

Directors' Report

The Directors have pleasure in presenting to shareholders their report and the audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiary and associated companies and joint ventures are shown on pages 267 to 270.

BUSINESS REVIEW

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising a discussion and analysis of the performance of the Group during the year, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2023 (if any) as well as an indication of likely future development in the business of the Group are provided in the sections "Chairman's Statement", "Operations Review", "Analyses of Core Business Segments by Geographical Location", "Analyses by Core Business Segments", "Key Financial Information" and "Business Highlights" on pages 4 to 57 and "Risk Factors" on pages 64 to 71 of this annual report. Discussions on the environmental policies and performance of the Group, its compliance with the relevant laws and regulations that have a significant impact on the Group as well as an account of the Group's key relationships with its stakeholders that have a significant impact on the Group and on which the Group's success depends, are provided on pages 112 and 121 to 126 of the "Corporate Governance Report". All such discussions form part of this report.

GROUP PROFIT

The Consolidated Income Statement is set out on page 132 and shows the Group profit for the year ended 31 December 2023.

DIVIDENDS

An interim dividend of HK\$0.756 per share for the first half of 2023 was paid to shareholders in mid September 2023.

The Directors recommended the declaration of a final dividend of HK\$1.775 per share payable on Thursday, 13 June 2024 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 determining the entitlement of shareholders to the proposed final dividend.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements on pages 212 to 214 and the Consolidated Statement of Changes in Equity on pages 136 and 137 respectively.

CHARITABLE DONATIONS

Donations to charitable organisations by the Group during the year amounted to approximately HK\$101 million (2022: approximately HK\$29 million).

FIXED ASSETS

Particulars of the movements of fixed assets are set out in note 12 to the financial statements on pages 175 and 176.

SHARE CAPITAL

Details of the shares movement during the year are set out in note 32 to the financial statements on page 210.

DIRECTORS

As at the date of this report, the board of Directors of the Company (the "Board") comprises Mr Li Tzar Kuoi, Victor, Mr Fok Kin Ning, Canning, Mr Frank John Sixt, Mr Ip Tak Chuen, Edmond, Mr Kam Hing Lam, Mr Lai Kai Ming, Dominic, Ms Edith Shih, Mr Chow Kun Chee, Roland, Mrs Chow Woo Mo Fong, Susan, Mr Lee Yeh Kwong, Charles, Mr George Colin Magnus, Ms Chow Ching Yee, Cynthia, Mr Philip Lawrence Kadoorie, Mrs Leung Lau Yau Fun, Sophie, Mr Paul Joseph Tighe, Ms Tsim Sin Ling, Ruth, Mr Wong Kwai Lam and Dr Wong Yick-ming, Rosanna.

The following changes to the Board composition were effected during 2023 and prior to the date of this report:

- (1) Ms Lee Wai Mun, Rose resigned as an Independent Non-executive Director on 14 December 2023;
- (2) Ms Chow Ching Yee, Cynthia was appointed as an Independent Non-executive Director on 14 December 2023; and
- (3) Ms Tsim Sin Ling, Ruth was appointed as an Independent Non-executive Director on 2 January 2024.

Ms Lee Wai Mun, Rose has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

Ms Chow Ching Yee, Cynthia and Ms Tsim Sin Ling, Ruth will hold office until the forthcoming annual general meeting (the "2024 AGM") pursuant to Article 101 of the Articles of Association of the Company and, being eligible, will offer themselves for re-election at the 2024 AGM.

Mr Andrew John Hunter was appointed Executive Director of the Company after the date of this report on 1 April 2024. He will hold office until the 2024 AGM pursuant to Article 101 of the Articles of Association of the Company and, being eligible, will offer himself for re-election at the 2024 AGM.

Mr Li Tzar Kuoi, Victor, Mr Ip Tak Chuen, Edmond, Mr Lai Kai Ming, Dominic, Mrs Chow Woo Mo Fong, Susan, Mr George Colin Magnus and Dr Wong Yick-ming, Rosanna will retire by rotation at the 2024 AGM pursuant to Article 111(A) of the Articles of Association of the Company. Dr Wong Yick-ming, Rosanna will not be seeking re-election at the 2024 AGM while all other Directors, being eligible, will offer themselves for re-election. Details regarding the re-election are set out in the circular to shareholders sent together with this annual report.

The Company has received written confirmation from all Independent Non-executive Directors regarding their independence in respect of Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all the Independent Non-executive Directors to be independent. Please also see page 118 of the "Corporate Governance Report" for assessment by the Company in this regard.

Biographical details of the Directors are set out in the "Information on Directors" section of this annual report.

DIRECTORS' SERVICE CONTRACT

None of the Directors who are proposed for re-election at the 2024 AGM has a service contract with the Company not terminable by the Company within one year without payment of compensation (other than statutory compensation).

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or its subsidiary a party to any arrangements which enabled any Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or of any other body corporate.

Directors' Report

DIRECTORS' MATERIAL INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There were no transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTINUING CONNECTED TRANSACTIONS

As announced by the Company on 18 December 2020 (the "Announcement"), the Company entered into with CK Asset Holdings Limited ("CKA") on the same date (i) a master leasing agreement (the "Master Leasing Agreement") setting out the framework terms governing the leasing and licensing of premises owned by the CKA group (including office space, car parks and building areas) to members of the Group (the "Leasing Transactions"); and (ii) a master purchase agreement (the "Master Purchase Agreement") setting out the framework terms governing the purchases 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) (the "Project Related Supplies") by members of the CKA group from the Group for use in connection with the CKA group's property development projects (the "Project Related Supplies Transactions"), each for the period from 1 January 2021 to 31 December 2023.

Pursuant to the Master Leasing Agreement, relevant members of the Group and of the CKA group would enter into separate lease, tenancy or licence agreements with respect to the Leasing Transactions. The terms of, and the consideration (including short term lease payments, fixed lease payments, variable lease payments and management/service fees) payable under, such agreements would be negotiated on a case-by-case and an arm's length basis, and on normal commercial terms which would be no less favourable than those which the relevant members of the Group could obtain from independent landlords or lessors of comparable premises. In this connection, the rental or licence fee payable would be at market rates, and the Group would seek competitive quotes (including conducting a comparison of prices of a sufficient number of independent landlords, lessors or licensors of comparable premises in the market) for management review with a view to ensuring that the rental or licence fees payable by the Group to the relevant members of the CKA group are reasonable, having regard to the size, location, facilities and conditions of the premises required. The basis of management/service fees chargeable by the CKA group to relevant members of the Group would be the same as those the CKA group would charge other tenants or licensees of the same building or property.

Pursuant to the Master Purchase Agreement, relevant members of the Group and of the CKA group would enter into separate contracts with respect to the Project Related Supplies Transactions. The terms of, and the consideration payable under, such contracts would be negotiated on a case-by-case and an arm's length basis, and on normal commercial terms which would be no more favourable than those which the relevant members of the Group made available to independent customers of the relevant Project Related Supplies. In this connection, the fee chargeable by the relevant members of the Group would be at market rates and be based by reference to the then prevailing market rates for the Project Related Supplies of similar or comparable quality, reliability and service levels charged by the Group or, if not available, the then prevailing market rates no more favourable than that the relevant members of the Group may make available to independent customers for the Project Related Supplies of similar or comparable scope, scale, quality, reliability and service level.

The Group believes that the entering into of the Leasing Transactions and the Project Related Supplies Transactions (together the "2023 CCTs") will help to achieve business continuity and efficiency.

CKA has been deemed by The Stock Exchange of Hong Kong Limited (the "SEHK") as a connected person of the Company under the Listing Rules. Accordingly, the 2023 CCTs constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As disclosed in the Announcement, (i) the expected annual recognised amount of right-of-use assets in respect of the Leasing Transactions for the years ended 31 December 2021, 31 December 2022 and 31 December 2023 would not exceed HK\$750 million, HK\$780 million and HK\$910 million respectively; and (ii) the maximum aggregate annual amount in respect of the Project Related Supplies Transactions for the years ended 31 December 2021, 31 December 2022 and 31 December 2023 would not exceed HK\$228 million, HK\$313 million and HK\$313 million respectively.

For the year ended 31 December 2023, the recognised amount of right-of-use assets in respect of the Leasing Transactions was approximately HK\$483 million (representing approximately 53% of the annual cap for 2023); and the aggregate amount in respect of the Project Related Supplies Transactions was approximately HK\$127 million (representing approximately 41% of the annual cap for 2023).

The internal audit of the Group has reviewed the 2023 CCTs and the adequacy and effectiveness of the internal control procedures covering the price negotiation, review and approval, agreement management, reporting and consolidation processes of the 2023 CCTs, and is of the view that satisfactory controls were in place in respect of the areas reviewed.

All the Independent Non-executive Directors of the Company, having reviewed the 2023 CCTs and the findings provided by the internal audit of the Group, confirmed that such transactions had been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged its external auditor, PricewaterhouseCoopers, to report on the 2023 CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the external auditor of the Company has confirmed in its letter to the Board that nothing has come to its attention which causes it to believe that:

- (i) the 2023 CCTs have not been approved by the Board;
- (ii) the 2023 CCTs were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;
- (iii) the 2023 CCTs were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) the aggregate amounts in respect of the 2023 CCTs have exceeded their respective annual caps for 2023 as disclosed in the Announcement.

In anticipation of the expiration of the Master Leasing Agreement and the Master Purchase Agreement on 31 December 2023, the Company and CKA had on 13 December 2023 entered into (i) a new master leasing agreement (the "New Master Leasing Agreement") setting out the framework terms governing the Leasing Transactions; and (ii) a new master purchase agreement (the "New Master Purchase Agreement") setting out the framework terms governing the Project Related Supplies Transactions, each for the period from 1 January 2024 to 31 December 2026. The terms of the New Master Leasing Agreement and the New Master Purchase Agreement are substantially the same as those of the Master Leasing Agreement and the Master Purchase Agreement.

Details of the New Master Leasing Agreement and the New Master Purchase Agreement will be reported in the next annual report of the Company in accordance with the Listing Rules.

Related parties transactions of the Group during the year ended 31 December 2023 are described in note 39 to the financial statements. None of such related parties transactions constitutes a non-exempted connected transaction under the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

The Articles of Association of the Company provides that subject to the provisions of the relevant statutes, every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted, and against any loss in respect of his personal liability for the payment of any sum primarily due from the Company. Directors liability insurance is in place for the directors of the Company and its subsidiaries in respect of potential costs and liabilities arising from claims that may be brought against the directors. The relevant provisions in the Articles of Association of the Company and the Directors' liability insurance were in force during the financial year ended 31 December 2023 and as of the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures are set out in the section "Information on Directors" on pages 79 to 83.

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INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE

So far as the Directors and chief executives of the Company are aware, as at 31 December 2023, other than the interests of the Directors and chief executives of the Company as disclosed in the section titled "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" under "Information on Directors", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK:

Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

Long positions in the shares of the Company

Names	Capacity	Number of Shares Held	Total	Approximate % of Shareholding ⁽³⁾
Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1")	Trustee	1,005,817,044	1,005,817,044 ⁽¹⁾	26.26%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1")	Trustee and beneficiary of a trust	1,005,817,044	1,005,817,044 ⁽¹⁾	26.26%
Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2")	Trustee and beneficiary of a trust	1,005,817,044	1,005,817,044 ⁽¹⁾	26.26%
Li Ka-shing	Interest of controlled corporations	300,000)		
	Founder of discretionary trusts	1,162,632,010)	1,162,932,010 ⁽²⁾	30.36%

Notes:

- (1) The three references to 1,005,817,044 shares of the Company relate to the same block of shares of the Company. Of these 1,005,817,044 shares of the Company, 913,378,704 shares are held by TUT1 as trustee of UT1 and 92,438,340 shares are held by companies controlled by TUT1 as trustee of UT1. Each of TUT1 as trustee of UT1, TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is taken to have a duty of disclosure under the SFO in relation to the same 1,005,817,044 shares of the Company as described in Note (1)(a) under the section titled "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the "Information on Directors".
- (2) The 1,162,932,010 shares of the Company comprise:
 - (a) 300,000 shares held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at its general meetings.
 - (b) 1,162,632,010 shares of the Company as described in Note (1) under the section titled "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the "Information on Directors". As Mr Li Ka-shing may be regarded as a founder of each of DT1, DT2 and two other discretionary trusts (DT3 and DT4) for the purpose of the SFO, Mr Li Ka-shing is taken to have a duty of disclosure under the SFO as a substantial shareholder in relation to the same 1,162,632,010 shares of the Company after his retirement from the directorship of the Company.
- (3) The percentages of shareholding in this table were computed based on the number of issued shares of the Company as at 31 December 2023, being 3,830,044,500 shares.

Save as disclosed above, as at 31 December 2023, no other person (other than the Directors and chief executives of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK.

BANK LOANS AND OTHER BORROWINGS

The Company did not have any borrowings (including debentures) for the year ended 31 December 2023.

The total borrowings (including debentures) of the Group as at 31 December 2023 amounted to HK\$271,922 million (2022: HK\$284,326 million). Particulars of borrowings are set out in note 26 to the financial statements on pages 197 to 201.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares nor require the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during the year or subsisted at the end of the year.

SHARE OPTION SCHEME

Neither the Company nor its subsidiaries had any share option scheme during the year ended 31 December 2023.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined was less than 30% of the total value of Group purchases and total Group revenue.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules.

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AUDITOR

The financial statements for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the 2024 AGM.

By order of the Board

Edith Shih

Executive Director and Company Secretary

Hong Kong, 21 March 2024