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(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1113)

THE CHAIRMAN'S STATEMENT FOR 2023

HIGHLIGHTS

Year ended 31 December	2023 HK\$ million	2022 HK\$ million	2023 HK\$ per share	2022 HK\$ per share	Change
Profit attributable to shareholders					
Continuing operations	17,340	19,627	4.86	5.41	-10.2%
Discontinued aircraft leasing business	-	2,056	-	0.57	
	17,340	21,683	4.86	5.98	-18.7%
Final dividend			1.62	1.85	-12.4%
Full year dividend			2.05	2.28	-10.1%

PROFIT FOR THE YEAR

The Group's profit attributable to shareholders from continuing operations for the year ended 31 December 2023 amounted to HK\$17,340 million (2022 – HK\$19,627 million from continuing operations and HK\$21,683 million including discontinued aircraft leasing business). Earnings per share from continuing operations were HK\$4.86 (2022 – HK\$5.41), a decrease of 10.2% when compared with the previous year. When compared with the previous year's earnings per share of HK\$5.98 which included the discontinued aircraft leasing business, a decrease of 18.7% was recorded.

DIVIDEND

The Directors recommend the payment of a final dividend of HK\$1.62 per share in respect of 2023 to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 29 May 2024. Together with the interim dividend of HK\$0.43 per share paid on 14 September 2023, this gives a total of HK\$2.05 per share for the year (2022 – HK\$2.28 per share). The proposed final dividend will be paid on Thursday, 13 June 2024 following approval at the 2024 Annual General Meeting.

PROSPECTS

Strong Resilience in Challenging Times

Business Review

The Group continued to demonstrate resilience in a challenging global business environment in 2023. A diverse portfolio of high-quality assets across geographies and sectors fortified the Group's solid foundation and strong financial fundamentals despite ongoing uncertainties. During the year, the Group strengthened its investment property portfolio through the acquisition of Civitas Social Housing PLC, a real estate investment trust dedicated to investing in social care housing and healthcare facilities in the UK. The Group's hotel and serviced suite operation reaped the benefits of a rise in inbound tourism in Hong Kong and recorded an increase in profit contribution for the year. The overall performance for 2023 was in line with budget.

Property Sales

Property transaction volumes in Hong Kong declined in 2023 as a result of high interest rates, the complex external environment, and the soft economic performance during the second half of the year. On the Mainland, the Central Government continued to implement various policy measures to support the weakened real estate market. The Group continued to pursue a proactive sales strategy and released its projects at opportune times in response to the challenging market conditions. The launch of The Coast Line Phases 1 and 2 in Yau Tong was well received. The sales of Grand Jeté Phase 1 and Phase 2 in Tuen Mun and Perfect Ten in Singapore have progressed steadily. The sale of Blue Coast in Wong Chuk Hang is expected to be launched in the near term.

Profit contributions from El Futuro in Sha Tin and #LYOS in Hung Shui Kiu were recognised in 2023 upon the completion of contracted sales. The forfeited deposit from the termination in July 2023 of the agreement for the disposal of the Group's interest in the development company that owns the unsold units of 21 BORRETT ROAD in Mid-Levels West was also recognised in the second half of the year. The Group recorded a decrease in contribution from property sales in 2023 when compared with the previous year primarily due to a scaling back of its property development business that is attributable to its prudent strategy on land bank replenishment. Planning works are in progress in relation to the residential and retail projects on the four sites acquired through government tenders and two redevelopment projects secured in Hong Kong in 2021 and 2022. The Group stands ready to replenish its land reserve for the development of premium projects when suitable opportunities arise.

Property Rental

While improved retail sales supported the retail leasing market, the adverse business environment on a global level continued to affect office leasing demand. Cheung Kong Center II is approaching completion and will be an iconic landmark office building in Central with a commanding view of Victoria Harbour. It is expected to strengthen the Group's growing investment property portfolio by providing a new recurring rental income stream, and through long-term asset appreciation. The Group remains confident in the demand for Grade A office buildings in Central in the long term. The Civitas portfolio, which began to generate rental income contributions to group profit in the second half of 2023, benefits from inflation adjusted long-term leases and is expected to deliver stable rental income growth and returns. The Group recorded a comparable contribution from property rental in 2023 when compared with 2022.

Hotel and Serviced Suite Operation

Hong Kong witnessed a continuous increase in visitor arrivals throughout 2023, leading to an improvement in hotel occupancy and room rates. This had a positive effect on the performance of the Group's hotel operation. Its serviced suite operation remained stable and maintained a high occupancy rate. Contribution from the Group's hotel and serviced suite operation recorded an encouraging increase in 2023 compared with 2022. The Group continued to optimise its hotel and serviced suite portfolio in line with market demand to maximise the resilient and stable revenue income streams from both short-term visitors and long stay guests.

Pub Operation

Inflationary pressures in the UK driven by high labour costs, energy and food prices affected consumer confidence, spending power and trading margins. Business conditions for the pub sector remained tough. However, Greene King's total sales revenue and contribution both recorded an increase in 2023 when compared with 2022. Greene King continued to make strategic investments into new brand developments, its core estates and digital transformation programme in 2023. With the steadfast backing of the Group, an experienced team and a portfolio of high-quality freehold assets and brands that reflect its rich heritage, Greene King is well positioned to deliver sustainable growth and generate returns for the Group.

Infrastructure and Utility Asset Operation

The infrastructure and utility assets operation stayed resilient in the current high interest environment due to its stable nature. As the revenues and asset bases of regulated businesses are inflation-linked, these businesses are protected against the adverse effects of the current high inflation environment. In addition, these businesses are also protected against rising interest rates, given they are appropriately geared, and the allowed cost of debt is regularly adjusted to reflect the actual prevailing interest rates. The Group recorded an increase in contribution in 2023 when compared with 2022. CK William Group, Reliance Home Comfort and ista contributed HK\$1,400 million, HK\$1,456 million and HK\$1,291 million respectively. Other infrastructure and utility assets made a total contribution of HK\$3,626 million. The Group will continue to proactively source new investment opportunities in high-quality global infrastructure and utility assets.

Sustainability Initiatives

The Group acknowledges the pivotal role of sustainability in shaping corporate principles and is committed to fostering innovation for enduring growth. It has amplified its climate disclosures in line with the recommendations of the Task Force on Climate-Related Financial Disclosures. It has also made significant efforts in setting Science-Based Targets according to the Science Based Targets initiative (SBTi) criteria, and a comprehensive process was undertaken to ascertain the Scope 3 emissions of the Group's property-related businesses. The Company committed to the SBTi Net-Zero Standard in 2023 and has submitted its near-term targets and net-zero targets to SBTi for validation. In addition, the Group continued to take active measures to uphold its corporate governance responsibilities. It enhanced its policies in the areas of green procurement, cybersecurity, and anti-harassment in 2023 and adopted the Workforce Diversity Policy, Biodiversity Policy, and Sustainable Building Guidelines in 2024. It has also established a Privacy Management Programme across departments to further enhance personal data protection.

The Civitas portfolio generates significant and quantifiable social impact benefits for the individuals that are supported through its social healthcare properties fund. It has improved the well-being of residents by increasing supply to ease the high level of demand for supported housing, and improving the quality and energy efficiency of existing housing by running a retrofit programme. Civitas will continue to support and expand the opportunity to contribute to the United Nations Sustainable Development Goals, which provide a recognised and useful framework for assessing Civitas' contribution towards economic, social, and environmental development.

The Group takes a special interest in projects that improve ecosystem performance and drive transformative change to reduce carbon emissions. We are in the process of evaluating regenerative soil management projects with a view to making solid contribution to carbon neutrality.

Outlook

The global growth momentum is expected to be diverging in 2024. The world's economic landscape remains challenging and will continue to be affected by geopolitical tensions, elevated interest rates, inflationary pressure, tight monetary policy, and trade conflicts.

The Mainland recorded a positive real GDP year-on-year growth of 5.2% in 2023, reflecting an improvement from 2022. While other economic data are still mixed, it is expected that the Central Government will continue to pursue sustainable growth and high-quality development through innovation and technology, and will take a proactive approach to deliver more effective measures to encourage real estate market activities and raise business confidence. As one of the world's largest economies, the Mainland will remain a major engine for global economic growth.

Hong Kong resumed positive real GDP year-on-year growth of 3.2% in 2023. The city's traditional status as a leading international finance, transportation and trading centre remains strong with firm support from the Mainland. Hong Kong will continue to benefit from its unique role as an important gateway connecting the Greater Bay Area and the Mainland with the rest of the world. The Government has introduced various measures to attract international enterprises, investment, and talent to create impetus for growth and strengthen Hong Kong's competitiveness. The property sector is a critical pillar of Hong Kong's economy and the sustainable prosperity of both are correlatively interdependent. Underlying demand for property is expected to support the real estate sector over the long term. The Government announced the cancellation of all demand-side management measures for residential properties in February 2024. Housing policies and interest rate movements will continue to be determining factors for the property market.

The Group is well-poised to navigate the current high interest rate environment with its low gearing ratio, ample liquidity, and solid financial position. Stringent financial discipline and prudent financial management philosophy will continue to be the core tenets underlying the Group's sound performance and resilience in a macro environment full of uncertainties. Our strong management team is looking for new opportunities and sizeable investments around the world. It will continue to enhance the growth prospects of its diversified portfolio of high-quality assets that yield recurring income and increase shareholder value. The Group has a track record of weathering economic downturns and emerging stronger. It will remain vigilant of the evolving global economic developments and rise up to the challenges in 2024 with confidence and cautious optimism.

As at 31 December 2023, the Group had a net debt to net total capital ratio of approximately 3%. 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

My colleagues on the Board join me in thanking our team of diligent employees around the world for their hard work, adaptability, and contributions during the year. I also take this opportunity to express my sincere gratitude to our board members for their unwavering dedication and to our stakeholders for their continued support.

Victor T K Li
Chairman

Hong Kong, 21 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major Business Activities

1. Developments Completed during 2023:

Name	Location	Gross Floor Area (sq.ft.)	Group's Interest
21 BORRETT ROAD Phase 2	Inland Lot No. 8949	149,123	100%
#LYOS	Lot No. 4328 in D.D. 124	138,876	100%
Grand Jeté Phase 1	The Remaining Portion of Tuen Mun Town Lot No. 463	171,523	40.94%
Regency Hills Land No. 11B	Yangjiashan, Nanan District, Chongqing	207,216	95%
Laguna Verona Phase F (Villa)	Henggang Reservoir, Dongguan	234,352	99.8%
Noble Hills Phase 3C	Zengcheng, Guangzhou	124,457	100%

2. Developments in Progress and Scheduled for Completion in 2024:

Name	Location	Gross Floor Area (sq.ft.)	Group's Interest
The Coast Line Phases 1 and 2	The Remaining Portion of Yau Tong Inland Lot No. 45	418,343	100%
Grand Jeté Phase 2	The Remaining Portion of Tuen Mun Town Lot No. 463	175,505	40.94%
Blue Coast	Aberdeen Inland Lot No. 467, Site C	583,715	Joint Venture
Cheung Kong Center II	Central	504,343	100%
Upper West Shanghai Phase 3 Tender 2 (T1) Phase 4 Tender 2 (T14)	Putuo District, Shanghai	1,648,685	60%
The Greenwich Phase 2 (Regency Park)	Chaoyang District, Beijing	2,814,114	100%
Regency Hills Land No. 4	Yangjiashan, Nanan District, Chongqing	1,347,769	95%
The South Bay Phase 5A	Jinzhou New Area, Dalian	969,537	100%
Laguna Verona Phase F (House on House)	Henggang Reservoir, Dongguan	290,238	99.8%
Noble Hills Phase 4A	Zengcheng, Guangzhou	190,693	100%
Emerald Cove Phase 2	Daya Bay, Huizhou	1,216,988	100%
Regency Garden Phase 5B-2a	Pudong New District, Shanghai	261,367	85%
Regency Cove Phase 3A	Caidian District, Wuhan	282,003	100%
Chelsea Waterfront Powerhouse, The Rotunda, East Tower, Block KC4 and Block KC2A	Chelsea / Fulham, London	509,064	95%

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

- (1) March to December 2023: The Company bought back a total of 45,557,000 shares of the Company (the “Shares”) from March to December 2023 on The Stock Exchange of Hong Kong Limited with the aggregate consideration (before expenses) amounting to HK\$1,969,034,325.00. All the Shares bought back were subsequently cancelled.
- (2) May 2023: On 9 May 2023, an indirect wholly owned subsidiary of the Company and Civitas Social Housing PLC (“Civitas”), a real estate investment trust then listed on the London Stock Exchange, jointly issued an announcement on the London Stock Exchange pursuant to Rule 2.7 of the City Code on Takeovers and Mergers in the United Kingdom of a recommended all-cash offer for the entire share capital of Civitas, at a cash consideration of 80 pence (equivalent to approximately HK\$7.94) for each ordinary share in Civitas, and at a total cash consideration of approximately GBP485 million (equivalent to approximately HK\$4,811 million). The offer was declared unconditional on 23 June 2023 and an application was made to cancel the trading and listing of the shares of Civitas on the London Stock Exchange, which took effect on 4 August 2023.
- (3) June 2023: The Urban Renewal Authority reached a land exchange agreement with the Government in respect of a site at Nga Tsin Wai Village, Junction of Tung Kwong Road and Tung Lung Road, Wong Tai Sin, Kowloon (New Kowloon Inland Lot No. 6509) for an area of approximately 64,721 sq.ft. (approximately 6,012.8 sq.m.), further to a development agreement entered into between the Urban Renewal Authority and a wholly owned subsidiary of the Group in January 2008 for the joint development of a redevelopment project in respect of Nga Tsin Wai Village, Kowloon. The site is designated for residential/non-residential development and estimated to have a developable gross floor area of approximately 399,308 sq.ft. (approximately 37,097 sq.m.).
- (4) July 2023: On 13 July 2023, the agreement dated 28 September 2022 regarding the disposal of the entire issued share capital of a wholly owned subsidiary of the Company (which indirectly owns the development known as “21 BORRETT ROAD” in Hong Kong) was terminated by the Group. The deposit of HK\$2,076,618,600 paid by the purchaser was forfeited. Details of the termination are set out in the announcement of 13 July 2023.

- (5) December 2023: On 13 December 2023, in anticipation of the expiration of the two master agreements both dated 18 December 2020 between the Company and CK Hutchison Holdings Limited (“CK Hutchison”, together with its subsidiaries, “CK Hutchison Group”) on 31 December 2023, the Company and CK Hutchison entered into two new master agreements setting out the framework terms governing respectively (i) the entering into by CK Hutchison Group of leases, tenancies or licences in respect of the premises owned by the Group (including office space, car parks and building areas); and (ii) the purchases by the Group of goods (such as air-conditioners and other electrical appliances and gift/cash coupons) and services (such as printing of sales brochures and advertising materials) from CK Hutchison Group for use in connection with the Group’s property development projects, for the period from 1 January 2024 to 31 December 2026.

Property Sales

Revenue of property sales (including share of joint ventures) recognised for the year was HK\$13,153 million (2022 – HK\$25,756 million), comprising mainly sales of residential units (i) in Hong Kong – El Futuro in Sha Tin and #LYOS in Hung Shui Kiu; and (ii) on the Mainland – Laguna Verona in Dongguan, Hupan Mingdi in Shanghai and La Grande Ville in Beijing, and is summarised by location as follows:

Location	2023 HK\$ Million	2022 HK\$ Million
Hong Kong	5,840	14,511
The Mainland	6,630	9,916
Overseas	683	1,329
	13,153	25,756

Contribution for the year was HK\$4,475 million (2022 – HK\$10,339 million) and is summarised by location as follows:

Location	2023 HK\$ Million	2022 HK\$ Million
Hong Kong	2,087	6,374
The Mainland	2,238	3,799
Overseas	150	166
	4,475	10,339

Revenue and contribution of property sales for the year decreased when compared with last year amid worsening economic conditions and weak property market sentiment in Hong Kong and on the Mainland.

The agreement for the sale of Bristow Investments Limited, the developer of 21 Borrett Road in Hong Kong, was terminated in July 2023 and the deposit of HK\$2,077 million received from the purchaser was forfeited and booked as income.

The presales of various residential projects including Grand Jeté Phase 1 and Phase 2, The Coast Line I and The Coast Line II in Hong Kong, Regency Garden Phase 5B-2a in Shanghai and Perfect Ten in Singapore are substantially complete. The consent for presale of residential units of Blue Coast at Wong Chuk Hang MTR Station in Hong Kong has been obtained and presale of units will be launched soon.

Property sales contracted but not yet recognised at 31 December 2023 are as follows:

Location	Schedule for Sale Recognition		
	2024 HK\$ Million	After 2024 HK\$ Million	Total HK\$ Million
Hong Kong	3,442	8,316	11,758
The Mainland	3,459	64	3,523
Overseas	196	3,938	4,134
	7,097	12,318	19,415

At the year end date, the Group had a development land bank (including developers' interests in joint development projects but excluding agricultural land and completed properties) of approximately 74 million sq.ft., of which 7 million sq.ft., 63 million sq.ft. and 4 million sq.ft. were located in Hong Kong, on the Mainland and overseas respectively.

Property Rental

Revenue of property rental (including share of joint ventures) for the year was HK\$5,909 million (2022 – HK\$5,843 million) and comprised rental income derived from leasing of retail, office, industrial and other properties as follows:

Use of Property	2023 HK\$ Million	2022 HK\$ Million
Retail	2,056	2,204
Office	1,881	2,148
Industrial	771	757
Others	1,201	734
	5,909	5,843

Contribution for the year was HK\$4,635 million (2022 – HK\$4,690 million), and is summarised by location as follows:

Location	2023 HK\$ Million	2022 HK\$ Million
Hong Kong	3,734	3,923
The Mainland	323	371
Overseas	578	396
	4,635	4,690

The Group's investment properties in Hong Kong comprise mainly Cheung Kong Center, Cheung Kong Center II and China Building in Central, 1881 Heritage in Tsimshatsui, The Whampoa in Hunghom, OP Mall in Tsuen Wan and Hutchison Logistics Centre in Kwai Chung. The redevelopment of Cheung Kong Center II, a Super Grade A office property with Victoria harbour views, will be completed in the first half of 2024 and property rental contribution will be enhanced following the completion of the redevelopment.

In July 2023, the Group completed the cash offer for the shares of Civitas listed on the London Stock Exchange, a social care housing provider with a portfolio of 697 properties in the United Kingdom. The acquisition of Civitas has enlarged the Group's investment property portfolio and strengthened the Group's recurrent rental income.

Under the current property market environment, the completed portion of the commercial properties at Upper West Shanghai, including approximately 1.5 million sq.ft. of office properties and 2.3 million sq.ft. of retail properties, would be held as investment properties for rental income.

At the year end date, the Group had an investment property portfolio of approximately 22 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	3.3	3.9	5.9	-	13.1
The Mainland	3.0	1.6	-	-	4.6
Overseas	0.1	0.2	-	4.0	4.3
	6.4	5.7	5.9	4.0	22.0

An increase of HK\$3,238 million (2022 – HK\$967 million) in fair value of investment properties, including HK\$2,205 million attributable to the increase in fair value of Cheung Kong Center II under redevelopment, was recorded at 31 December 2023 based on a professional valuation using capitalisation rates ranging from approximately 4% to 8%.

Hotel and Serviced Suite Operation

The Group's hotel and serviced suite properties are mostly located in Hong Kong including Harbour Grand Hotels, Harbour Plaza Hotels & Resorts, Horizon Hotels & Suites, Sheraton Hong Kong Hotel & Towers, The Kowloon Hotel and a few others.

All border restrictions and quarantine measures were uplifted in early 2023 and the return of visitors to Hong Kong have driven up demand for hotel accommodation. The Group's hotel operation in Hong Kong performed well in 2023 and the results for the year were better than last year.

Revenue of hotel and serviced suite operation (including share of joint ventures) for the year was HK\$4,383 million (2022 – HK\$3,228 million), an increase of HK\$1,155 million when compared with last year. The average hotel occupancy rate for the year increased to 79% from 58% in 2022 and the average occupancy rate of serviced suites was maintained at about 90% with long stay guests.

Contribution for the year was HK\$1,525 million (2022 – HK\$567 million), an increase of HK\$958 million when compared with last year, and is summarised by location as follows:

Location	2023 HK\$ Million	2022 HK\$ Million
Hong Kong	1,652	764
The Mainland	(127)	(197)
	1,525	567

Recently completed in Shanghai with 1,144 rooms for guest accommodation, Harbour Plaza Metropolitan and Metropolitan Residence have commenced operation and have yet to make a positive contribution to group profit.

Property and Project Management

Revenue of property and project management (including share of joint ventures) for the year was HK\$900 million (2022 – HK\$896 million) and mainly comprised management fees received for provision of property management and related services to properties developed by the Group.

Contribution for the year was HK\$359 million (2022 – HK\$362 million) and is summarised by location as follows:

Location	2023 HK\$ Million	2022 HK\$ Million
Hong Kong	241	250
The Mainland	53	59
Overseas	65	53
	359	362

At the year end date, approximately 267 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.

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 economic and trading conditions in the United Kingdom were volatile in 2023 with high inflation, rising interest rates and tight labour market. Despite the Group's effort to increase pricing, it was challenging to maintain margins and profitability of the pub operation.

Revenue of pub operation for the year was HK\$23,217 million (2022 – HK\$20,939 million), an increase of HK\$2,278 million when compared with last year mainly as a result of increased prices while maintaining volumes.

Profit contribution for the year amounted to HK\$997 million (2022 – HK\$835 million) after a provision of HK\$535 million (2022 – HK\$994 million) made for asset impairment. The results by division of pub operation are as follows:

Division	2023		2022	
	Revenue HK\$ Million	Profit Contribution HK\$ Million	Revenue HK\$ Million	Profit Contribution HK\$ Million
Pub Company - operates food-led and drink-led destination pubs and restaurants and community-focused local pubs	19,186	627	17,274	199
Pub Partners - owns a portfolio of mainly drink-led pubs which are run as franchised or leased pubs	1,796	221	1,661	470
Brewing & Brands - sells and distributes a wide range of beers including ale brands brewed in own breweries	2,235	149	2,004	166
	23,217	997	20,939	835

Although revenue increased in 2023, profit contribution was less than expected due to rising costs of operation and asset impairment loss. Under the circumstances of high inflation and high interest rate, a goodwill impairment of HK\$1,963 million was recognised for the pub businesses upon a review at the year end date.

Infrastructure and Utility Asset Operation

In December 2023, the Group's interest in the economic benefits of UK Rails was converted to equity shareholding as part of the streamlining exercise of the corporate structure of UK Rails. At the year end date, the Group's infrastructure and utility asset businesses were 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%
ista 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	27%
Dutch Enviro Energy JV	An operator of energy-from-waste business in the Netherlands	24%
Wales & West Utilities JV	A gas distributor that serves Wales and the South West of England	22%
UK Rails JV	A rolling stock operating company in the United Kingdom	20%

The Group's remaining interests in the economic benefits of infrastructure and utility asset businesses are as follows:

	Principal Activity	Interest in Economic Benefit
Park'N Fly	An off-airport car park provider in Canada	20%
Australian Gas Networks	A distributor of natural gas in Australia	11%

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

	2023	2022
	HK\$ Million	HK\$ Million
CK William JV	4,469	4,387
CKP (Canada) JV	4,689	4,481
ista JV	6,296	5,606
UK Power Networks JV	3,595	3,403
Northumbrian Water JV	2,541	3,102
Dutch Enviro Energy JV	712	687
Wales & West Utilities JV	1,184	1,223
UK Rails JV	34	-
	23,520	22,889

Profit contribution for the year amounted to HK\$7,773 million (2022 – HK\$7,486 million), and is summarised by locations as follows:

	Australia	Europe	North America	2023	2022
	HK\$ Million	HK\$ Million	HK\$ Million	Total	Total
				HK\$ Million	HK\$ Million
CK William JV	1,332	119	(51)	1,400	1,419
CKP (Canada) JV	-	-	1,456	1,456	1,408
ista JV	-	1,291	-	1,291	1,179
UK Power Networks JV	-	2,025	-	2,025	2,010
Northumbrian Water JV	-	672	-	672	619
Dutch Enviro Energy JV	-	129	-	129	126
Wales & West Utilities JV	-	621	-	621	453
UK Rails JV	-	19	-	19	-
Others	-	149	11	160	272
	1,332	5,025	1,416	7,773	7,486

In September 2023, Dutch Enviro Energy JV reported that a fire broke out at the waste processing plant in Rozenburg leading to a standstill of all installations. Some installations have since resumed operations while others are being rebuilt. The cost of rebuilding the installations as well as loss on business interruption would be substantially covered by insurance.

Interests in Real Estate Investment Trusts

The Group's interests in listed real estate investment trusts at the year end date were as follows:

	Principal Activity	Interest
Hui Xian REIT	Investment in hotels and serviced suites, office and retail properties on the Mainland	34.0%
Fortune REIT	Investment in retail properties in Hong Kong and Singapore	26.2%
Prosperity REIT	Investment in office, retail and industrial properties in Hong Kong	18.2%

Hui Xian REIT is an associate. The Group shared a net profit of HK\$55 million (2022 – HK\$178 million), taking into account its net rental profit for the year and exchange loss realised on bank loan repayment during the year. Distributions of a total amount of HK\$152 million (2022 – HK\$174 million) was received during the year.

Distributions received from Fortune REIT and Prosperity REIT during the year amounted to HK\$270 million (2022 – HK\$273 million) and were recognised as investment income. A decrease of HK\$890 million (2022 – HK\$1,178 million) in fair value of the Group's investments in Fortune REIT and Prosperity REIT was recorded based on the market closing price at 31 December 2023.

FINANCIAL REVIEW

Liquidity and Financing

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

At the year end date, the Group's bank and other loans amounted to HK\$54.9 billion, an increase of HK\$6.3 billion when compared with bank and other loans at 31 December 2022. The maturity profile was spread over a period of 13 years, with HK\$17.8 billion repayable within 1 year, HK\$30.4 billion within 2 to 5 years and HK\$6.7 billion beyond 5 years.

Taking into account the bank balances and deposits of HK\$42.5 billion at 31 December 2023, the Group carried a net debt of HK\$12.4 billion at the year end date. The net debt to net total capital ratio was approximately 3%.

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 adopts a conservative approach on foreign exchange risk management and maintains an appropriate mix of floating and fixed rate borrowings to mitigate interest rate risk. The Group's exposure to foreign exchange fluctuations and interest rate changes are reviewed regularly. For investments in foreign currencies and at times of financial uncertainty or volatility, hedging instruments including swaps and forwards are used in the management of exposure to foreign exchange and interest rate fluctuations.

At the year end date, the Group's borrowings were 37% in HK\$ or US\$, and 63% 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; and about 54% of the Group's borrowings were on floating rate basis and 46% on fixed rate basis, after taking into account of effective swaps in place. The Group derives its revenue mainly from property businesses in HK\$ and RMB, and maintains bank balances and deposits substantially in HK\$, RMB and US\$. Income in foreign currencies is generated by overseas investments and operations, and cash in these currencies is maintained for business requirements.

Charges on Assets

At the year end date, (i) properties amounting to HK\$9,420 million (2022 – HK\$3,825 million) were charged to secure bank loans arranged for property development and investment; and (ii) properties amounting to HK\$25,978 million (2022 – HK\$24,526 million) were charged to secure other loans arranged for pub operation.

Contingent Liabilities

At the year end date, the Group provided guarantees for (i) revenue shared by land owner of a hotel project amounting to HK\$458 million (2022 – HK\$474 million); and (ii) mortgage loans provided by banks to purchasers of properties developed by the Group on the Mainland amounting to HK\$646 million (2022 – HK\$822 million).

Employees

At the year end date, the Group employed approximately 57,000 employees. The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$12,772 million. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group does not have any share option scheme for employees.

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

During the year ended 31 December 2023, the Company bought back a total of 45,557,000 Shares on The Stock Exchange of Hong Kong Limited with an aggregate consideration of HK\$1,969,034,325.00 (before expenses). All the Shares bought back were subsequently cancelled. As at 31 December 2023, the total number of Shares in issue was 3,548,884,333⁽¹⁾.

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\$)	
March 2023	1,570,000	47.00	45.65	72,511,450.00
April 2023	989,000	46.00	45.25	45,162,650.00
May 2023	12,600,000	44.90	42.10	541,026,925.00
June 2023	15,941,000	45.20	42.80	699,500,025.00
August 2023	12,286,500	43.85	41.55	523,838,750.00
September 2023	1,970,500	40.70	39.70	79,582,025.00
November 2023	100,000	37.10	37.05	3,707,500.00
December 2023	100,000	37.10	37.00	3,705,000.00
	<u>45,557,000</u>			<u>1,969,034,325.00</u>

Note:

- (1) This does not reflect the 200,000 Shares repurchased during the period from 30 November 2023 to 11 December 2023 which were cancelled on 7 February 2024. As at the date of this document, the total number of Shares in issue is 3,548,684,333.

The Directors were of the view that the above share buy-backs would lead to an enhancement of the net assets and/or earnings per Share and benefit the Company and the shareholders.

Save as disclosed above, during the year ended 31 December 2023, 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 of the Company and its subsidiaries. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholder value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

The Company has applied the principles and complied with all code provisions (except code provisions C.2.1 and C.1.6 of the Corporate Governance Code (“CG Code”) as further elucidated below) and, where applicable, the recommended best practices of the CG Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the year ended 31 December 2023.

In respect of code provision C.2.1 of the CG Code, the positions of the Chairman of the Board (the “Chairman”) and Managing Director are held by the same individual, namely, Mr. Victor T K Li. Although the positions of Chairman and 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 are made, in accordance with current practice, in consultation with members of the Board and relevant Board Committees and key personnel of the Group after thorough discussions. The Board has a majority of Independent Non-executive Directors. These nine Independent Non-executive Directors have a balance of expertise, skills, experience and diversity of perspectives appropriate to the requirements of the Group’s business, and they will continue to provide their views and comments to Mr. Victor T K Li as Chairman and Managing Director as they have done so over the years. In respect of code provision C.1.6 of the CG Code, an Independent Non-executive Director did not attend the annual general meeting of the Company held on 18 May 2023 due to medical reasons.

The Group is committed to maintaining high corporate governance standards and conducting its businesses with ethics and integrity. The Group’s vision, values and strategy are inextricably linked to its purpose and business operations. In compliance with the CG Code, the Company has adopted, and regularly reviews its comprehensive set of Corporate Governance Policies such as Anti-Fraud and Anti-Bribery Policy, Anti-Money Laundering Policy, Employee Code of Conduct, Policy on Handling of Confidential Information, Information Disclosure, and Securities Dealing, and Whistleblowing Policy - Procedures for Reporting Possible Improprieties. The Group maintains a robust corporate governance framework and internal control systems to uphold its accountability with support from internal and external auditors and other professional advisors.

AUDIT COMMITTEE

The Audit Committee comprises seven members, all of whom are Independent Non-executive Directors. The Audit Committee is chaired by Mr. Cheong Ying Chew, Henry with Mr. Chow Nin Mow, Albert, Ms. Hung Siu-lin, Katherine, Mr. Donald Jeffrey Roberts, Mr. Stephen Edward Bradley, Mr. Lam Siu Hong, Donny and Ms. Lee Wai Mun, Rose as members.

The Group's annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

A majority of the members of the Company's Remuneration Committee are Independent Non-executive Directors. The Remuneration Committee is chaired by Ms. Hung Siu-lin, Katherine, an Independent Non-executive Director with another Independent Non-executive Director, Mr. Cheong Ying Chew, Henry and the Chairman and Managing Director, Mr. Victor T K Li as members.

NOMINATION COMMITTEE

A majority of the members of the Company's Nomination Committee are Independent Non-executive Directors. The Nomination Committee is chaired by Mr. Stephen Edward Bradley, an Independent Non-executive Director with another Independent Non-executive Director, Mr. Donald Jeffrey Roberts and the Chairman and Managing Director, Mr. Victor T K Li, as members.

SUSTAINABILITY COMMITTEE

The Sustainability Committee comprises three Directors, a majority of whom are Independent Non-executive Directors, and the Company Secretary. The Sustainability Committee is chaired by Mr. Ip Tak Chuen, Edmond, Deputy Managing Director. Other members include two Independent Non-executive Directors, Mr. Cheong Ying Chew, Henry and Mr. Stephen Edward Bradley, and the Company Secretary, Ms. Eirene Yeung.

ANNUAL GENERAL MEETING

The 2024 Annual General Meeting ("2024 AGM") of the shareholders of the Company will be held on Thursday, 23 May 2024. Details of the arrangements will be provided in the Company's Circular in relation to the 2024 AGM which will be published and disseminated to the shareholders in accordance with the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 20 May 2024 to Thursday, 23 May 2024, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2024 AGM, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 17 May 2024.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 29 May 2024, being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 29 May 2024.

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, Dr. CHIU Kwok Hung, Justin, Mr. CHOW Wai Kam, Raymond and Ms. PAU Yee Wan, Ezra as Executive Directors; and Mr. CHEONG Ying Chew, Henry, Mr. CHOW Nin Mow, Albert, Ms. HUNG Siu-lin, Katherine, Mr. Donald Jeffrey ROBERTS, Mr. Stephen Edward BRADLEY, Mrs. KWOK Eva Lee, Mrs. SNG Sow-mei alias Poon Sow Mei, Mr. LAM Siu Hong, Donny and Ms. LEE Wai Mun, Rose as Independent Non-executive Directors.

Consolidated Income Statement

For the year ended 31 December 2023

	2023 HK\$ Million	2022 HK\$ Million
Continuing operations		
Group revenue	47,243	56,341
Share of revenue of joint ventures	23,839	23,210
	<u>71,082</u>	<u>79,551</u>
Group revenue	47,243	56,341
Forfeiture of deposit of property sale	2,077	-
Interest from joint ventures	1,675	2,097
Investment and others	1,350	708
Operating costs		
Property and related costs	(9,736)	(15,905)
Pub operation and related costs	(12,382)	(10,745)
Salaries and related expenses	(10,685)	(9,830)
Interest and other finance costs	(1,583)	(1,173)
Depreciation	(1,927)	(2,045)
Other expenses	(587)	(589)
	<u>(36,900)</u>	<u>(40,287)</u>
Gain (loss) on financial instruments	164	(148)
Increase in fair value of investment properties	3,238	967
Gain on bargain purchase of Civitas	1,486	-
Goodwill impairment	(1,963)	-
Impairment loss on fixed assets	(535)	(994)
Surplus on disposal of investment properties	-	738
Gain on disposal of interest in utility joint venture	-	606
Share of profit of joint ventures	2,436	2,477
Share of profit of associates	55	178
Profit before taxation	<u>20,326</u>	<u>22,683</u>
Taxation	(2,802)	(2,860)
Profit for the year	<u>17,524</u>	<u>19,823</u>
Discontinued operation		
Profit for the year	-	2,140
Profit for the year	<u>17,524</u>	<u>21,963</u>
Non-controlling interests - continuing operations	102	87
- discontinued operation	-	(84)
Perpetual capital securities - continuing operations	(286)	(283)
Profit attributable to shareholders	<u>17,340</u>	<u>21,683</u>
Profit attributable to shareholders		
Continuing operations	17,340	19,627
Discontinued operation	-	2,056
	<u>17,340</u>	<u>21,683</u>
Earnings per share		
Continuing operations	HK\$4.86	HK\$5.41
Discontinued operation	-	HK\$0.57
	<u>HK\$4.86</u>	<u>HK\$5.98</u>

	2023 HK\$ Million	2022 HK\$ Million
Dividends		
Interim dividend paid	1,527	1,559
Final dividend proposed	5,749	6,644
	<u>7,276</u>	<u>8,203</u>
Dividends per share		
Interim dividend	HK\$0.43	HK\$0.43
Final dividend	HK\$1.62	HK\$1.85

Consolidated Statement of Financial Position

As at 31 December 2023

	2023 HK\$ Million	2022 HK\$ Million
Non-current assets		
Fixed assets	73,027	70,267
Investment properties	147,223	125,186
Joint ventures	79,992	74,685
Associates	6,961	7,058
Investments	6,422	10,436
Goodwill	2,573	4,308
Derivative financial instruments	4,985	8,159
Other non-current assets	5,236	4,843
	<u>326,419</u>	<u>304,942</u>
Current assets		
Properties for sale	130,101	136,446
Debtors, prepayments and others	7,491	9,968
Loan receivables	2,393	2,267
Bank balances and deposits	42,481	61,198
	<u>182,466</u>	<u>209,879</u>
Current liabilities		
Creditors, accruals and others	23,562	38,304
Bank and other loans	17,799	2,435
Customers' deposits received	7,781	9,215
Provision for taxation	2,658	5,026
	<u>51,800</u>	<u>54,980</u>
Net current assets	<u>130,666</u>	<u>154,899</u>
Non-current liabilities		
Bank and other loans	37,070	46,102
Deferred tax liabilities	14,041	13,940
Lease liabilities	5,555	5,276
Derivative financial instruments	895	723
Pension liabilities	88	93
	<u>57,649</u>	<u>66,134</u>
Net assets	<u>399,436</u>	<u>393,707</u>
Representing:		
Share capital and share premium	238,071	240,102
Reserves	147,773	139,529
Shareholders' funds	385,844	379,631
Perpetual capital securities	7,929	7,929
Non-controlling interests	5,663	6,147
Total equity	<u>399,436</u>	<u>393,707</u>

Notes:

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

Revenue by principal activities is as follows:

	Group		Joint ventures		Total	
	2023 HK\$ Million	2022 HK\$ Million	2023 HK\$ Million	2022 HK\$ Million	2023 HK\$ Million	2022 HK\$ Million
Property sales	13,146	25,706	7	50	13,153	25,756
Property rental	5,759	5,700	150	143	5,909	5,843
Hotel and serviced suite operation	4,361	3,214	22	14	4,383	3,228
Property and project management	760	782	140	114	900	896
Pub operation	23,217	20,939	-	-	23,217	20,939
Infrastructure and utility asset operation	-	-	23,520	22,889	23,520	22,889
	47,243	56,341	23,839	23,210	71,082	79,551

and is summarised by location as follows:

	Group		Joint ventures		Total	
	2023 HK\$ Million	2022 HK\$ Million	2023 HK\$ Million	2022 HK\$ Million	2023 HK\$ Million	2022 HK\$ Million
Hong Kong	14,836	22,711	50	48	14,886	22,759
The Mainland	7,565	10,806	116	103	7,681	10,909
The United Kingdom	24,635	21,866	7,739	7,919	32,374	29,785
Others	207	958	15,934	15,140	16,141	16,098
	47,243	56,341	23,839	23,210	71,082	79,551

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

	Group		Joint ventures		Total	
	2023 HK\$ Million	2022 HK\$ Million	2023 HK\$ Million	2022 HK\$ Million	2023 HK\$ Million	2022 HK\$ Million
Property sales						
Sale contribution	4,485	10,303	(10)	36	4,475	10,339
Forfeiture of deposit	2,077	-	-	-	2,077	-
Property rental	4,522	4,580	113	110	4,635	4,690
Hotel and serviced suite operation	1,525	573	-	(6)	1,525	567
Property and project management	293	308	66	54	359	362
Pub operation	997	835	-	-	997	835
Infrastructure and utility asset operation	160	272	7,613	7,214	7,773	7,486
	14,059	16,871	7,782	7,408	21,841	24,279
Bank and other loan finance costs	(1,388)	(991)	(2,568)	(2,379)	(3,956)	(3,370)
	12,671	15,880	5,214	5,029	17,885	20,909
Gain on financial instruments					928	1,606
Interests in real estate investment trusts					325	451
Change in fair values						
Real estate investment trusts					(890)	(1,178)
Investment properties					3,238	967
Gain on bargain purchase of Civitas					1,486	-
Goodwill impairment					(1,963)	-
Surplus on disposal of investment properties					-	738
Gain on disposal of interest in utility joint venture					-	606
Others					275	(402)
Taxation						
Group					(2,802)	(2,860)
Joint ventures					(958)	(1,014)
Profit attributable to non-controlling interests and perpetual capital securities					(184)	(196)
Continuing operations					17,340	19,627
Discontinued operation						
Aircraft leasing - post tax profit contribution					-	588
- post tax gain on disposal of assets					-	1,468
Profit attributable to shareholders					17,340	21,683

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

	2023 HK\$ Million	2022 HK\$ Million
Interest and other finance costs		
Bank and other loans	2,163	1,333
Less: amount capitalised	(775)	(342)
	1,388	991
Lease liabilities	195	182
Costs of properties sold	7,103	13,272
Costs of pub products sold	6,676	5,983

(3) Taxation

	2023 HK\$ Million	2022 HK\$ Million
Current tax		
Hong Kong	827	1,534
Outside Hong Kong	2,046	2,286
Deferred tax	(71)	(960)
	2,802	2,860

(4) During the year, the Company bought back 45,557,000 shares on The Stock Exchange of Hong Kong Limited with an aggregate consideration of HK\$1,969 million.

The calculation of earnings per share is based on profit attributable to shareholders and on the weighted average of 3,570,941,266 shares (2022 – 3,628,235,965 shares) in issue during the year.

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

	2023 HK\$ Million	2022 HK\$ Million
Current to one month	1,291	1,197
Two to three months	128	90
Over three months	131	130
	1,550	1,417

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

	2023 HK\$ Million	2022 HK\$ Million
Current to one month	4,107	14,121
Two to three months	36	49
Over three months	33	37
	4,176	14,207

(6) The International Accounting Standards Board has issued a number of new and revised International Financial Reporting Standards ("IFRSs"). The application of those IFRSs effective for annual accounting periods beginning on 1 January 2023 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. Based on preliminary assessment, no significant impact is anticipated for those IFRSs scheduled to be effective in 2024.

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