden and rapid spread of the novel coronavirus across the globe covering Asia, the United States, Europe and the Middle East is expected to put pressure on most economies due to disruption of business activities and weakened sentiment in the consumption and tourism related sectors. The recent plunge in global oil prices will add to the woes resulting from the pandemic, severely upsetting the economic growth of most countries which are already on a slow growth trajectory. Despite the agreement of a phase one deal in early 2020 between China and the United States and low global interest rates, uncertainties concerning Brexit and other factors remain and warrant caution.

China maintained its real GDP growth at above 6% in 2019, but is expected to face various challenges in the coming year due to the pandemic and its inevitable impact on the economy and society. However, with long-term positive economic fundamentals and given the Central Government's policies to stabilise the economy, China is expected to make a swift recovery with GDP growth at a pace faster than other major nations once the pandemic is over.

Hong Kong's economy has been unavoidably affected by internal and external uncertainties. The property sector in Hong Kong is expected to face varying degrees of challenges. Changes in market conditions and local housing policies will continue to be determining factors. Hong Kong should prepare itself to capture different opportunities following the recovery of the economy on the Mainland. Underlying housing demand and purchasing power will support steady development of the property market over the long term.

The Group has in recent years vigorously pursued quality investment opportunities in and outside of Hong Kong with stable recurrent revenue and growth potential in order to improve the quality of earnings as well as cash flow, and increase the proportion of recurrent income contribution. The Group's investment strategies have proven to be effective, and quality recurring income is expected to increase over time. In the midst of the current economic turmoil, the Group will adhere to its motto "Advancing Without Forgoing Stability". As the Group continues to explore new investment opportunities and grow organically around the world, Hong Kong and the Mainland will remain important markets for the Group.

The Group has maintained “A/Stable” and “A2 Stable” credit ratings from Standard & Poor’s and Moody’s respectively. As at the year end date, the Group has a net debt to net total capital ratio of 5.2%. With solid financials and recurrent profit contribution and cash flow from diversified businesses across sectors and geographies, the Group is well-equipped to seize global growth opportunities and participate in Hong Kong’s recovery when the time comes. The Group remains cautiously proactive about its future plans.

The unrest and the austere challenges posed to Hong Kong by months of social incidents since mid-2019 have been aggravated by the pandemic, and this has resulted in economic impact and communal anxiety. 2020 will be a difficult year especially for certain business sectors such as hotel, tourism, retail, catering and property. Nonetheless, Hong Kong’s overall fundamental strengths remain solid, and the city has in the past demonstrated determination and resilience in the face of adversity and during times of virus outbreak. Coupled with the backing of the Mainland in sustainable economic development, Hong Kong is expected to weather the present difficulties and overcome the challenges. Recovery of economic momentum and restoration of domestic and international confidence in Hong Kong will take time, and require supporting policies of the Government as well as the community working together as a whole.

### **Acknowledgement**

Intelligent, creative, dedicated, experienced and loyal employees are the Group’s most valuable asset in this extremely competitive and challenging global environment. I take this opportunity to thank our colleagues on the Board and diligent employees for their hard work, loyal service and contributions during the year.

**Victor T K Li**  
Chairman

Hong Kong, 19 March 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Major Business Activities

#### 1. Developments Completed during 2019:

Name	Location	Gross Floor Area (sq.ft.)	Group's Interest
Harbour Glory and Hotel Alexandra	Inland Lot No. 8920	755,626	100%
Stars of Kovan	Upper Serangoon Road, Singapore	326,063	100%
Upper West Shanghai Phase 3 Tender 1, Phase 4 Tender 1 and Phase 5	Putuo District, Shanghai	3,540,203	60%
La Grande Ville Phase 5	Shun Yi District, Beijing	582,216	100%
Noble Hills Phase 4B	Wangcheng District, Changsha	882,898	100%
Regency Hills Land Nos. 13B and 14 (except Block 14)	Yangjiashan, Nanan District, Chongqing	1,978,012	95%
Noble Hills Phase 2B	Zengcheng, Guangzhou	290,518	100%
Regency Cove Phase 2A	Caidian District, Wuhan	727,959	100%
Chelsea Waterfront West Tower	Chelsea/Fulham, London	157,004	95%

## 2. Developments in Progress and Scheduled for Completion in 2020:

<b>Name</b>	<b>Location</b>	<b>Gross Floor Area (sq.ft.)</b>	<b>Group's Interest</b>
Borrett Road Project Phase 2	Inland Lot No. 8949	149,123	100%
Seaside Sonata	New Kowloon Inland Lot No. 6506	595,702	Joint Venture
Yuhu Mingdi Phase 3	Huangpu District, Guangzhou	453,680	80%
Upper West Shanghai Phase 2 Tender 3, Phase 3 Tender 2 and Phase 4 Tender 2	Putuo District, Shanghai	2,740,146	60%
La Grande Ville Phase 5	Shun Yi District, Beijing	487,766	100%
Le Parc Phases 7B and 8A	Chengdu High-Tech Zone, Chengdu	1,013,582	100%
Regency Hills Land No. 14 (Block 14)	Yangjiashan, Nanan District, Chongqing	299,538	95%
Laguna Verona Phases D2c, G1b / G2a Zone 3 and G2b Zone 1	Hwang Gang Lake, Dongguan	3,670,113	99.8%
Noble Hills Phases 3A and 3B	Zengcheng, Guangzhou	1,416,938	100%
Emerald Cove Phase 1	Daya Bay, Huizhou	1,288,460	100%
Regency Garden Phase 5B-1	Pudong New District, Shanghai	330,549	85%
Emerald Cove	Wuguishan, Zhongshan	677,415	100%



### 3. New Acquisitions and Joint Developments and Other Major Events:

- (1) March 2019: A wholly-owned subsidiary of the Group (“CKA Sub”), a wholly-owned subsidiary of CK Hutchison Holdings Limited (“CK Hutchison”) and CK Hutchison entered into a supplemental agreement to the economic benefits agreement as described in the Company’s announcement on 31 August 2018, pursuant to which CK Hutchison will provide CKA Sub with certain ancillary voting arrangements and director nomination rights in the relevant holding companies of certain relevant businesses.
- (2) March 2019: The Group reached a land exchange agreement with the Government in respect of the site at Tung Yuen Street and Shung Yiu Street alongside the adjoining government land, Yau Tong (to be known as Yau Tong Inland Lot No. 45) for an area of approximately 83,668 sq.ft. The site is designated for private residential development and estimated to have a developable gross floor area of approximately 418,339 sq.ft. The Agreement and Conditions of Exchange in respect of Yau Tong Inland Lot No. 45 has subsequently been entered into in June 2019.
- (3) August 2019: The Company, through a wholly-owned subsidiary of the Group, acquired the entire issued and to be issued share capital of Greene King plc (“Greene King”, whose shares were at the time listed on the London Stock Exchange plc) (the “Acquisition”) by a scheme of arrangement (the “Scheme”) under Part 26 of the Companies Act 2006 of the United Kingdom (“UK”) with total consideration of approximately GBP2.7 billion (equivalent to approximately HK\$25.2 billion) as described in the Company’s announcement on 19 August 2019. The Acquisition and the Scheme were completed in October 2019. Greene King is the UK’s leading integrated brewer and pub retailer operating over 2,700 pubs, restaurants and hotels across England, Wales and Scotland.
- (4) November 2019: AMCK Aviation Holdings Ireland Limited (“AMCK”, an aircraft leasing joint venture company which is indirectly owned by the Company as to 50%) (as borrower) and the Company (as guarantor) entered into three separate loan facility agreements (the “Facility Agreements”) with three separate financial institutions (“Lenders”) for total loan facilities of up to US\$550 million for five and/or three years respectively, pursuant to which the Company has agreed to guarantee to each Lender all of AMCK’s payment and other obligations under respective Facility Agreements (the “Guarantees”). For provision of the Guarantees, AMCK agreed to indemnify the Company for payment made by the Company under the Facility Agreements and pay to the Company a guarantee fee calculated at 0.45% per annum under three separate guarantee fee agreements as described in the Company’s announcement on 25 November 2019.

- (5) December 2019: Two wholly-owned subsidiaries of the Group accepted the offer of compensation for the resumption of their agricultural land made by the Government in respect of various lots in D.D. 92 and D.D. 95 for the development of Kwu Tung North New Development Area.

## Property Sales

Revenue of property sales (including share of joint ventures) recognised for the year was HK\$64,108 million (2018 – HK\$34,767 million), comprising mainly (i) sales of residential units of The Zumurud, Ocean Pride, Ocean Supreme, My Central and Harbour Glory in Hong Kong; (ii) sales of residential and commercial projects on the Mainland including Laguna Verona in Dongguan, Noble Hills in Guangzhou, The Harbourfront in Qingdao, Hupan Mingdi in Shanghai, Regency Hills in Chongqing, Regency Cove in Wuhan and a project in Dalian; (iii) sales of residential units of Chelsea Waterfront in the United Kingdom; and (iv) sales of residential and commercial units of Stars of Kovan in Singapore, and is summarised by location as follows:

Location	<b>2019</b> HK\$ Million	2018 HK\$ Million
Hong Kong	<b>50,020</b>	11,497
The Mainland	<b>13,059</b>	22,142
Overseas	<b>1,029</b>	1,128
	<b>64,108</b>	34,767

Contribution from property sales for the year amounted to HK\$21,372 million (2018 – HK\$12,003 million) and is summarised by location as follows:

Location	<b>2019</b> HK\$ Million	2018 HK\$ Million
Hong Kong	<b>18,982</b>	3,580
The Mainland	<b>2,074</b>	7,783
Overseas	<b>316</b>	640
	<b>21,372</b>	12,003

The presales of residential units of Seaside Sonata in Hong Kong and various projects on the Mainland including Upper West Shanghai in Shanghai, Laguna Verona in Dongguan, Noble Hills in Guangzhou and Regency Hills in Chongqing are progressing well. Contribution to profit is expected upon completion of these projects.

Property sales contracted (including share of joint ventures) but not yet recognised at 31 December 2019 are as follows:

Location	Scheduled for Sales Recognition		
	In 2020 HK\$ Million	After 2020 HK\$ Million	Total HK\$ Million
Hong Kong	1,809	6,887	8,696
The Mainland	9,833	8,467	18,300
Overseas	2,267	35	2,302
	13,909	15,389	29,298

At the year end date, the Group had a development land bank (including developers' interests in joint development projects but excluding agricultural land and completed properties) of approximately 92 million sq.ft., of which 4 million sq.ft., 84 million sq.ft. and 4 million sq.ft. were located in Hong Kong, on the Mainland and overseas respectively.

## Property Rental

Revenue of property rental (including share of joint ventures) for the year was HK\$7,450 million (2018 – HK\$7,635 million) and comprised rental income derived from leasing of office, retail, industrial and other properties as follows:

Use of Property	2019	2018
	HK\$ Million	HK\$ Million
Retail	3,357	3,334
Office	2,926	3,132
Industrial	736	722
Others	431	447
	7,450	7,635

The Group's investment properties are primarily located in Hong Kong including Cheung Kong Center, China Building and Hutchison House (currently under redevelopment) in Central, 1881 Heritage in Tsimshatsui, Whampoa Garden in Hunghom, Hutchison Logistics Centre in Kwai Chung and others.

Contribution from property rental for the year amounted to HK\$6,897 million (2018 – HK\$6,930 million) and is summarised by location as follows:

Location	2019 HK\$ Million	2018 HK\$ Million
Hong Kong	5,466	5,706
The Mainland	649	638
Overseas	782	586
	<b>6,897</b>	<b>6,930</b>

At the year end date, the Group had an investment property portfolio of approximately 16 million sq.ft. (including share of joint ventures but excluding car parking spaces) as follows:

Location	Retail Million sq.ft.	Office Million sq.ft.	Industrial Million sq.ft.	Total Million sq.ft.
Hong Kong	3	3	7	13
The Mainland	1	1	-	2
Overseas	-	1	-	1
	4	5	7	16

An increase in fair value of investment properties of HK\$228 million (2018 – HK\$3,993 million) was recorded at 31 December 2019 based on a professional valuation using capitalisation rates ranging from approximately 4% to 8%.

## Hotel and Serviced Suite Operation

Revenue of hotel and serviced suite operation (including share of joint ventures) for the year was HK\$4,185 million (2018 – HK\$5,152 million), a decrease of HK\$967 million when compared with last year as hotel operation had been adversely affected by the social unrest in Hong Kong which started in mid 2019, and mainly comprised revenue of Harbour Grand Hotels, Harbour Plaza Hotels & Resorts, and Horizon Hotels & Suites operated by the Group in Hong Kong.

Contribution from hotel and serviced suite operation for the year amounted to HK\$1,345 million (2018 – HK\$1,924 million), after depreciation on properties, and is summarised by location as follows:

Location	<b>2019</b> HK\$ Million	2018 HK\$ Million
Hong Kong	<b>1,371</b>	1,978
The Mainland	<b>(26)</b>	(21)
Overseas	-	(33)
	<b>1,345</b>	1,924

The Group's hotel and serviced suite properties are mostly located in Hong Kong and provide approximately 15,000 rooms for guest accommodation. An overall average occupancy rate of 89.5% was recorded in the first half year and was declined to 71.3% in the second half year. The average operating profit per square foot for the full year was HK\$19 per month, representing an annual yield of 16.3% on the carrying amount of hotel and serviced suite properties in operation at 31 December 2019.

The development of Hotel Alexandra, an 840-room hotel in Hong Kong, has been completed and a soft opening will soon take place.

## Property and Project Management

Revenue of property and project management (including share of joint ventures) for the year was HK\$868 million (2018 – HK\$884 million) and mainly comprised management fees received for provision of property management and related services to properties developed by the Group.

Contribution from property and project management for the year amounted to HK\$362 million (2018 – HK\$371 million) and is summarised by location as follows:

Location	<b>2019</b> HK\$ Million	2018 HK\$ Million
Hong Kong	<b>277</b>	261
The Mainland	<b>61</b>	71
Overseas	<b>24</b>	39
	<b>362</b>	371

At the year end date, the total floor area of completed properties managed by the Group was approximately 274 million sq.ft. and this is expected to grow steadily following gradual completion of property development projects in the years ahead. The Group is committed to providing high quality services to the properties under its management.

## Aircraft Leasing

Revenue of aircraft leasing (including share of joint ventures) for the year was HK\$3,192 million (2018 – HK\$2,949 million), an increase of HK\$243 million when compared with last year as more aircraft were acquired, and comprised income derived from leasing of narrow body aircraft and wide body aircraft to airlines.

Contribution from aircraft leasing for the year amounted to HK\$1,515 million (2018 – HK\$1,276 million), after depreciation on aircraft, and is summarised with reference to lessee's location of operation as follows:

Location	<b>2019</b> HK\$ Million	2018 HK\$ Million
Asia	<b>481</b>	518
Europe	<b>438</b>	300
North America	<b>388</b>	302
Latin America	<b>208</b>	156
	<b>1,515</b>	1,276

At the year end date, the Group (including interest in joint ventures) owned 129 narrow body aircraft and 5 wide body aircraft with an average age of 6 years and an average remaining lease term of 4.7 years, and had commitments (including share of joint ventures) of approximately HK\$12.3 billion for acquisition of 30 aircraft.

## Pub Operation

In October 2019, the Group successfully completed the acquisition of Greene King, a leading integrated brewer and pub retailer operating over 2,700 pubs, restaurants and hotels across England, Wales and Scotland.

The operation of Greene King is split into three divisions:

Division	Operation
Pub Company	Operates a range of food-focused destination pubs and restaurants and community-focused local pubs
Pub Partners	Owns a quality portfolio of mainly drink-led pubs which are run as leased or franchised pubs
Brewing & Brands	Sells and distributes a wide range of beers including a portfolio of leading ale brands brewed in its own breweries

Revenue and contribution of Greene King's operation for the year, after it became subsidiaries in October 2019, amounted to HK\$3,611 million and HK\$555 million respectively.

## Infrastructure and Utility Asset Operation

The Group has interests in the following joint ventures which operate infrastructure and utility asset businesses:

	Principal Activity	Interest
CK William JV	An owner and operator of energy utility assets in Australia, the United States, Canada and the United Kingdom	40%
CKP (Canada) JV	A building equipment and service provider under the consumer brand identity of "Reliance Home Comfort" in Canada	75%
Sarvana JV	A fully integrated energy management service provider operated by ista Group in Europe	65%

and shared the revenue of these joint ventures for the year as follows:

	<b>2019</b>	2018
	<b>HK\$ Million</b>	HK\$ Million
CK William JV	<b>4,158</b>	4,355
CKP (Canada) JV	<b>3,542</b>	3,376
Sarvana JV	<b>5,205</b>	5,363
	<b>12,905</b>	13,094

The Group has also invested in the economic benefits of the following infrastructure and utility asset businesses since October 2018:

	Principal Activity	Interest in Economic Benefit
Park'N Fly	An off-airport car park provider in Canada	20%
UK Rails	A rolling stock operating company in the United Kingdom	20%
Northumbrian Water	A regulated water and sewerage company in England and Wales	16%
Dutch Enviro Energy	An energy-from-waste company in the Netherlands	14%
Wales & West Gas Networks	A gas distributor that serves Wales and the South West of England	12%
Australian Gas Networks	A distributor of natural gas in Australia	11%

Profit contribution from investments in infrastructure and utility assets for the year amounted to HK\$4,524 million (2018 – HK\$4,034 million), and is summarised by location as follows:

	Australia	Europe	North America	<b>2019</b> <b>Total</b> <b>HK\$ Million</b>	2018 <b>Total</b> <b>HK\$ Million</b>
CK William JV	1,490	18	40	<b>1,548</b>	1,605
CKP (Canada) JV	-	-	1,086	<b>1,086</b>	1,021
Sarvana JV	-	1,260	-	<b>1,260</b>	1,299
Other investments	83	536	11	<b>630</b>	109
	1,573	1,814	1,137	<b>4,524</b>	4,034



## Interests in Real Estate Investment Trusts

At the year end date, the Group had equity interests in the following listed real estate investment trusts (“REITs”):

	Principal Activity	Equity Interest
Hui Xian REIT	Investment in hotels and serviced suites, office and retail properties on the Mainland	32.2%
Fortune REIT	Investment in retail properties in Hong Kong	27.1%
Prosperity REIT	Investment in office, retail and industrial properties in Hong Kong	18.3%

The Group shared a profit of HK\$175 million (2018 – HK\$218 million) based on results for the year reported by Hui Xian REIT, an associate, and received cash distributions in the amount of HK\$517 million (2018 – HK\$583 million) during the year.

For Fortune REIT and Prosperity REIT, cash distributions received in the total amount of HK\$319 million (2018 – HK\$320 million) were recognised as investment income for the year and an increase in value of HK\$85 million based on market closing price at 31 December 2019 was accounted for as gain on financial instruments (2018 – loss of HK\$453 million on financial instruments).

## **FINANCIAL REVIEW**

### **Liquidity and Financing**

The Group monitors its liquidity requirements on a short to medium term basis and arranges bank and other borrowings accordingly.

At the year end date, the Group's bank and other loans amounted to HK\$80.1 billion, an increase of HK\$10.6 billion when compared with bank and other loans at 31 December 2018. The maturity profile was spread over a period of 17 years, with HK\$6.8 billion repayable within 1 year, HK\$51.8 billion within 2 to 5 years and HK\$21.5 billion beyond 5 years.

The Group's net debt to net total capital ratio at 31 December 2019 was approximately 5.2%. Net debt is arrived at by deducting bank balances and deposits of HK\$60.3 billion from bank and other loans, and net total capital is the aggregate of total equity and net debt.

With plenty of cash on hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

### **Treasury Policies**

The Group maintains a conservative approach on foreign exchange exposure management and borrows principally on a floating rate basis. The Group manages and reviews its exposure to foreign exchange rates and interest rates on a regular basis. For investment overseas and at times of exchange rate and interest rate uncertainty or volatility, hedging instruments including swaps and forwards are used in the management of exposure to foreign exchange rate and interest rate fluctuations.

At the year end date, 58.5% of the Group's borrowings were in HK\$ and US\$, and borrowings in RMB, AUD and GBP had been arranged for property projects on the Mainland, investments in infrastructure and utility asset operation in Australia and pub operation in the United Kingdom. The Group derives its revenue from property businesses mainly in HK\$ and RMB and maintains bank balances and deposits substantially in HK\$ and RMB. Income in foreign currencies is generated by overseas investments and operations, and cash in these foreign currencies is maintained for operational requirements.

## **Charges on Assets**

At the year end date, properties amounting to HK\$16,021 million (2018 – HK\$13,393 million) were charged to secure bank loans arranged for property development projects on the Mainland and properties amounting to HK\$37,058 million were charged to secure other borrowings arranged for pub operation in the United Kingdom.

## **Contingent Liabilities**

At the year end date, the Group provided guarantees for (i) revenue shared by land owner of a hotel project amounting to HK\$521 million (2018 – HK\$536 million); (ii) mortgage loans provided by banks to purchasers of properties developed and sold by the Group on the Mainland amounting to HK\$1,975 million (2018 – HK\$3,005 million); and (iii) loans provided by banks to a joint venture amounting to HK\$3,502 million.

## **Employees**

At the year end date, the Group (including its subsidiaries) employed approximately 56,000 employees and remuneration for the year (excluding directors' emoluments) amounted to approximately HK\$6,525 million. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group does not have any share option scheme for employees.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE CODE**

The Board of Directors (“Board”) and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

The Company had applied the principles and complied with all code provisions (except as stated below) and, where applicable, the recommended best practices of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the year ended 31 December 2019. In respect of code provision A.2.1 of the CG Code, the positions of the Chairman of the Board and the Managing Director are held by the same individual, namely, Mr. Victor T K Li. Although the positions of the Chairman and the Managing Director are not separately held, the Board is of the view that this is the most appropriate arrangement in the interest of the shareholders as a whole at present. All major decisions will, in accordance with current practice, be continued to be made in consultation with members of the Board and relevant board committees and key personnel of the Group after thorough discussions. The Board comprises five Independent Non-executive Directors who will continue to provide their views and comments to Mr. Victor T K Li as Chairman and Managing Director as they have done so previously. Furthermore, Mr. Li Ka-shing has been the Senior Advisor of the Company following his retirement as Chairman, and has in that capacity continued to contribute to the Group on significant matters.

In accordance with code provision A.5.1 of the CG Code, the Company established its nomination committee (“Nomination Committee”) on 1 January 2019 which is chaired by the Chairman of the Board. When the need to select, nominate or re-elect Directors arises, the Nomination Committee will establish a sub-committee comprising a majority of Independent Non-executive Directors that is chaired by the Chairman of the Board in compliance with the requirements under the Listing Rules in relation to the composition of the nomination committee to consider and if appropriate, recommend the nomination of Director to be appointed or re-elected. While the Nomination Committee comprises all Directors of the Company, this is consistent with the established approach of the Company that the full Board as a whole is responsible for reviewing the selection and appointment of Directors.

The Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the CG Code, the Company has established the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters. In addition, the Company has also established the Policy on Handling of Confidential Information, Information Disclosure, and Securities Dealing for compliance by the Company’s employees.

## **AUDIT COMMITTEE**

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee (“Audit Committee”) on 26 February 2015 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code.

The Audit Committee comprises five Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Audit Committee), Mr. Chow Nin Mow, Albert, Ms. Hung Siu-lin, Katherine, Mr. Colin Stevens Russel and Mr. Donald Jeffrey Roberts. The principal duties of the Audit Committee include: the review and supervision of the Group's financial reporting system, risk management and internal control systems; review of the Group's financial information; review of the relationship with the external auditor of the Company; and performance of the corporate governance functions delegated by the Board.

The Group's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, Deloitte Touche Tohmatsu.

## **REMUNERATION COMMITTEE**

In compliance with the CG Code, the Company established its remuneration committee ("Remuneration Committee") on 26 February 2015 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman and Managing Director, Mr. Victor T K Li and two Independent Non-executive Directors, namely, Ms. Hung Siu-lin, Katherine (Chairman of the Remuneration Committee) and Mr. Cheong Ying Chew, Henry.

## **NOMINATION COMMITTEE**

The Company established its Nomination Committee on 1 January 2019. It comprises all Directors of the Company, and the Chairman of the Board is the Chairman of the Nomination Committee. When the need to select, nominate or re-elect Directors arises, a sub-committee comprising a majority of Independent Non-executive Directors will be established in compliance with the requirements under the Listing Rules in relation to the composition of the nomination committee.

## **ANNUAL GENERAL MEETING**

The 2020 Annual General Meeting of the shareholders of the Company is currently scheduled to be held at 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 14 May 2020 at 2:45 p.m. subject to any contingency measures which may be announced as appropriate. The Notice of Annual General Meeting will be published and despatched to the shareholders in accordance with the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 11 May 2020 to Thursday, 14 May 2020, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2020 Annual General Meeting, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 8 May 2020.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 20 May 2020, being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 20 May 2020.

The Directors of the Company as at the date of this document are Mr. LI Tzar Kuoi, Victor (*Chairman and Managing Director*), Mr. KAM Hing Lam (*Deputy Managing Director*), Mr. IP Tak Chuen, Edmond (*Deputy Managing Director*), Mr. CHUNG Sun Keung, Davy, Mr. CHIU Kwok Hung, Justin, Mr. CHOW Wai Kam, Raymond, Ms. PAU Yee Wan, Ezra and Ms. WOO Chia Ching, Grace as Executive Directors; and Mr. CHEONG Ying Chew, Henry, Mr. CHOW Nin Mow, Albert, Ms. HUNG Siu-lin, Katherine, Mr. Colin Stevens RUSSEL and Mr. Donald Jeffrey ROBERTS as Independent Non-executive Directors.

**Consolidated Income Statement  
For the year ended 31 December 2019**

	2019 HK\$ Million	2018 HK\$ Million
Group revenue	82,382	50,368
Share of revenue of joint ventures	13,937	14,113
<b>Total</b>	<b>96,319</b>	<b>64,481</b>
Group revenue	82,382	50,368
Interest from joint ventures	1,966	2,175
Investment and other income	3,122	2,013
Operating costs		
Property and related costs	(42,546)	(22,755)
Pub product and related costs	(1,763)	-
Salaries and related expenses	(4,452)	(3,873)
Interest and other finance costs	(1,291)	(1,079)
Depreciation	(2,192)	(1,771)
Other expenses	(896)	(559)
	(53,140)	(30,037)
Profit on disposal of a property development joint venture	-	6,989
Gain on financial instruments	2,190	511
Change in fair value of investment properties	228	3,993
Surplus on disposal of investment properties	-	11,850
Profit on disposal of hotel properties	-	675
Share of profit of joint ventures	587	420
Share of profit of associates	175	218
<b>Profit before taxation</b>	<b>37,510</b>	<b>49,175</b>
Taxation	(7,464)	(7,541)
<b>Profit after taxation</b>	<b>30,046</b>	<b>41,634</b>
Profit attributable to		
Non-controlling interests	(371)	(977)
Perpetual capital securities	(541)	(540)
<b>Profit attributable to shareholders</b>	<b>29,134</b>	<b>40,117</b>
<b>Earnings per share</b>	<b>HK\$7.89</b>	<b>HK\$10.85</b>

	2019 HK\$ Million	2018 HK\$ Million
<b>Dividends</b>		
Interim dividend paid	1,921	1,738
Final dividend proposed	5,835	5,282
	7,756	7,020
<b>Dividends per share</b>		
Interim dividend	HK\$0.52	HK\$0.47
Final dividend	HK\$1.58	HK\$1.43

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2019**

	<b>2019</b> <b>HK\$ Million</b>	2018 HK\$ Million
<b>Profit after taxation</b>	<b>30,046</b>	41,634
Other comprehensive income to be reclassified to income statement		
Exchange loss on translation of financial statements of operations outside Hong Kong	<b>(304)</b>	(5,635)
Exchange gain on translation of bank loans for hedging	<b>106</b>	759
Gain (loss) on derivative financial instruments		
Net investment hedges	<b>(1,197)</b>	4,127
Cash flow hedges	<b>84</b>	358
Change in fair value of investments	<b>1</b>	(4)
Share of other comprehensive loss of joint ventures	<b>(228)</b>	(1,417)
Exchange loss on translation of financial statements of operations outside Hong Kong reclassified to income statement	<b>460</b>	175
Other comprehensive income not to be reclassified to income statement		
Loss on remeasurement of defined benefit obligations	<b>(117)</b>	(17)
Share of other comprehensive income (loss) of joint ventures and associates	<b>(114)</b>	25
<b>Other comprehensive loss</b>	<b>(1,309)</b>	(1,629)
<b>Total comprehensive income</b>	<b>28,737</b>	40,005
Total comprehensive income attributable to		
Non-controlling interests	<b>(260)</b>	(794)
Perpetual capital securities	<b>(541)</b>	(540)
<b>Total comprehensive income attributable to shareholders</b>	<b>27,936</b>	38,671



**Consolidated Statement of Financial Position  
As at 31 December 2019**

	2019 HK\$ Million	2018 HK\$ Million
Non-current assets		
Fixed assets	97,519	37,660
Investment properties	119,832	123,478
Joint ventures	59,371	59,842
Associates	7,000	7,256
Investments	16,924	16,796
Goodwill	6,492	-
Deferred tax assets	2,688	3,134
Other non-current assets	7,716	6,854
	<u>317,542</u>	<u>255,020</u>
Current assets		
Properties for sale	121,930	143,373
Debtors, prepayments and others	6,754	3,710
Loan receivables	1,527	17,117
Bank balances and deposits	60,304	56,725
	<u>190,515</u>	<u>220,925</u>
Current liabilities		
Creditors, accruals and others	21,970	15,622
Bank and other loans	6,841	1,829
Customers' deposits received	15,459	33,916
Provision for taxation	5,488	3,080
	<u>49,758</u>	<u>54,447</u>
Net current assets	<u>140,757</u>	<u>166,478</u>
Non-current liabilities		
Bank and other loans	73,241	67,663
Deferred tax liabilities	13,836	12,474
Lease liabilities	6,636	-
Derivative financial instruments	3,218	167
Pension liabilities	136	166
	<u>97,067</u>	<u>80,470</u>
<b>Net assets</b>	<u><u>361,232</u></u>	<u><u>341,028</u></u>
<b>Representing:</b>		
Share capital and share premium	245,639	245,639
Reserves	98,614	77,881
Shareholders' funds	<u>344,253</u>	<u>323,520</u>
Perpetual capital securities	11,670	11,670
Non-controlling interests	5,309	5,838
<b>Total equity</b>	<u><u>361,232</u></u>	<u><u>341,028</u></u>

Notes:

- (1) The principal activities of the Group are property development and investment, hotel and serviced suite operation, property and project management, aircraft leasing, pub operation and investment in infrastructure and utility asset operation.

Revenue by principal activities is as follows:

	Group		Joint ventures		Total	
	2019	2018	2019	2018	2019	2018
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Property sales	64,099	34,763	9	4	64,108	34,767
Property rental	7,302	7,479	148	156	7,450	7,635
Hotel and serviced suite operation	4,168	5,136	17	16	4,185	5,152
Property and project management	827	826	41	58	868	884
Aircraft leasing	2,375	2,164	817	785	3,192	2,949
Pub operation	3,611	-	-	-	3,611	-
Infrastructure and utility asset operation	-	-	12,905	13,094	12,905	13,094
	<b>82,382</b>	<b>50,368</b>	<b>13,937</b>	<b>14,113</b>	<b>96,319</b>	<b>64,481</b>

and is summarised by location as follows:

	2019	2018
	HK\$ Million	HK\$ Million
Hong Kong	60,337	23,094
The Mainland	14,713	23,809
Overseas	21,269	17,578
	<b>96,319</b>	<b>64,481</b>

Profit contribution by principal activities after allocation of operating costs and other income is as follows:

	Group		Joint ventures		Total	
	2019	2018	2019	2018	2019	2018
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Property sales	21,377	12,003	(5)	-	21,372	12,003
Property rental	6,766	6,791	131	139	6,897	6,930
Hotel and serviced suite operation	1,367	1,944	(22)	(20)	1,345	1,924
Property and project management	337	331	25	40	362	371
Aircraft leasing	1,048	872	467	404	1,515	1,276
Pub operation	555	-	-	-	555	-
Infrastructure and utility asset operation	630	109	3,894	3,925	4,524	4,034
	<b>32,080</b>	<b>22,050</b>	<b>4,490</b>	<b>4,488</b>	<b>36,570</b>	<b>26,538</b>
Interest and other finance costs	(1,291)	(1,079)	(1,313)	(1,184)	(2,604)	(2,263)
	<b>30,789</b>	<b>20,971</b>	<b>3,177</b>	<b>3,304</b>	<b>33,966</b>	<b>24,275</b>
Profit on disposal of a property development joint venture					-	6,989
Interests in real estate investment trusts					494	538
Gain on financial instruments					2,190	511
Change in fair value of investment properties						
Group					228	3,993
Joint ventures					-	18
Surplus on disposal of investment properties					-	11,850
Profit on disposal of hotel properties					-	675
Others					1,240	717
Taxation						
Group					(7,464)	(7,541)
Joint ventures					(608)	(391)
Profit attributable to non-controlling interests and perpetual capital securities					(912)	(1,517)
Profit attributable to shareholders					<b>29,134</b>	<b>40,117</b>

(2) Profit before taxation is arrived at after charging:

	2019 HK\$ Million	2018 HK\$ Million
Interest and other finance costs		
Bank and other loans	1,984	2,010
Less: amount capitalised	(732)	(931)
	1,252	1,079
Lease liabilities	39	-
Costs of properties sold	36,591	19,869
Costs of pub products sold	1,171	-
Provision for property stock	1,776	-
	<u>1,252</u>	<u>1,079</u>

(3) Taxation

	2019 HK\$ Million	2018 HK\$ Million
Current tax		
Hong Kong	3,795	1,707
Outside Hong Kong	3,041	5,205
Deferred tax	628	629
	<u>7,464</u>	<u>7,541</u>

(4) The calculation of earnings per share is based on profit attributable to shareholders and on 3,693,400,500 shares (2018 – the weighted average of 3,696,161,344 shares) in issue during the year.

(5) Ageing analysis of trade debtors with reference to terms of agreements is as follows:

	2019 HK\$ Million	2018 HK\$ Million
Current to one month	1,177	458
Two to three months	92	76
Over three months	163	65
	<u>1,432</u>	<u>599</u>

Ageing analysis of trade creditors with reference to invoice dates and credit terms is as follows:

	2019 HK\$ Million	2018 HK\$ Million
Current to one month	5,428	4,999
Two to three months	34	28
Over three months	32	22
	<u>5,494</u>	<u>5,049</u>

(6) The International Accounting Standards Board has issued a number of new and revised International Financial Reporting Standards ("IFRSs"). Adoption of the new and revised IFRSs effective for annual accounting periods beginning on 1 January 2019 has no significant impact on the Group's results and financial position. For those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position. Based on preliminary assessment, no significant impact is anticipated for the adoption of IFRSs scheduled to be effective in 2020.

(7) The annual results have been reviewed by the Audit Committee.