

# FINANCIAL REVIEW

## Financial Performance

Profit attributable to shareholders for 2018 amounted to HK\$7,636 million (2017: HK\$8,319 million), a decrease of 8.2% over 2017. The decrease of profit was primarily due to a one-off gain on disposal of properties recorded in 2017.

Our investments in the United Kingdom contributed earnings of HK\$4,045 million (2017 restated: HK\$3,786 million), an increase of 6.8% over 2017.

Our investments in Australia contributed profits of HK\$1,451 million (2017 restated: HK\$1,383 million). It was higher than last year mainly due to first full-year contribution from CK William, which was acquired in May 2017.

Our investments in mainland China recorded a profit of HK\$469 million (2017: HK\$271 million).

Our investments in Canada, Portugal, the Netherlands, New Zealand and Thailand continued to contribute stable earnings to the Group.

Our investment in HK Electric Investments recorded earnings of HK\$1,018 million (2017: HK\$1,115 million).

Secure earnings and a strong financial position allowed us to continue with a stable dividend policy. 2018 full year dividends of HK\$2.8 per share (2017: HK\$16.3 per share included a total of special interim dividends of HK\$13.5 per share).

## Financial Position, Liquidity and Financial Resources

The Group's financial position remained strong. Capital expenditure and investments were primarily funded by cash from operations, dividends and other repatriation from investments. Interest in joint ventures and associates at year end were HK\$79,422 million (2017: HK\$81,004 million). Total unsecured bank loan outstanding at the year end were HK\$3,437 million (2017: HK\$7,223 million). In addition, the Group had bank deposits and cash of HK\$5,229 million (2017: HK\$25,407 million). Due to its strong cash position, the Group did not maintain any undrawn committed bank facility at the year end (2017: HK\$Nil).

## Treasury Policy, Financing Activities and Debt Structure

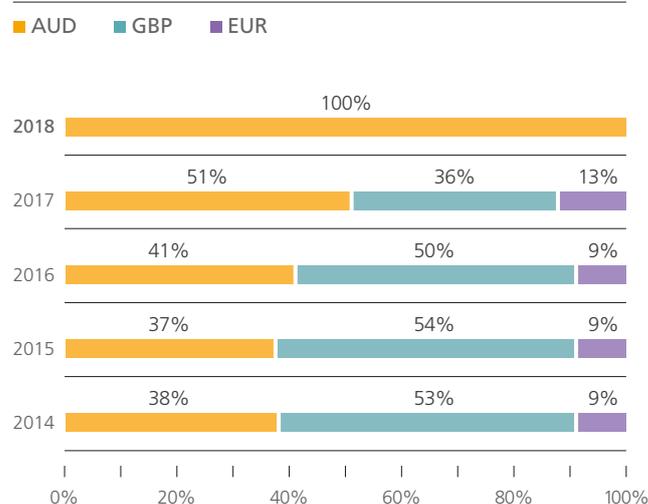
The Group manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The treasury policy is designed to manage the Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from dividends and other repatriation from investments, are generally placed in short term deposits denominated primarily in Australian dollars, pounds sterling and United States dollars. The Group aims to ensure that adequate financial resources are available for refinancing and business growth, whilst maintaining a prudent capital structure.

The Group's financial profile remained strong during the year. On 21 September 2018, Standard & Poor's raised the long term issuer credit rating of the Company to "A" from "A-" while the outlook was changed to "Stable" from "Positive".

As at 31 December 2018, the net cash position of the Group was HK\$1,792 million (2017: HK\$18,184 million).

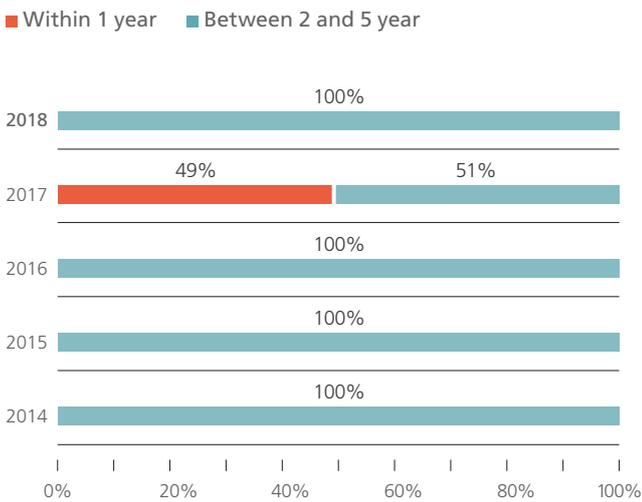
The profile of the Group's external borrowings as at 31 December 2018, after taking into account interest rate swaps, is set out in the tables below:

### Debt Profile by Currency

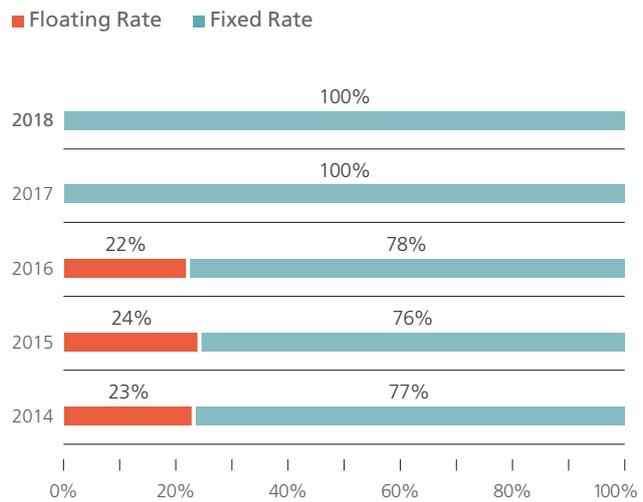


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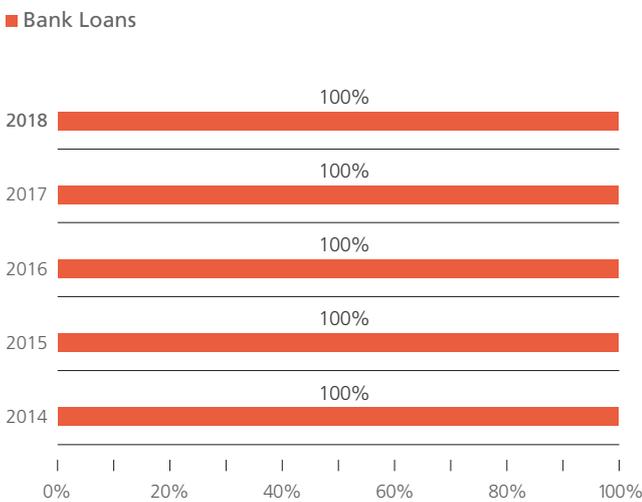
Debt Profile by Maturity



Debt Profile by Interest Rate Structure



Debt Profile by Types of Borrowings



The Group’s policy is to maintain at least a significant portion of its debt at fixed interest rates. Interest rate risk is managed by either securing fixed rate borrowings or by using interest rate derivatives.

Currency and interest rate risks are actively managed in accordance with the Group’s treasury policy. Derivative financial instruments are used primarily for managing interest rate and foreign currency risks and not for speculative purposes. Treasury transactions are only executed with counterparties with acceptable credit ratings to control counterparty risk exposure.

The Group’s principal foreign currency exposures arise from its investments outside Hong Kong. Foreign currency transaction exposure also arises from settlement to vendors which is not material and is managed mainly through purchases in the spot market or utilisation of foreign currency receipts of the Group. Currency exposure arising from investments outside Hong Kong is, where considered

appropriate, mitigated by financing those investments in local currency borrowings, or by entering into forward foreign exchange contracts or cross currency swaps. The fair value of such borrowings at 31 December 2018 was HK\$3,437 million (2017: HK\$7,248 million). The fair value of forward foreign exchange contracts and cross currency swaps at 31 December 2018 was an asset of HK\$1,313 million (2017: liability of HK\$356 million). Foreign currency fluctuations will affect the translated value of the net assets of investments outside Hong Kong and the resultant translation difference is included in the Group's reserve account. Income received from the Group's investments outside Hong Kong which is not denominated in Hong Kong dollars is, unless otherwise placed as foreign currency deposits, converted into United States dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 31 December 2018 amounted to HK\$35,575 million (2017: HK\$35,953 million).

## Charges on Assets

At 31 December 2018, the Group's interest in an associate of HK\$232 million (2017: HK\$274 million) had been pledged as part of the security to secure financing facilities granted to the associate.

## Contingent Liabilities

As at 31 December 2018, the Group had given guarantees and indemnities totalling HK\$529 million (2017: HK\$883 million).

## Employees

The Group continues its policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Group's total remuneration costs for the year ended 31 December 2018, excluding directors' emoluments, amounted to HK\$21 million (2017: HK\$22 million). As at 31 December 2018, the Group employed 11 (2017: 12) employees. No share option scheme is in operation.