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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 2021**

### **HIGHLIGHTS**

<b>Six months ended 30 June</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ per share</b>	<b>HK\$ per share</b>	
<b>Profit attributable to shareholders</b>	<b>8,355</b>	6,360	<b>2.25</b>	1.72	+30.8%
<b>Interim dividend</b>			<b>0.41</b>	0.34	+20.6%

### **PROFIT FOR THE FIRST HALF YEAR**

The Group's unaudited profit attributable to shareholders for the period ended 30 June 2021 amounted to HK\$8,355 million (2020 – HK\$6,360 million). Earnings per share were HK\$2.25 (2020 – HK\$1.72), an increase of 30.8% when compared with the same period last year.

### **INTERIM DIVIDEND**

The Directors have declared an interim dividend for 2021 of HK\$0.41 per share (2020 - 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, 7 September 2021. The interim dividend will be paid on Thursday, 16 September 2021.

# PROSPECTS

## Strong Resilience in Challenging Times

### Business Review

During the period under review, the COVID-19 pandemic remained challenging due to new variants and renewed outbreaks. Mass vaccination campaigns were gathering pace around the world, injecting hope for recovery in the battle against the mutating viruses. Amidst the uncertainties surrounding the pandemic, the Group remained resilient with its solid foundation and quality assets. With determination and quick adaptation to the rapidly changing business environment, the Group maintained stable operation and achieved steady development, and recorded an increase in profit attributable to shareholders during the period as compared to the same period last year.

The Group is financially strong with ample cash on hand. During the period, the Group successfully completed the acquisition of interests in UK Power Networks, Northumbrian Water, Wales & West Utilities and Dutch Enviro Energy from Li Ka Shing Foundation Limited for HK\$17 billion which was settled by the issue of 333,333,333 shares. The Group also completed the HK\$19.38 billion share buy-back proposal and bought back 380,000,000 shares. The financially accretive transactions marked a pivotal milestone for the Group and received tremendous support from shareholders as evidenced by the high acceptance rate. The four infrastructure assets provide an additional recurrent income stream and cash contributions to the Group, while the share buy-back allowed the Group to offset the dilution impact of issuing the consideration shares, and provided an opportunity for existing shareholders to realise their investment at a premium to market price. The Group will continue to identify quality investments with recurring income to generate long-term value for shareholders in line with its business development and investment strategy.

### ***Property Sales***

The property market in Hong Kong was supported by improved purchase sentiment which was driven by solid demand, low interest rate and bolstered by easing of the local pandemic situation. The Group's residential development Sea to Sky was sold out during the period, and sales of 21 Borrett Road Phase 1, El Futuro and Seaside Sonata were well-received. Contribution to profit is expected when the sales are completed and recognised. The Group recorded a lower contribution from property sales in Hong Kong during the period as compared to the same period last year, since the contracted sales of various projects had not yet been recognised. The Group acquired a site in Kai Tak waterfront area in February earmarked for residential and retail development, and reached a land exchange agreement with the Government in respect of a site at Kam Tin, Yuen Long in May designated for residential development. The Group will continue to assess prime sites with growth potential for future development when suitable opportunities arise, and will also strategically redevelop certain properties to enhance its portfolio.

Property sales on the Mainland during the period were in line with schedules. The property market on the Mainland remained stable and is expected to maintain steady and healthy development with the policy support of the Central Government.

### ***Property Rental***

The overall contribution from property rental during the period was affected by weak leasing momentum, as the pandemic continued to dampen the confidence of business and consumers. The redevelopment of Hutchison House into Cheung Kong Center II was on track and is expected to complete in 2023. The Group will continue to monitor the operating environment and prepare itself for the recovery in the property rental market.

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

Rigorous border restrictions were still in force and the Group strategically repositioned its hospitality service to domestic customers to retain market share. Performance of the Group's hotel operation improved while hotel rooms operating as serviced suites with occupancies on a longer term basis remained stable, and a slight increase in contribution was recorded for the Group's overall hotel and serviced suite operation during the period. The food and beverage section of Hotel Alexandra in North Point commenced operation in the first half of 2021 and is expected to provide additional contribution to the Group in due course. The Group will continue to mitigate the impact of the pandemic by safeguarding the wellbeing of the hotel guests, and by increasing its focus on the domestic leisure and dining experience as well as the long stay business.

### ***Aircraft Leasing***

COVID-19 travel restrictions and quarantine requirements continued to stall rebound in the aviation industry. AMCK Aviation negotiated lease restructuring or rent deferral arrangements with certain lessees on a case-by-case basis to protect cash flow and mitigate future remarketing or repossession risk. Profit contribution from aircraft leasing for the period decreased by 18%, excluding the aircraft disposal gain recognised in the same period in 2020. AMCK Aviation's investment approach focuses on young and in demand aircraft, with over 95% of its fleet being narrowbody aircraft. These are mostly used for domestic and regional travel, which have proven relatively resilient amid the pandemic. AMCK Aviation will continue to prepare for the post-COVID environment and seek further development opportunities.

### ***Pub Operation***

Following the rollout of the national vaccination programme in the UK, Greene King had re-opened part of its estate with outdoor space in mid-April and resumed indoor trading in mid-May pursuant to the government roadmap. Greene King incurred a loss of HK\$1,072 million before interest and taxation during the period as pubs were substantially closed or trading under restrictions during most of the period. With most restrictions lifted in mid-July, Greene King is cautiously optimistic with regards to the outlook for the remainder of the year. With the support of the Group and a significant freehold asset base, Greene King is well-positioned to emerge from the pandemic stronger and return back to normalised revenue over time as consumer sentiment improves. The safety of customers and staff remain a top priority for Greene King and its unwavering commitment to delivering great value in a Pub Safe way will be maintained.

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

Due to the stable nature of infrastructure and utility assets, the sector remained resilient. The four European infrastructure assets acquired from Li Ka Shing Foundation Limited provided an immediate contribution to the Group. The infrastructure and utility asset operation recorded an increase in contribution during the period as compared to the same period last year. CK William Group contributed HK\$629 million during the period 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\$638 million from its building equipment and services business in Canada. ista contributed HK\$863 million from its fully integrated energy management services business in Europe. Other infrastructure and utility assets, including the infrastructure businesses under an economic benefits agreement and the assets acquired from Li Ka Shing Foundation Limited during the period, made a total contribution of HK\$1,190 million. The Group will continue to source high quality global infrastructure and utility assets and related investment opportunities.

### ***Sustainability Initiatives and Response to COVID-19***

The pandemic has highlighted the importance of corporate governance and sustainability, and the imminent need to pursue green development. The Group published its first standalone Sustainability Report in April which marked a notable step in our ESG reporting journey. The Sustainability Committee will continue to spearhead initiatives to enhance environmental, social and governance performance and disclosure practices. In support of the Government's mass vaccination programme, the Group has commenced offering special paid leave to its staff for COVID-19 vaccination, and joined hands with Li Ka Shing Foundation to give away HK\$20 million vouchers to the public to encourage vaccination. The Group places great emphasis on its role as a global corporate citizen and is committed to providing its employees with a safe workplace for them to develop and prosper.

## **Outlook**

The world continues to endure the lingering impact of COVID-19 and its variants by deploying varying means to alleviate the damage from the pandemic and to regain momentum of growth, including the provision of fiscal support on an unprecedented scale. Economic recovery is uneven across countries. Whether any rebound is sustainable depends on the fundamentals of each economy. Prospect of global growth in the second half of 2021 will largely be shaped by the path of the pandemic, vaccine access and the extent of policy support.

Prevention and control of COVID-19 on the Mainland has sustained stable economic recovery. The Mainland recorded a positive real GDP year-on-year growth of 12.7% in the first half of 2021. The reduction of the reserve requirement ratio for major commercial banks in mid-July and the release of RMB 1 trillion into the system would lend extra support to small and medium enterprises and underpin economic recovery. It is expected that the Central Government will expend more efforts on consolidating the foundation of economic development to maintain steady recovery and growth momentum.

Hong Kong resumed positive real GDP year-on-year growth of 7.8% in the first half of the year with a lower unemployment rate and improved external exports figures. Market sentiment is expected to improve gradually as the vaccinated population increases and the impacts of the pandemic subside. The Government's Consumption Voucher Scheme has been launched to stimulate consumer spending and to boost the economy. Hong Kong as an international city is expected to maintain its advantage in economic development with the Central Government's policy support on its key industries encompassing finance, trade, innovation and technology. The local property market is expected to remain stable over the medium and long term, underpinned by solid end-user demand and the prospect of increased economic activities when the borders re-open. Housing policies will continue to be determining factors.

The Group has demonstrated resilience during the past recessions and the current COVID-19 pandemic. Despite various uncertainties and unfavourable conditions, its sound foundation and strong financial position will enable the Group to maintain stability and advance with its prudent investment policy. The Group has ample liquidity for investing in significant projects, and will closely monitor the situation and prepare itself to capture new opportunities. The Group is determined to generate value for shareholders by expanding its property development portfolio, enhancing its recurrent income base and improving the quality of earnings. The Group is optimistic that its operations will regain momentum of growth once normality returns and the global business environment improves.

As at 30 June 2021, the Group had a net debt to net total capital ratio of approximately 11.8%. The Group has maintained "A/Stable" and "A2 Stable" credit ratings from Standard & Poor's and Moody's respectively, demonstrating its stable financial profile.

## **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, 5 August 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Major Business Activities

#### 1. Developments Completed and Scheduled for Completion in 2021:

Name	Location	Gross Floor Area (sq.ft.)	Group's Interest
Seaside Sonata	New Kowloon Inland Lot No. 6506	595,701	Joint Venture
Sea to Sky	Site H of The Remaining Portion of Tseung Kwan O Town Lot No. 70	1,044,104	Joint Venture
Yuhu Mingdi Phase 3 (3)	Huangpu District, Guangzhou	333,349	80%
La Grande Ville Phase 5	Shun Yi District, Beijing	487,766	100%
Upper West Shanghai Phase 4 Tender 2 (T14)	Putuo District, Shanghai	403,216	60%
Laguna Verona Phases D2c2 and G1b/G2a Zone 3	Hwang Gang Lake, Dongguan	1,788,960	99.8%
Noble Hills Phases 3B and 3C	Zengcheng, Guangzhou	619,107	100%
Emerald Cove Phases 1 and 2	Daya Bay, Huizhou	2,511,842	100%
Regency Garden Phase 5B-1	Pudong New District, Shanghai	334,806	85%
Regency Cove Phase 2B	Caidian District, Wuhan	651,621	100%

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

- (1) February 2021: A wholly owned subsidiary of the Group was awarded a Government tender for a site, New Kowloon Inland Lot No. 6604, Kai Tak Area 4E Site 2, Kai Tak, Kowloon. With an area of approximately 117,843 sq.ft. (approximately 10,948 sq.m.), the site is designated for a residential/retail development estimated to have a developable gross floor area of approximately 648,137 sq.ft. (approximately 60,214 sq.m.).
- (2) March 2021: The Company announced on 18 March 2021 (“Announcement”) the proposal (“Proposal”) which comprised: (a) the proposed acquisition (“Proposed Acquisition”) of minority shareholding interests in four infrastructure companies from Li Ka Shing Foundation Limited (“LKSF”) for a total purchase price of HK\$17 billion, which would be satisfied by the issue to LKSF (or its affiliate) of 333,333,333 shares of the Company (the “Shares”) (“Consideration Shares”); (b) the Share buy-back proposal which comprised (i) a conditional cash offer to buy-back up to 380,000,000 Shares (“Maximum Number of Shares”, which was revised from 333,333,333 Shares, as announced by the Company on 14 April 2021) for cancellation at an offer price of HK\$51 per Share (the “Offer Price”) from all qualifying shareholders of the Company (“Share Buy-back Offer”), and (ii) the possible on-market buy-backs of any shortfall at a price not exceeding the Offer Price following completion of the Share Buy-back Offer if valid acceptances received under the Share Buy-back Offer was less than the Maximum Number of Shares by utilising the proposed general mandate to buy-back Shares (if approved by the shareholders at the 2021 annual general meeting of the Company); and (c) the application for the Whitewash Waiver (as defined in the Announcement) to waive any obligation on the part of LKSF to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Controlling Shareholder Group (as defined in the Announcement) as a result of the allotment and issue of the Consideration Shares to LKSF (or its affiliate) and the Share Buy-back Offer. The Proposal was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 13 May 2021. The Proposed Acquisition was completed in May 2021 and the Share Buy-back Offer was completed in June 2021.
- (3) May 2021: A wholly owned subsidiary of the Group reached a land exchange agreement with the Government in respect of a site at Kam Tai Road, Kam Tin, Yuen Long, New Territories (Lot No. 2206 in D.D. 109) for an area of approximately 171,986 sq.ft. (approximately 15,978 sq.m.). The site is designated for residential development and estimated to have a gross floor area of approximately 137,584 sq.ft. (approximately 12,782 sq.m.).



- (4) June 2021: The Company bought back a total of 3,150,000 Shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) with the aggregate consideration paid (before expenses) amounting to HK\$163,423,500. All the Shares bought back were cancelled on 2 July 2021.
- (5) June 2021: A wholly owned subsidiary of the Group issued notes in aggregate nominal amounts of (i) US\$250 million at a fixed interest rate of 0.75% per annum with 3-year terms; and (ii) US\$350 million at a fixed interest rate of 1.375% per annum with 5-year terms under the US\$5,000,000,000 Euro Medium Term Note Programme, which is guaranteed by the Company (“Notes”). The Notes were sold to professional investors only and were listed on the Stock Exchange on 2 July 2021.

## Property Sales

Revenue of property sales (including share of joint ventures) recognised for the period was HK\$14,789 million (2020 – HK\$19,484 million), comprising mainly (i) sales of the remaining residential units of various projects completed in Hong Kong; and (ii) sales of various projects on the Mainland – Laguna Verona in Dongguan, Noble Hills in Guangzhou, Upper West Shanghai and Regency Garden in Shanghai, and is summarised by location as follows:

Location	2021 HK\$ Million	2020 HK\$ Million
Hong Kong	609	6,116
The Mainland	14,036	10,929
Overseas	144	2,439
	<b>14,789</b>	<b>19,484</b>

Contribution for the period was HK\$7,917 million (2020 – HK\$9,004 million) and is summarised by location as follows:

Location	2021 HK\$ Million	2020 HK\$ Million
Hong Kong	112	1,768
The Mainland	7,787	6,638
Overseas	18	598
	<b>7,917</b>	<b>9,004</b>

In Hong Kong, all residential units of Sea to Sky have been presold. Besides, the presales of residential units of Seaside Sonata and El Futuro as well as the sales of residential units of 21 Borrett Road Phase 1, a luxury project at Mid-levels West, have been well received. Contribution to group profit is expected in the second half year when sales are recognised upon completion.

On the Mainland, the sales of residential and commercial units of various projects including Laguna Verona in Dongguan, Upper West Shanghai in Shanghai, Noble Hills in Guangzhou and Emerald City in Nanjing are ongoing, whereas the sales of residential units of Chelsea Waterfront in the United Kingdom slow down amid the pandemic.

Property sales contracted but not yet recognised at 30 June 2021 are as follows:

Location	Schedule for Sales Recognition		
	2021 HK\$ Million	After 2021 HK\$ Million	Total HK\$ Million
Hong Kong	11,830	18,860	30,690
The Mainland	7,913	2,788	10,701
Overseas	83	32	115
	19,826	21,680	41,506

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 80 million sq.ft., of which 6 million sq.ft., 70 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\$3,353 million (2020 – HK\$3,453 million) and comprised rental income derived from leasing of retail, office, industrial and other properties as follows:

Use of Property	2021 HK\$ Million	2020 HK\$ Million
Retail	1,319	1,441
Office	1,339	1,439
Industrial	358	365
Others	337	208
	3,353	3,453

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, OP Mall in Tsuen Wan, Hutchison Logistics Centre in Kwai Chung and others.

Contribution for the period was HK\$2,894 million (2020 – HK\$3,169 million), a decrease of HK\$275 million when compared with the same period last year, mainly due to a decrease in occupancy of retail and office properties in Hong Kong under the pandemic, and is summarised by location as follows:

Location	2021 HK\$ Million	2020 HK\$ Million
Hong Kong	2,241	2,634
The Mainland	295	281
Overseas	358	254
	<b>2,894</b>	3,169

At the interim period end date, the Group had an investment property portfolio of approximately 17.4 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.	Others 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	-	1.0	2.5
	4.8	5.7	5.9	1.0	17.4

An increase of HK\$121 million (2020 – decrease of HK\$809 million) in fair value of investment properties was recorded at 30 June 2021 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\$1,190 million (2020 – HK\$992 million), and below pre-COVID-19 level when hotel operation continued to be adversely impacted by the pandemic.

During the period, the operation of Harbour Grand Hotels, Harbour Plaza Hotels & Resorts and other group hotels reported on average a slightly improved occupancy rate of 30%, whereas Horizon Hotels & Suites and other serviced suite operations managed to maintain an average occupancy rate of 90% with long stay guests.

Contribution for the period was HK\$124 million (2020 – HK\$33 million), as serviced suite contributions offset hotel losses, and is summarised by location as follows:

Location	<b>2021</b> HK\$ Million	2020 HK\$ Million
Hong Kong	<b>162</b>	90
The Mainland	<b>(38)</b>	(57)
	<b>124</b>	33

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\$432 million (2020 – HK\$403 million) and mainly comprised management fees received for provision of property management and related services to properties developed by the Group.

Contribution for the period was HK\$186 million (2020 – HK\$173 million) and is summarised by location as follows:

Location	<b>2021</b> HK\$ Million	2020 HK\$ Million
Hong Kong	<b>137</b>	138
The Mainland	<b>36</b>	23
Overseas	<b>13</b>	12
	<b>186</b>	173

At the interim period end date, approximately 274 million sq.ft. of completed properties were managed by the Group 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\$1,256 million (2020 – HK\$1,520 million), a decrease of HK\$264 million when compared with the same period last year, and comprised income derived from leasing of narrow body aircraft and wide body aircraft to airlines. During the period, the Group strived to restructure lease terms with airline lessees to maintain aircraft on lease when airlines operated under difficult conditions.

Contribution for the period (including share of joint ventures) amounted to HK\$440 million (2020 – HK\$733 million), a decrease of HK\$293 million when compared with the same period last year, in the absence of aircraft disposal gain (2020 – HK\$195 million) and a decline in leasing income due to impacts of the pandemic. Contribution with reference to lessee's location of operation is summarised as follows:

Location	2021 HK\$ Million	2020 HK\$ Million
Asia	99	256
Europe	87	164
North America	227	256
Latin America	27	57
	<b>440</b>	<b>733</b>

At the interim period end date, the Group (including interest in joint ventures) owned 120 narrow body aircraft and 5 wide body aircraft with an average age of 7.3 years and an average remaining lease term of 4.8 years, and had a total commitment of HK\$10.5 billion for acquisition of 22 aircraft.

## Pub Operation

The Group's pub businesses comprise 2 breweries and about 2,700 pubs, restaurants and hotels operated by Greene King across England, Wales and Scotland. The lockdown measures implemented in the United Kingdom to counteract the COVID-19 pandemic have been detrimental to all local pub businesses. Notwithstanding the lifting of lockdown measures recently in July, the prolonged closures and curfew on pubs and restaurants in the first half year had a significant adverse impact on pub operation and profitability.

During the period, the Group's pub businesses continued to be impacted and still operated at below pre-COVID-19 levels. An operating loss of HK\$1,072 million (2020 – HK\$1,938 million) was reported for the period. Revenue and operating loss by division of pub operation is as follows:

Division	2021		2020	
	Revenue HK\$ Million	Operating loss HK\$ Million	Revenue HK\$ Million	Operating loss HK\$ Million
Pub Company - operates food-led and drink-led destination pubs and restaurants and community-focused local pubs	2,724	(922)	3,078	(1,574)
Pub Partners - owns a portfolio of mainly drink-led pubs which are run as franchised or leased pubs	349	4	310	(35)
Brewing & Brands - sells and distributes a wide range of beers including ale brands brewed in own breweries	562	(154)	474	(329)
	<b>3,635</b>	<b>(1,072)</b>	3,862	(1,938)

## Infrastructure and Utility Asset Operation

In May 2021, the Group completed the acquisition of (i) a 20% equity interest in UK Power Networks; (ii) a 20% equity interest in Northumbrian Water; (iii) a 10% equity interest in Wales & West Utilities; and (iv) a 10% equity interest in Dutch Enviro Energy from Li Ka Shing Foundation Limited for a total consideration of HK\$17 billion.

Following the acquisition, the equity interests in Northumbrian Water, Wales & West Utilities and Dutch Enviro Energy are amalgamated with the Group's economic interests in these entities, and the Group has interests in infrastructure and utility asset businesses operated through joint ventures as follows:

	Principal Activity	Interest in Joint Venture
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%
UK Power Networks JV	A power distributor that serves London, the South East and East of England	20%
Northumbrian Water JV	A regulated water and sewerage company in England and Wales	36%
Dutch Enviro Energy JV	An energy-from-waste company in the Netherlands	24%
Wales & West Utilities JV	A gas distributor that serves Wales and the South West of England	22%

Revenue of the joint venture operations was shared by the Group for the period as follows:

	2021 HK\$ Million	2020 HK\$ Million
CK William JV	2,048	2,020
CKP (Canada) JV	2,063	1,782
Sarvana JV	3,146	2,807
UK Power Networks JV	962	-
Northumbrian Water JV	936	-
Dutch Enviro Energy JV	193	-
Wales & West Utilities JV	316	-
	<b>9,664</b>	<b>6,609</b>

Furthermore, the Group has interests 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%
Australian Gas Networks	A distributor of natural gas in Australia	11%

Profit contribution for the period amounted to HK\$3,320 million (2020 – HK\$2,456 million), and is summarised by location as follows:

	Australia HK\$ Million	Europe HK\$ Million	North America HK\$ Million	<b>2021 Total HK\$ Million</b>	2020 Total HK\$ Million
CK William JV	596	19	14	<b>629</b>	707
CKP (Canada) JV	-	-	638	<b>638</b>	553
Sarvana JV	-	863	-	<b>863</b>	890
UK Power Networks JV	-	521	-	<b>521</b>	-
Northumbrian Water JV	-	246	-	<b>246</b>	-
Dutch Enviro Energy JV	-	46	-	<b>46</b>	-
Wales & West Utilities JV	-	142	-	<b>142</b>	-
Others	37	198	-	<b>235</b>	306
	633	2,035	652	<b>3,320</b>	2,456

## Interests in Real Estate Investment Trusts

The Group’s interests in listed real estate investment trusts at the interim period end date were as follows:

	Principal Activity	Interest
Hui Xian REIT	Investment in hotels and serviced suites, office and retail properties on the Mainland	32.5%
Fortune REIT	Investment in retail properties in Hong Kong	26.8%
Prosperity REIT	Investment in office, retail and industrial properties in Hong Kong	18.0%



Hui Xian REIT is an associate and made a contribution of HK\$153 million (2020 – HK\$99 million) to group profit for the period, whereas the Group received a distribution of HK\$152 million (2020 – HK\$190 million) during the period.

Distributions received from Fortune REIT and Prosperity REIT during the period amounted to HK\$154 million (2020 – HK\$157 million) and were recognised as investment income. An increase of HK\$640 million (2020 – decrease of HK\$1,318 million) in fair value of the Group's investments in Fortune REIT and Prosperity REIT was recorded based on the market closing price at 30 June 2021.

## **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. During the period, the Group issued HK\$3,790 million floating rate notes for a 3-year term at HIBOR+0.47% per annum and two tranches of US dollar fixed rate notes, US\$250 million for a 3-year term at 0.75% per annum and US\$350 million for a 5-year term at 1.375% per annum, under the Euro Medium Term Note Programme.

At the interim period end date, the Group's bank and other loans amounted to HK\$93.2 billion, an increase of HK\$15.3 billion when compared with bank and other loans at 31 December 2020. The maturity profile was spread over a period of 15 years, with HK\$23.7 billion repayable within 1 year, HK\$52.7 billion within 2 to 5 years and HK\$16.8 billion beyond 5 years.

The Group's net debt to net total capital ratio at 30 June 2021 was approximately 11.8%. Net debt is arrived at by deducting bank balances and deposits of HK\$43.9 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 regularly. For investment overseas and at times of financial 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, the Group's borrowings were 65% in HK\$ and US\$ and 35% in other currencies, including AUD, GBP and RMB, which had been arranged for investments and operations in Australia, the United Kingdom and on the Mainland. 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 local currencies is maintained for operational requirements.

## **Charges on Assets**

At the interim period end date, properties amounting to HK\$8,493 million (31 December 2020 – HK\$15,924 million) were charged to secure bank loans arranged for property projects on the Mainland and in the United Kingdom, and properties amounting to HK\$33,316 million (31 December 2020 – HK\$33,078 million) were charged to secure other loans 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\$490 million (31 December 2020 – HK\$505 million); (ii) mortgage loans provided by banks to purchasers of properties developed by the Group on the Mainland amounting to HK\$2,473 million (31 December 2020 – HK\$4,662 million); and (iii) loans provided by banks to a joint venture amounting to HK\$3,781 million (31 December 2020 – HK\$3,781 million).

## Employees

At the interim period end date, the Group employed approximately 55,000 employees. The related employees' costs for the period (excluding directors' emoluments), before employment support subsidies from governments and other reimbursements, amounted to approximately HK\$5,576 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 4 June 2021, a total of 380,000,000 Shares were bought back at the Offer Price for an aggregate consideration of HK\$19,380,000,000 (before expenses) pursuant to the Share Buy-back Offer and cancelled (details of which were disclosed in the Company's announcement dated 4 June 2021).

During the six months ended 30 June 2021, the Company bought back a total of 3,150,000 Shares on the Stock Exchange for an aggregate consideration of HK\$163,423,500 (before expenses). All the Shares bought back were subsequently cancelled. As at 30 June 2021, the total number of Shares in issue was 3,646,733,833 (out of which, 3,150,000 Shares bought back in June 2021 were cancelled on 2 July 2021). As at the date of this announcement, the total number of Shares in issue is 3,643,583,833.

Particulars of the share buy-backs are as follows:

Month	Number of Shares bought back	Purchase price per Share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
June 2021	<u>3,150,000</u>	51.95	51.70	<u>163,423,500</u>

Save as disclosed above, during the six months ended 30 June 2021, 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 (“Listing Rules”) throughout the six months ended 30 June 2021. 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 six 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.

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 Whistleblowing Policy - Procedures for Reporting Possible Improprieties, which has been revised from time to time. 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 six 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, Mr. Donald Jeffrey Roberts and Mr. Stephen Edward Bradley. 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 2021 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 an Independent Non-executive Director, Ms. Hung Siu-lin, Katherine (Chairperson of the Remuneration Committee), the Chairman and Managing Director, Mr. Victor T K Li and an Independent Non-executive Director, Mr. Cheong Ying Chew, Henry.

## **NOMINATION COMMITTEE**

The Company established its nomination committee (“Nomination Committee”) on 1 January 2019 which currently comprises a majority of Independent Non-executive Directors and is chaired by an Independent Non-executive Director. The Nomination Committee comprises an Independent Non-executive Director, Mr. Stephen Edward Bradley (Chairman of the Nomination Committee), the Chairman and Managing Director, Mr. Victor T K Li and an Independent Non-executive Director, Mr. Donald Jeffrey Roberts.

## **SUSTAINABILITY COMMITTEE**

The Company established its sustainability committee (“Sustainability Committee”) on 1 December 2020 with members comprised of an Executive Director, an Independent Non-executive Director and the Company Secretary to oversee management and advise the Board on the development and implementation of the sustainability initiatives of the Group, including reviewing the related environment, social and governance (“ESG”) policies and practices, and assessing and making recommendations on matters concerning the Group’s sustainability development and ESG risks. The Sustainability Committee comprises an Executive Director, Mr. Ip Tak Chuen, Edmond (Chairman of the Sustainability Committee), an Independent Non-executive Director, Mr. Cheong Ying Chew, Henry, and the Company Secretary, Ms. Eirene Yeung.



**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, 2021**

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 2021 amounted to HK\$8,355 million which represents earnings of HK\$2.25 per share. The Directors have declared an interim dividend for 2021 of HK\$0.41 per share to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 7 September 2021, being the record date for determination of entitlement to the interim dividend. The dividend will be paid on Thursday, 16 September 2021.

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, 7 September 2021.

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

Hong Kong, 5 August 2021

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, Mr. Donald Jeffrey ROBERTS and Mr. Stephen Edward BRADLEY as Independent Non-executive Directors.

**Consolidated Income Statement**  
For the six months ended 30 June 2021

	(Unaudited)	
	2021 HK\$ Million	2020 HK\$ Million
Group revenue	24,264	29,248
Share of revenue of joint ventures	10,055	7,075
<b>Total</b>	<b>34,319</b>	<b>36,323</b>
Group revenue	24,264	29,248
Interest from joint ventures	1,049	915
Investment and other income	920	1,596
Operating costs		
Property and related costs	(6,911)	(10,377)
Pub product and related costs	(2,172)	(3,700)
Salaries and related expenses	(2,908)	(2,884)
Interest and other finance costs	(746)	(921)
Depreciation	(1,717)	(1,651)
Other expenses	(284)	(237)
	(14,738)	(19,770)
Gain (loss) on financial instruments	1,460	(254)
Change in fair value of investment properties	121	(809)
Share of profit of joint ventures	699	571
Share of profit of associates	153	99
<b>Profit before taxation</b>	<b>13,928</b>	<b>11,596</b>
Taxation	(5,084)	(4,137)
<b>Profit after taxation</b>	<b>8,844</b>	<b>7,459</b>
Profit attributable to		
Non-controlling interests	(377)	(833)
Perpetual capital securities	(112)	(266)
<b>Profit attributable to shareholders</b>	<b>8,355</b>	<b>6,360</b>
<b>Earnings per share</b>	<b>HK\$2.25</b>	<b>HK\$1.72</b>

	2021 HK\$ Million	2020 HK\$ Million
<b>Interim dividend</b>	<b>1,494</b>	<b>1,256</b>
<b>Dividend per share</b>	<b>HK\$0.41</b>	<b>HK\$0.34</b>

## Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	(Unaudited)	
	2021 HK\$ Million	2020 HK\$ Million
<b>Profit after taxation</b>	<b>8,844</b>	7,459
Other comprehensive income to be reclassified to income statement		
Exchange gain (loss) on translation of financial statements of operations outside Hong Kong	<b>380</b>	(6,471)
Exchange gain on translation of bank loans for hedging	<b>257</b>	274
Gain on derivative financial instruments		
Net investment hedges	<b>100</b>	3,688
Cash flow hedges	<b>278</b>	512
Share of other comprehensive income (loss) of joint ventures	<b>284</b>	(305)
Other comprehensive income not to be reclassified to income statement		
Loss on remeasurement of defined benefit obligations	-	(49)
Share of other comprehensive income (loss) of joint ventures	<b>82</b>	(49)
<b>Other comprehensive income</b>	<b>1,381</b>	(2,400)
<b>Total comprehensive income</b>	<b>10,225</b>	5,059
Total comprehensive income attributable to		
Non-controlling interests	<b>(465)</b>	(746)
Perpetual capital securities	<b>(112)</b>	(266)
<b>Total comprehensive income attributable to shareholders</b>	<b>9,648</b>	4,047



## Consolidated Statement of Financial Position

As at 30 June 2021

	(Unaudited) 30/6/2021 HK\$ Million	(Audited) 31/12/2020 HK\$ Million
<b>Non-current assets</b>		
Fixed assets	94,536	95,101
Investment properties	130,037	128,683
Joint ventures	85,434	62,467
Associates	7,118	7,077
Investments	11,192	16,787
Goodwill	6,743	6,655
Deferred tax assets	3,563	3,102
Other non-current assets	7,457	8,096
	<u>346,080</u>	<u>327,968</u>
<b>Current assets</b>		
Properties for sale	133,992	121,737
Debtors, prepayments and others	10,578	10,414
Loan receivables	837	1,065
Bank balances and deposits	43,945	59,519
	<u>189,352</u>	<u>192,735</u>
<b>Current liabilities</b>		
Creditors, accruals and others	21,945	21,336
Bank and other loans	23,665	22,887
Customers' deposits received	19,942	22,303
Provision for taxation	3,972	4,297
	<u>69,524</u>	<u>70,823</u>
<b>Net current assets</b>	<u>119,828</u>	<u>121,912</u>
<b>Non-current liabilities</b>		
Bank and other loans	69,506	55,006
Deferred tax liabilities	16,993	14,938
Lease liabilities	5,917	6,980
Derivative financial instruments	3,990	5,568
Pension liabilities	175	170
	<u>96,581</u>	<u>82,662</u>
<b>Net assets</b>	<u>369,327</u>	<u>367,218</u>
<b>Representing:</b>		
Share capital and share premium	242,622	245,639
Reserves	113,636	109,000
Shareholders' funds	356,258	354,639
Perpetual capital securities	6,200	6,200
Non-controlling interests	6,869	6,379
<b>Total equity</b>	<u>369,327</u>	<u>367,218</u>

Notes:

(1) Revenue by principal activities is as follows:

	Six months ended 30 June					
	Group		Joint ventures		Total	
	2021 HK\$ Million	2020 HK\$ Million	2021 HK\$ Million	2020 HK\$ Million	2021 HK\$ Million	2020 HK\$ Million
Property sales	14,759	19,470	30	14	14,789	19,484
Property rental	3,280	3,379	73	74	3,353	3,453
Hotel and serviced suite operation	1,180	987	10	5	1,190	992
Property and project management	408	385	24	18	432	403
Aircraft leasing	1,002	1,165	254	355	1,256	1,520
Pub operation	3,635	3,862	-	-	3,635	3,862
Infrastructure and utility asset operation	-	-	9,664	6,609	9,664	6,609
	<b>24,264</b>	<b>29,248</b>	<b>10,055</b>	<b>7,075</b>	<b>34,319</b>	<b>36,323</b>

and is summarised by location as follows:

	Six months ended 30 June	
	2021 HK\$ Million	2020 HK\$ Million
Hong Kong	4,509	10,114
The Mainland	14,726	11,587
The United Kingdom	6,415	4,575
Others	8,669	10,047
	<b>34,319</b>	<b>36,323</b>

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	
	2021 HK\$ Million	2020 HK\$ Million	2021 HK\$ Million	2020 HK\$ Million	2021 HK\$ Million	2020 HK\$ Million
Property sales	7,896	9,001	21	3	7,917	9,004
Property rental	2,830	3,108	64	61	2,894	3,169
Hotel and serviced suite operation	135	45	(11)	(12)	124	33
Property and project management	173	161	13	12	186	173
Aircraft leasing	384	505	56	228	440	733
Pub operation	(1,072)	(1,938)	-	-	(1,072)	(1,938)
Infrastructure and utility asset operation	235	306	3,085	2,150	3,320	2,456
	<b>10,581</b>	<b>11,188</b>	<b>3,228</b>	<b>2,442</b>	<b>13,809</b>	<b>13,630</b>
Bank and other loan finance costs	(621)	(814)	(856)	(607)	(1,477)	(1,421)
	<b>9,960</b>	<b>10,374</b>	<b>2,372</b>	<b>1,835</b>	<b>12,332</b>	<b>12,209</b>
Gain on financial instruments					632	1,064
Interests in real estate investment trusts					307	256
Change in fair values						
Real estate investment trusts					640	(1,318)
Investment properties					121	(809)
Others					332	577
Taxation						
Group					(5,084)	(4,137)
Joint ventures					(436)	(383)
Profit attributable to non-controlling interests and perpetual capital securities					(489)	(1,099)
Profit attributable to shareholders					<b>8,355</b>	<b>6,360</b>

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

	Six months ended 30 June	
	2021 HK\$ Million	2020 HK\$ Million
Interest and other finance costs		
Bank and other loans	775	1,151
Less: amount capitalised	(154)	(337)
	621	814
Lease liabilities	125	107
Costs of properties sold	5,696	9,401
Costs of pub products sold	1,106	1,442
Government subsidies – employment support	(1,650)	(891)

(3) Taxation

	Six months ended 30 June	
	2021 HK\$ Million	2020 HK\$ Million
Current tax		
Hong Kong	315	489
Outside Hong Kong	3,333	2,518
Deferred tax	1,436	1,130
	5,084	4,137

(4) On 21 May 2021, the Company issued 333,333,333 shares at HK\$51 per share to acquire (i) a 20% equity interest in UK Power Networks; (ii) a 20% equity interest in Northumbrian Water; (iii) a 10% equity interest in Wales & West Utilities; and (iv) a 10% equity interest in Dutch Enviro Energy from Li Ka Shing Foundation Limited for a total consideration of HK\$17,000 million.

On 4 June 2021, the Company completed the cash offer to buy-back 380,000,000 shares at HK\$51 per share for a total amount of HK\$19,380 million and cancelled the shares bought back. Thereafter and before the period end date, the Company bought back 3,150,000 shares on The Stock Exchange of Hong Kong Limited with an aggregate consideration of HK\$163 million and cancelled these shares after the period end date.

The calculation of earnings per share is based on profit attributable to shareholders and on the weighted average of 3,712,221,863 shares (2020 – 3,693,400,500 shares) in issue during the period.

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

	30/6/2021 HK\$ Million	31/12/2020 HK\$ Million
Current to one month	2,380	2,280
Two to three months	125	132
Over three months	214	320
	2,719	2,732

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

	30/6/2021 HK\$ Million	31/12/2020 HK\$ Million
Current to one month	4,629	4,490
Two to three months	22	55
Over three months	43	26
	4,694	4,571

(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 2020.

The application of International Financial Reporting Standards ("IFRSs") effective for annual accounting periods beginning on 1 January 2021 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.