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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)

INTERIM RESULTS FOR 2020

HIGHLIGHTS

Six months ended 30 June	2020	2019	2020	2019	Change
	HK\$ million	HK\$ million	HK\$ per share	HK\$ per share	
Underlying profit^{Note 1}	8,367	12,989	2.27	3.52	-35.5%
Change in fair values^{Note 2}					
Real estate investment trusts	(1,318)	1,056			
Investment properties	(689)	1,083			
Reported earnings^{Note 3}	6,360	15,128	1.72	4.10	-58.0%
Interim dividend			0.34	0.52	-34.6%

Note 1 : Underlying profit, a non-IFRS measure, represents profit before taking into account change in fair values of Fortune REIT, Prosperity REIT and investment properties.

Note 2 : Change in fair values are after tax and non-controlling interests.

Note 3 : Reported earnings represent profit attributable to shareholders.

PROFIT FOR THE FIRST HALF YEAR

The Group's underlying profit^{Note 1} per share for the six months ended 30 June 2020 was HK\$2.27 (2019 – HK\$3.52), a decrease of 35.5% as compared to the same period last year. Fair values of the Group's investments in REITs and investment properties decreased by HK\$1,318 million and HK\$689 million respectively. Reported earnings per share were HK\$1.72 (2019 – HK\$4.10), a decrease of 58.0% as compared to the same period last year, mainly due to the adverse impact of the COVID-19 pandemic on the Group's businesses.

INTERIM DIVIDEND

The Directors have declared an interim dividend for 2020 of HK\$0.34 per share (2019 - HK\$0.52 per share) to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 8 September 2020. The interim dividend will be paid on Thursday, 17 September 2020.

PROSPECTS

Strong Resilience in Challenging Times

Business Review

During the period under review, businesses across all sectors were plagued by the COVID-19 pandemic. The challenges were especially acute for certain sectors such as aviation, tourism, retail and property. Businesses of the Group were adversely affected by the pandemic to varying degrees. A material reduction in profit attributable to shareholders was recorded as compared to the same period last year. The Group remains resilient in the face of economic headwinds with its solid financial foundation and high-quality assets. We will meet future challenges with caution and determination, and deploy proactive measures to maintain stable operations and steady development. Through the gradual enhancement of its recurrent income base and improvement in the quality of earnings based on a prudent global investment strategy, the Group is committed to create sustainable value for its shareholders.

Property Sales

The property market in Hong Kong was disrupted by the pandemic during the first half of 2020. The Group recorded a lower contribution from property sales in Hong Kong during the period as compared to the same period last year, which was offset by a higher contribution from property sales on Mainland China. Nevertheless, the volume and value of transactions improved slightly at the end of the period due to persistent housing demand and low interest rates. Sea to Sky, a residential project in Tseung Kwan O, was launched in June and received an overwhelming response. During the period, the Group also successfully bid for a site off Anderson Road in Kwun Tong which was earmarked for a project that comprises both private units and government subsidised starter homes.

Despite the impact of COVID-19 in the first half of the year, the property market on Mainland China remained relatively stable with the support of the Central Government's directive of "housing for residents and not speculators". On 23 July 2020, the Group completed the sale of certain residential and commercial units and carparks of Chengdu Le Parc, details of which were stated in the Company's announcement of the same date.

Property Rental

Contribution from property rental during the period was 11% less than the same period last year, mainly attributable to the negative impact of the pandemic and the fact that certain retail properties previously leased to Greene King have become part of the pub operation since October 2019. OP Mall in Tsuen Wan generated a satisfactory response and contributed rental income to the Group. The redevelopment of Hutchison House is on track and it is well-positioned to become a landmark modern Grade A office building in Central. The Group will continue to evaluate acquisition opportunities and optimise the quality of its investment portfolio for steady income yield and long-term capital growth.

Hotel and Serviced Suite Operation

In addition to the ongoing social incidents since June 2019, the hotel sector was impacted further by the pandemic which caused visitor arrivals to plummet during the period. Although the hotel operation recorded a negative contribution in the first half of the year, the serviced suite operation remained relatively stable as the majority of the occupancy is on a long-term basis, and a small contribution was recorded for the overall hotel and serviced suite operation. The newly completed extension of Harbour Grand Kowloon in Hung Hom has commenced operation, and Hotel Alexandra in North Point is expected to welcome guests in the second half of 2020. The Group's hotel and serviced suite portfolio provides approximately 15,000 rooms.

Aircraft Leasing

The aviation industry has been severely impacted by COVID-19. Worldwide passenger numbers decreased significantly. Airlines were forced to ground their aircraft, resulting in a substantial revenue drop. While various governments have expanded efforts to protect the industry, a great deal of uncertainty remains and consumer confidence in air travel will take time to restore. As a result, profit contribution from aircraft leasing for the period was affected, but an overall contribution of HK\$733 million was recorded due to the gain on disposal of aircraft. AMCK Aviation's investment approach focuses on young and in demand aircraft, with over 90% of its fleet being narrowbody mostly used for short-haul and domestic travel, the areas which are expected to recover first. Lease management, protection of assets and mitigation of risks will continue to be the main focuses of AMCK Aviation.

Pub Operation

All pubs in the UK, including pubs across the Greene King portfolio, were closed for more than three months since March 2020 in accordance with the UK government's instructions amid the COVID-19 pandemic. The entire industry was halted due to the lockdown and the related restrictions. During the period of closure, Greene King launched its takeaway and delivery service and an online pub "The Lock Inn". Notwithstanding a phased re-opening in the beginning of July, it is expected that the path to full recovery will be long and testing. Greene King recorded an operating loss of HK\$1,938 million during the first half of the year.

Infrastructure and Utility Asset Operation

Infrastructure and utility asset operation is a key contributor of steady recurrent income to the Group. The pandemic disrupted the performance of this sector, although to a lesser extent due to the stable nature of infrastructure and utility assets. During the period, CK William Group contributed HK\$707 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\$553 million from its building equipment and services business in Canada. ista contributed HK\$890 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\$306 million. The Group will continue to source global diversified infrastructure and utility assets and related investment opportunities.

Outlook

The global battle against COVID-19 continues, pending an effective line of defense to contain the spread of the virus. With the roll-out of various government relief packages, the full economic impact of the pandemic is yet to be reflected. The global economy is projected to contract sharply and significant challenges lie ahead for all sectors. Implementation of the China-US Phase One Trade Agreement, the approaching US presidential election, Brexit and escalating international conflicts present additional uncertainties. The business environment is expected to remain volatile amid a rapidly changing economic and political landscape.

China recorded negative GDP growth of 6.8% in the first quarter of 2020, but returned to growth in the second quarter with real GDP up 3.2%. In the aftermath of the pandemic, the Central Government is committed to making stable progress through the implementation of new supporting measures to ensure security in six areas in order to maintain stability on six fronts. The six areas are protecting job security, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and normal functioning of primary-level governments; while the six fronts refer to securing stability in employment, the financial sector, foreign trade, foreign investment, domestic investment and market expectations. The new measures are intended to promote sustainable and sound economic development in China, and are expected to stimulate a post COVID-19 recovery at a pace faster than other major nations.

Hong Kong's GDP dropped 9.0% year-on-year in the second quarter of 2020. The property market is negatively affected by the economic downturn and rising unemployment rates against a backdrop of global economic and political uncertainties. Nevertheless, under the current low interest rate environment, coupled with a continual demand for housing and a series of relief measures launched by the Hong Kong government to support businesses and secure employment, the property sector is expected to remain largely resilient over the longer term once the impact of the pandemic has receded. Housing policies will continue to be determining factors.

As at the end of interim period, the Group had ample cash on hand with a net debt to net total capital ratio of approximately 4.7%, and maintained "A/Stable" and "A2 Stable" credit ratings from Standard & Poor's and Moody's respectively. With its solid financials, a low debt ratio and a portfolio of quality assets, the Group remains resilient amid a macro-environment full of uncertainties. We are optimistic that our worldwide businesses will regain growth momentum at times of economic recovery once the virus has subsided, and are well-equipped to seize quality investment opportunities in Hong Kong and overseas. The Group will adhere to its strategy "Advancing Without Forgoing Stability" and continue to generate sustainable value for shareholders.

Acknowledgement

Intelligent, creative, dedicated, experienced and loyal employees are the Group's most valuable asset in this extremely competitive and challenging global environment. My colleagues on the Board join me in thanking our team of diligent employees for their hard work, adaptability, loyal service and contributions during the period.

Victor T K Li
Chairman

Hong Kong, 6 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major Business Activities

1. Developments Completed and Scheduled for Completion in 2020:

Name	Location	Gross Floor Area (sq.ft.)	Group's Interest
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	2,740,144	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	1,070,341	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%

* On 23 July 2020, the Group completed the sale of this development, details of which were stated in the Company's announcement of the same date.

2. New Acquisitions and Joint Developments and Other Major Events:

- (1) May 2020: A wholly owned subsidiary of the Group was awarded a Government tender for a site, Lot No. 1069 in Survey District No. 3, off Anderson Road, Kwun Tong, Kowloon. With an area of approximately 217,076 sq.ft. (approximately 20,167 sq.m.), the site is designated for a residential development estimated to have a developable gross floor area of approximately 1,089,145 sq.ft. (approximately 101,185 sq.m.). Not less than 1,000 units out of the total number of residential units to be erected within the lot shall be starter homes units to implement the Starter Homes Pilot Project.
- (2) July 2020: On 23 July 2020, two indirect wholly owned subsidiaries of the Group (the “Sellers”) entered into the reinstatement and fifth amendment agreement with RZ3262019 Limited (the “Purchaser”) to reinstate and amend the share purchase agreement dated 9 May 2019 (as amended) made between the two parties for the sale of the entire issued share capital of Carton International Limited and Happy Magic Enterprises Inc. (the “Target Companies”, both the then indirect wholly owned subsidiaries of the Group) and the assignment of the related shareholder loans, to the Purchaser at a total consideration of approximately US\$1,012,481,987 (subject to adjustment) (“Consideration”), which was completed on 23 July 2020. The Target Companies, directly or indirectly, together hold the entire equity interest in a company established in the PRC, which is the owner and developer of the property development known as “Chengdu Le Parc” (also known as “南城都匯商住項目”) in Chengdu, PRC, comprising residential and commercial units and carparks. The Consideration was partly paid for by a loan in the US\$ equivalent sum of RMB 2,400,000,000 advanced by the Sellers to the Purchaser.

Property Sales

Revenue of property sales (including share of joint ventures) recognised for the period was HK\$19,484 million (2019 – HK\$19,232 million), comprising mainly (i) sales of the remaining units and carparks of projects completed previously in Hong Kong; (ii) sales of residential units of various projects on the Mainland – Upper West Shanghai and Hupan Mingdi in Shanghai, Regency Hills in Chongqing and La Grande Ville in Beijing; (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	2020	2019
	HK\$ Million	HK\$ Million
Hong Kong	6,116	15,674
The Mainland	10,929	3,428
Overseas	2,439	130
	19,484	19,232

Contribution from property sales for the period amounted to HK\$9,004 million (2019 – HK\$7,530 million) and is summarised by location as follows:

Location	2020	2019
	HK\$ Million	HK\$ Million
Hong Kong	1,768	6,653
The Mainland	6,638	830
Overseas	598	47
	9,004	7,530

During the period, a significant contribution was derived from the sales of residential units of Upper West Shanghai on the Mainland, a development project which is 60% owned by the Group and comprises retail, office, residential, serviced apartment and hotel properties.

The presales of residential units of Sea to Sky and Seaside Sonata in Hong Kong and various projects on the Mainland including Laguna Verona in Dongguan, Noble Hills in Guangzhou and Regency Garden in Shanghai are progressing steadily. Contribution to profit is expected upon sales recognition when the projects are completed.

Property sales contracted but not yet recognised at 30 June 2020 are as follows:

Location	Scheduled for Sales Recognition		
	In 2020	After 2020	Total
	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	1,335	13,627	14,962
The Mainland	7,454	5,436	12,890
Overseas	4	78	82
	8,793	19,141	27,934

At the interim period 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 5 million sq.ft., 83 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 period was HK\$3,453 million (2019 – HK\$3,756 million) and comprised rental income derived from leasing of retail, office, industrial and other properties as follows:

Use of Property	2020 HK\$ Million	2019 HK\$ Million
Retail	1,441	1,695
Office	1,439	1,471
Industrial	365	371
Others	208	219
	3,453	3,756

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. During the period, the Group completed the acquisition of OP Mall in Tsuen Wan, Hong Kong, and further expanded its retail property investment portfolio.

Contribution from property rental for the period amounted to HK\$3,169 million (2019 – HK\$3,567 million) and is summarised by location as follows:

Location	2020 HK\$ Million	2019 HK\$ Million
Hong Kong	2,634	2,819
The Mainland	281	340
Overseas	254	408
	3,169	3,567

Rental contribution from overseas decreased as certain retail properties in the United Kingdom, previously leased to Greene King for rental income, have become part of the pub operation since October 2019.

At the interim period end date, the Group had an investment property portfolio of approximately 16.4 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	3.2	3.9	5.9	13.0
The Mainland	1.5	0.4	-	1.9
Overseas	0.1	1.4	-	1.5
	4.8	5.7	5.9	16.4

A decrease of HK\$809 million (2019 – increase of HK\$1,002 million) in fair value of investment properties was recorded at 30 June 2020 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 period was HK\$992 million (2019 – HK\$2,374 million), a decrease of HK\$1,382 million when compared with the same period last year.

During the period, though Horizon Hotels & Suites managed to maintain its occupancy with long stay guests, the hotel operation of Harbour Grand Hotels, Harbour Plaza Hotels & Resorts and all other hotels of the Group had been severely hit by the COVID-19 pandemic. Average occupancy rates of 23% and 86% were recorded for the hotel and serviced suite properties respectively.

Contribution from hotel and serviced suite operation for the period amounted to HK\$33 million (2019 – HK\$876 million), a decrease of HK\$843 million when compared with the same period last year, and is summarised by location as follows:

Location	2020 HK\$ Million	2019 HK\$ Million
Hong Kong	90	897
The Mainland	(57)	(21)
	33	876

The Group's hotel and serviced suite properties are mostly located in Hong Kong and provide approximately 15,000 rooms for guest accommodation.

Property and Project Management

Revenue of property and project management (including share of joint ventures) for the period was HK\$403 million (2019 – HK\$432 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 period amounted to HK\$173 million (2019 – HK\$183 million) and is summarised by location as follows:

Location	2020 HK\$ Million	2019 HK\$ Million
Hong Kong	138	130
The Mainland	23	40
Overseas	12	13
	173	183

At the interim period end date, the total floor area of completed properties managed by the Group was approximately 269 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 period was HK\$1,520 million (2019 – HK\$1,556 million), and comprised income derived from leasing of narrow body aircraft and wide body aircraft to airlines. The aircraft leasing business has been hit by the COVID-19 pandemic as most of the airline lessees have suffered a decline in operating cash flow due to a slump in flight demand as a result of travel restrictions worldwide.

Contribution from aircraft leasing for the period amounted to HK\$733 million (2019 – HK\$717 million), including a gain of HK\$195 million on disposal of aircraft, and is summarised with reference to lessee's location of operation as follows:

Location	2020 HK\$ Million	2019 HK\$ Million
Asia	256	272
Europe	164	219
North America	256	174
Latin America	57	52
	733	717

At the interim period end date, the Group (including interest in joint ventures) owned 121 narrow body aircraft and 5 wide body aircraft with an average age of 6.3 years and an average remaining lease term of 4.6 years, and had commitments of approximately HK\$9 billion for acquisition of 20 aircraft.

Pub Operation

In October 2019, the Group completed the acquisition of Greene King, a leading integrated brewer and pub retailer operating about 2,700 pubs, restaurants and hotels across England, Wales and Scotland, and embarked on its pub operation. Unfortunately, pub businesses in the United Kingdom have been badly affected by the lockdown and mandated closure of pubs and restaurants imposed by the government to counteract the COVID-19 pandemic.

Significant operating losses have been incurred as a result of the enforced closure of the Group's pubs and restaurants. Revenue and contribution for the period were reported as follows:

Division	2020		2019	
	Revenue HK\$ Million	Contribution HK\$ Million	Revenue HK\$ Million	Contribution HK\$ Million
Pub Company - operates food-led and drink-led destination pubs and restaurants and community-focused local pubs	3,078	(1,574)	-	-
Pub Partners - owns a portfolio of mainly drink-led pubs which are run as franchised or leased pubs	310	(35)	-	-
Brewing & Brands - sells and distributes a wide range of beers including ale brands brewed in own breweries	474	(329)	-	-
	3,862	(1,938)	-	-

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 joint ventures for the period as follows:

	2020 HK\$ Million	2019 HK\$ Million
CK William JV	2,020	2,132
CKP (Canada) JV	1,782	1,698
Sarvana JV	2,807	2,828
	6,609	6,658

The Group also invests in the economic benefits of the following infrastructure and utility asset businesses:

	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 period amounted to HK\$2,456 million (2019 – HK\$2,542 million), and is summarised by location as follows:

	Australia	Europe	North America	2020 Total HK\$ Million	2019 Total HK\$ Million
CK William JV	664	15	28	707	816
CKP (Canada) JV	-	-	553	553	500
Sarvana JV	-	890	-	890	856
Other investments	144	162	-	306	370
	808	1,067	581	2,456	2,542

Interests in Real Estate Investment Trusts

At the interim period end date, the Group's interests in listed real estate investment trusts were as follows:

	Principal Activity	Interest
Hui Xian REIT	Investment in hotels and serviced suites, office and retail properties on the Mainland	31.9%
Fortune REIT	Investment in retail properties in Hong Kong	27.0%
Prosperity REIT	Investment in office, retail and industrial properties in Hong Kong	18.2%

The Group shared the results of Hui Xian REIT, an associate, and took up a profit of HK\$99 million (2019 – HK\$166 million) for the period, whereas a distribution of HK\$190 million (2019 – HK\$260 million) was received.

Distributions received from Fortune REIT and Prosperity REIT during the period in the amount of HK\$157 million (2019 – HK\$156 million) were recognised as investment income. A decrease of HK\$1,318 million (2019 – increase of HK\$1,056 million) in fair value of the Group's interests in Fortune REIT and Prosperity REIT was recorded based on the market closing price at 30 June 2020.

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 interim period end date, the Group's bank and other loans amounted to HK\$76.7 billion, a decrease of HK\$3.4 billion when compared with bank and other loans at 31 December 2019. The maturity profile was spread over a period of 16 years, with HK\$12.8 billion repayable within 1 year, HK\$47.6 billion within 2 to 5 years and HK\$16.3 billion beyond 5 years.

The Group's net debt to net total capital ratio at 30 June 2020 was approximately 4.7%. Net debt is arrived at by deducting bank balances and deposits of HK\$58.9 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 interim period end date, 59.7% of the Group's borrowings were in HK\$ and US\$, and borrowings in RMB, AUD and GBP had been arranged for investments and operations on the Mainland, in Australia and in the United Kingdom respectively. 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 interim period end date, properties amounting to HK\$15,099 million (31 December 2019 – HK\$16,021 million) were charged to secure bank loans arranged for property projects on the Mainland and properties amounting to HK\$30,239 million (31 December 2019 – HK\$37,058 million) were charged to secure other borrowings arranged for pub operation in the United Kingdom.

Contingent Liabilities

At the interim period end date, the Group provided guarantees for (i) revenue shared by land owner of a hotel project amounting to HK\$505 million (31 December 2019 – HK\$521 million); (ii) mortgage loans provided by banks to purchasers of properties developed and sold by the Group on the Mainland amounting to HK\$3,662 million (31 December 2019 – HK\$1,975 million); and (iii) loans provided by banks to a joint venture amounting to HK\$3,781 million (31 December 2019 – HK\$3,502 million).

Employees

At the interim period end date, the Group employed approximately 54,000 employees. The related employees' costs for the period, before employment support subsidies from governments and other reimbursements, amounted to approximately HK\$4,753 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

On 16 March 2020, Greene King Finance plc ("GKF"), an indirect subsidiary of the Company, (i) redeemed in full the principal amount outstanding of the Class A1 secured floating rate notes due 2031 issued by GKF (with an original principal amount of GBP150,000,000 and listed on the Irish Stock Exchange) for a redemption amount of GBP75,324,000 (excluding accrued interest) and (ii) redeemed in full the principal amount outstanding of the Class A3 secured floating rate notes due 2021 issued by GKF (with an original principal amount of GBP170,000,000 and listed on the Irish Stock Exchange) for a redemption amount of GBP21,363,900 (excluding accrued interest). As at 30 June 2020, GKF had outstanding (i) GBP965 million principal amount of notes which are listed on the Irish Stock Exchange, with fixed rates ranging from 3.59% to 5.32% and final repayment from 2031 – 2035 and (ii) GBP427 million principal amount of notes which are listed on the Irish Stock Exchange, with interest rate of LIBOR plus margin ranging from 1.80% to 2.50% and final repayment from 2033 – 2036. These notes are secured by charges over the future income stream of the pledged properties.

On 30 March 2020, Spirit Issuer plc ("SIP"), an indirect subsidiary of the Company, redeemed in full the GBP186,569,000 principal amount outstanding of the GBP200,000,000 floating rate Class A2 secured debenture bonds due 2031 issued by SIP and listed on the Luxembourg Stock Exchange at par, together with accrued but unpaid interest on the principal amount outstanding on 30 March 2020. As at 30 June 2020, SIP had outstanding GBP97 million principal amount of bonds which are listed on the Luxembourg Stock Exchange, with a fixed rate of 5.47% and final repayment in 2032.

Save as disclosed above, during the six months ended 30 June 2020, 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 six months ended 30 June 2020. 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 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 interim results for the six months ended 30 June 2020 have been reviewed by the Audit Committee.

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 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.



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)

**NOTICE OF PAYMENT
OF INTERIM DIVIDEND, 2020**

The Board of Directors of CK Asset Holdings Limited announces that the Group's unaudited profit attributable to shareholders for the six months ended 30 June 2020 amounted to HK\$6,360 million which represents earnings of HK\$1.72 per share. The Directors have declared an interim dividend for 2020 of HK\$0.34 per share to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 8 September 2020, being the record date for determination of entitlement to the interim dividend. The dividend will be paid on Thursday, 17 September 2020.

In order to qualify for the interim 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, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 8 September 2020.

By Order of the Board
CK ASSET HOLDINGS LIMITED
Eirene Yeung
*Executive Committee Member
& Company Secretary*

Hong Kong, 6 August 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 six months ended 30 June 2020

	(Unaudited)	
	2020	2019
	HK\$ Million	HK\$ Million
Group revenue	29,248	26,836
Share of revenue of joint ventures	7,075	7,172
Total	<u>36,323</u>	<u>34,008</u>
Group revenue	29,248	26,836
Interest from joint ventures	915	1,007
Investment and other income	1,596	2,094
Operating costs		
Property and related costs	(10,377)	(11,531)
Pub product and related costs	(3,700)	-
Salaries and related expenses	(2,884)	(1,817)
Interest and other finance costs	(921)	(580)
Depreciation	(1,651)	(889)
Other expenses	(237)	(246)
	(19,770)	(15,063)
Gain (loss) on financial instruments	(254)	1,803
Change in fair value of investment properties	(809)	1,002
Share of profit of joint ventures	571	447
Share of profit of associates	99	166
Profit before taxation	<u>11,596</u>	<u>18,292</u>
Taxation	(4,137)	(2,568)
Profit after taxation	<u>7,459</u>	<u>15,724</u>
Profit attributable to		
Non-controlling interests	(833)	(326)
Perpetual capital securities	(266)	(270)
Profit attributable to shareholders	<u>6,360</u>	<u>15,128</u>
Earnings per share	HK\$1.72	HK\$4.10

	2020	2019
	HK\$ Million	HK\$ Million
Interim dividend	<u>1,256</u>	<u>1,921</u>
Dividend per share	HK\$0.34	HK\$0.52

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2020

	(Unaudited)	
	2020	2019
	HK\$ Million	HK\$ Million
Profit after taxation	7,459	15,724
Other comprehensive income to be reclassified to income statement		
Exchange loss on translation of financial statements of operations outside Hong Kong	(6,471)	(160)
Exchange gain on translation of bank loans for hedging	274	72
Gain (loss) on derivative financial instruments		
Net investment hedges	3,688	(300)
Cash flow hedges	512	59
Share of other comprehensive loss of joint ventures	(305)	(255)
Other comprehensive income not to be reclassified to income statement		
Loss on remeasurement of defined benefit obligations	(49)	-
Share of other comprehensive loss of joint ventures	(49)	(78)
Other comprehensive income	(2,400)	(662)
Total comprehensive income	5,059	15,062
Total comprehensive income attributable to		
Non-controlling interests	(746)	(318)
Perpetual capital securities	(266)	(270)
Total comprehensive income attributable to shareholders	4,047	14,474

Consolidated Statement of Financial Position
As at 30 June 2020

	(Unaudited) 30/6/2020 HK\$ Million	(Audited) 31/12/2019 HK\$ Million
Non-current assets		
Fixed assets	90,682	97,519
Investment properties	123,724	119,832
Joint ventures	58,127	59,371
Associates	6,951	7,000
Investments	15,993	16,924
Goodwill	5,977	6,492
Deferred tax assets	3,361	2,688
Other non-current assets	10,364	7,716
	<u>315,179</u>	<u>317,542</u>
Current assets		
Properties for sale	119,131	121,930
Debtors, prepayments and others	6,825	6,754
Loan receivables	2,119	1,527
Bank balances and deposits	58,857	60,304
	<u>186,932</u>	<u>190,515</u>
Current liabilities		
Creditors, accruals and others	21,916	21,970
Bank and other loans	12,836	6,841
Customers' deposits received	14,176	15,459
Provision for taxation	4,632	5,488
	<u>53,560</u>	<u>49,758</u>
Net current assets	<u>133,372</u>	<u>140,757</u>
Non-current liabilities		
Bank and other loans	63,892	73,241
Deferred tax liabilities	15,312	13,836
Lease liabilities	6,512	6,636
Derivative financial instruments	2,561	3,218
Pension liabilities	140	136
	<u>88,417</u>	<u>97,067</u>
Net assets	<u>360,134</u>	<u>361,232</u>
Representing:		
Share capital and share premium	245,639	245,639
Reserves	96,826	98,614
Shareholders' funds	342,465	344,253
Perpetual capital securities	11,670	11,670
Non-controlling interests	5,999	5,309
Total equity	<u>360,134</u>	<u>361,232</u>

Notes:

(1) Revenue by principal activities is as follows:

	Six months ended 30 June					
	Group		Joint ventures		Total	
	2020 HK\$ Million	2019 HK\$ Million	2020 HK\$ Million	2019 HK\$ Million	2020 HK\$ Million	2019 HK\$ Million
Property sales	19,470	19,226	14	6	19,484	19,232
Property rental	3,379	3,682	74	74	3,453	3,756
Hotel and serviced suite operation	987	2,366	5	8	992	2,374
Property and project management	385	413	18	19	403	432
Aircraft leasing	1,165	1,149	355	407	1,520	1,556
Pub operation	3,862	-	-	-	3,862	-
Infrastructure and utility asset operation	-	-	6,609	6,658	6,609	6,658
	29,248	26,836	7,075	7,172	36,323	34,008

and is summarised by location as follows:

	Six months ended 30 June	
	2020 HK\$ Million	2019 HK\$ Million
Hong Kong	10,114	21,139
The Mainland	11,587	4,252
The United Kingdom	4,575	569
Others	10,047	8,048
	36,323	34,008

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

	Six months ended 30 June					
	Group		Joint ventures		Total	
	2020 HK\$ Million	2019 HK\$ Million	2020 HK\$ Million	2019 HK\$ Million	2020 HK\$ Million	2019 HK\$ Million
Property sales	9,001	7,534	3	(4)	9,004	7,530
Property rental	3,108	3,501	61	66	3,169	3,567
Hotel and serviced suite operation	45	886	(12)	(10)	33	876
Property and project management	161	170	12	13	173	183
Aircraft leasing	505	487	228	230	733	717
Pub operation	(1,938)	-	-	-	(1,938)	-
Infrastructure and utility asset operation	306	370	2,150	2,172	2,456	2,542
	11,188	12,948	2,442	2,467	13,630	15,415
Bank and other loan finance costs	(814)	(580)	(607)	(624)	(1,421)	(1,204)
	10,374	12,368	1,835	1,843	12,209	14,211
Gain on financial instruments					1,064	747
Interests in real estate investment trusts					256	322
Change in fair values						
Real estate investment trusts					(1,318)	1,056
Investment properties					(809)	1,002
Others					577	1,322
Taxation						
Group					(4,137)	(2,568)
Joint ventures					(383)	(368)
Profit attributable to non-controlling interests and perpetual capital securities					(1,099)	(596)
Profit attributable to shareholders					6,360	15,128

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

	Six months ended 30 June	
	2020	2019
	HK\$ Million	HK\$ Million
Interest and other finance costs		
Bank and other loans	1,151	977
Less: amount capitalised	(337)	(397)
	814	580
Lease liabilities	107	-
Costs of properties sold	9,401	10,062
Impairment of fixed assets – pub operation	910	-
	11,222	11,129

(3) Taxation

	Six months ended 30 June	
	2020	2019
	HK\$ Million	HK\$ Million
Current tax		
Hong Kong	489	1,464
Outside Hong Kong	2,518	1,148
Deferred tax	1,130	(44)
	4,137	2,568

(4) The calculation of earnings per share is based on profit attributable to shareholders and on 3,693,400,500 shares (2019 – 3,693,400,500 shares) in issue during the period.

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

	30/6/2020	31/12/2019
	HK\$ Million	HK\$ Million
Current to one month	1,032	1,177
Two to three months	347	92
Over three months	167	163
	1,546	1,432

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

	30/6/2020	31/12/2019
	HK\$ Million	HK\$ Million
Current to one month	4,246	5,428
Two to three months	264	34
Over three months	94	32
	4,604	5,494

(6) The principal accounting policies used in the preparation of the interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2019.

The adoption of new and revised International Financial Reporting Standards ("IFRSs") effective for annual accounting periods beginning on 1 January 2020 has no significant impact on the Group's results and financial position. For the IFRSs which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

(7) The unaudited interim financial statements have been reviewed by the Audit Committee.