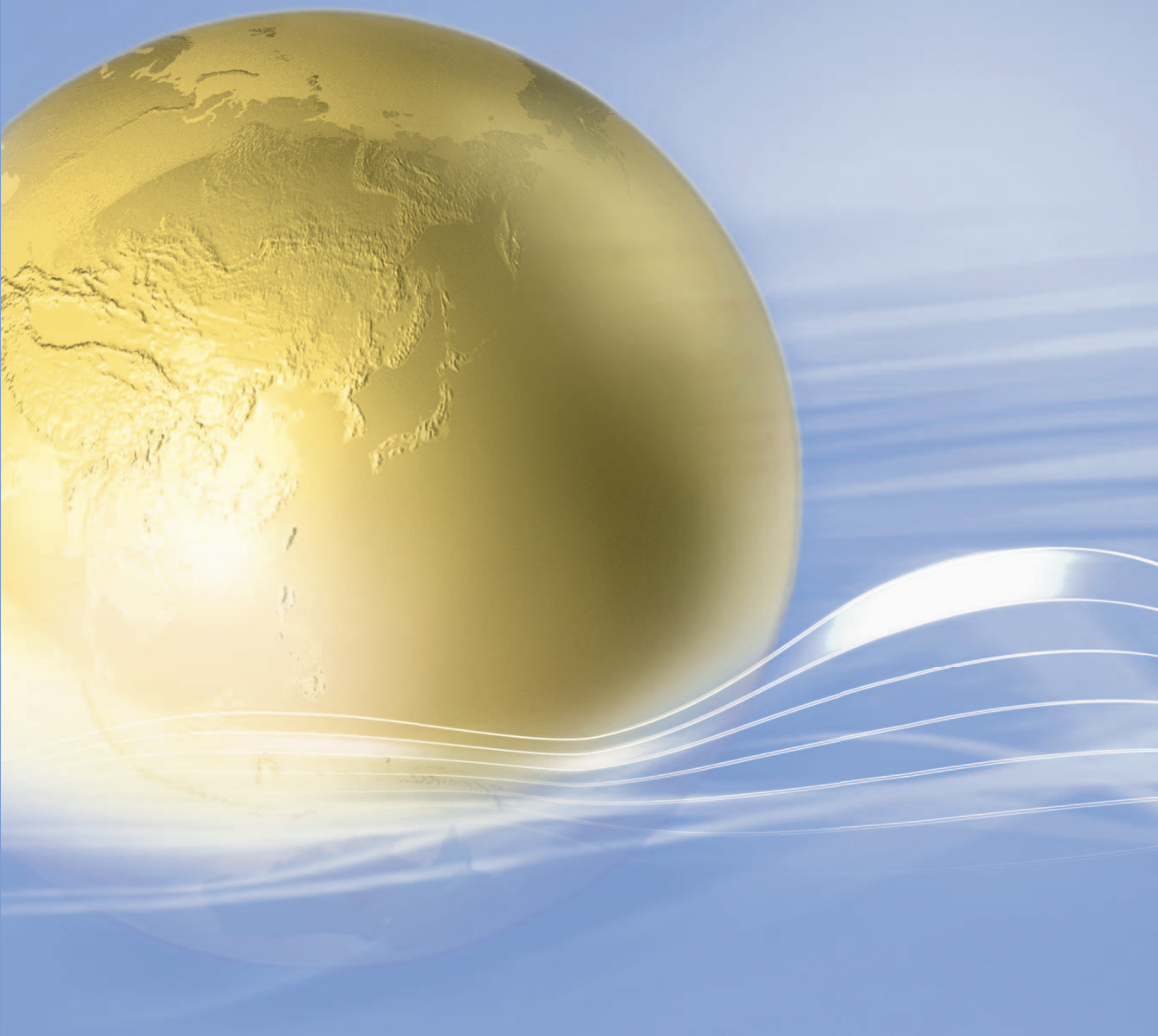
Growth in Asset Values through Quality Earnings Enhancement based on Solid Foundations



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 Report 2019

This interim report 2019 (both English and Chinese versions) ("Interim Report") has been posted on the Company's website at www.ckah.com. Shareholders who have chosen (or are deemed to have consented) to read the Company's corporate communications (including but not limited to the Interim Report) published on the Company's website in place of receiving printed copies thereof may request the printed copy of the Interim Report in writing to the Company c/o the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email to ckah.ecom@computershare.com.hk.

Shareholders who have chosen (or are deemed to have consented) to receive the corporate communications using electronic means through the Company's website and who for any reason have difficulty in receiving or gaining access to the Interim Report posted on the Company's website will upon request in writing to the Company c/o the Company's Hong Kong Share Registrar or by email to ckah.ecom@computershare.com.hk promptly be sent the Interim Report in printed form free of charge.

Shareholders may at any time choose to change their choice as to the means of receipt (i.e. in printed form or by electronic means through the Company's website) and/or the language of the Company's corporate communications by reasonable prior notice in writing to the Company c/o the Company's Hong Kong Share Registrar or sending a notice to ckah.ecom@computershare.com.hk.

Shareholders who have chosen to receive printed copy of the corporate communications in either English or Chinese version will receive both English and Chinese versions of the Interim Report since both language versions are bound together into one booklet.

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Corporate Information and Key Dates

Board of Directors
LI Tzar Kuoi, Victor *Chairman and Managing Director*
KAM Hing Lam *Deputy Managing Director*
IP Tak Chuen, Edmond *Deputy Managing Director*
CHUNG Sun Keung, Davy *Executive Director*
CHIU Kwok Hung, Justin *Executive Director*
CHOW Wai Kam, Raymond *Executive Director*
PAU Yee Wan, Ezra *Executive Director*
WOO Chia Ching, Grace *Executive Director*

CHEONG Ying Chew, Henry *Independent Non-executive Director*
CHOW Nin Mow, Albert *Independent Non-executive Director*
HUNG Siu-lin, Katherine *Independent Non-executive Director*
Colin Stevens RUSSEL *Independent Non-executive Director*
Donald Jeffrey ROBERTS *Independent Non-executive Director*

Senior Advisor
LI Ka-shing

Audit Committee
CHEONG Ying Chew, Henry *(Chairman)*
CHOW Nin Mow, Albert
HUNG Siu-lin, Katherine
Colin Stevens RUSSEL
Donald Jeffrey ROBERTS

Remuneration Committee
HUNG Siu-lin, Katherine *(Chairman)*
LI Tzar Kuoi, Victor
CHEONG Ying Chew, Henry

Nomination Committee
LI Tzar Kuoi, Victor *(Chairman)*

KAM Hing Lam	IP Tak Chuen, Edmond
CHUNG Sun Keung, Davy	CHIU Kwok Hung, Justin
CHOW Wai Kam, Raymond	PAU Yee Wan, Ezra
WOO Chia Ching, Grace	CHEONG Ying Chew, Henry
CHOW Nin Mow, Albert	HUNG Siu-lin, Katherine
Colin Stevens RUSSEL	Donald Jeffrey ROBERTS

Stock Codes
The Stock Exchange of Hong Kong Limited: 1113
Bloomberg: 1113 HK
Reuters: 1113.HK

Website
www.ckah.com

Key Dates

Interim Results Announcement	1 August 2019
Record Date for Interim Dividend	3 September 2019
Payment of Interim Dividend	12 September 2019

Executive Committee
LI Tzar Kuoi, Victor *(Chairman)*

KAM Hing Lam	IP Tak Chuen, Edmond
CHUNG Sun Keung, Davy	CHIU Kwok Hung, Justin
CHOW Wai Kam, Raymond	PAU Yee Wan, Ezra
WOO Chia Ching, Grace	YIP Kin Ming, Emmanuel
MAN Ka Keung, Simon	SHEN Wai Yee, Grace
Eirene YEUNG	MA Lai Chee, Gerald
KOH Poh Chan	

Company Secretary
Eirene YEUNG

Authorised Representatives
IP Tak Chuen, Edmond
Eirene YEUNG

General Manager, Accounts Department
MAN Ka Keung, Simon

Principal Bankers
Bank of China (Hong Kong) Limited
Mizuho Bank, Ltd.
MUFG Bank, Ltd.
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank Ltd., Hong Kong Branch
Sumitomo Mitsui Banking Corporation
Hang Seng Bank Limited
China Construction Bank Corporation
The Bank of Nova Scotia, Hong Kong Branch
Oversea-Chinese Banking Corporation Limited

Auditor
Deloitte Touche Tohmatsu

Legal Advisers
Woo, Kwan, Lee & Lo

Registered Office
PO Box 309, Ugland House, Grand Cayman,
KY1-1104, Cayman Islands

Principal Place of Business
7th Floor, Cheung Kong Center,
2 Queen's Road Central, Hong Kong

Principal Share Registrar and Transfer Office
Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square,
Grand Cayman, KY1-1102, Cayman Islands

Hong Kong Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

Chairman's Statement

Growth in Asset Values through Quality Earnings Enhancement based on Solid Foundations

PROFIT FOR THE FIRST HALF YEAR

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2019 amounted to HK$15,128 million. Earnings per share were HK$4.10, a decrease of 39% as compared to the same period last year. The Group's unaudited profit before investment property revaluation and disposal for the first half year amounted to HK$14,045 million, which was higher than that of the corresponding period in 2018. An increase in fair value of investment properties (after tax and non-controlling interests) of HK$1,083 million was recorded.

INTERIM DIVIDEND

The Directors have declared an interim dividend for 2019 of HK$0.52 per share (HK$0.47 per share in 2018) to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 3 September 2019. The interim dividend will be paid on Thursday, 12 September 2019.

PROSPECTS

Business Review

CK Asset Holdings Limited's results for the first half of 2019 were in line with expectations, reflecting solid performance by its businesses. By adhering to its prudent strategy of achieving asset growth through improving quality earnings, the Group continued to enhance its property business and explore global opportunities to strengthen the recurrent income base by further expansion of its local and overseas business portfolio. Ample liquidity and solid financial fundamentals allow the Group to maintain strategic flexibility and to pursue quality investments to generate stable returns for its shareholders.

The macro economic and political environment remained challenging during the period under review. Through diversification and globalisation, the Group has enhanced the quality of its portfolio and remained resilient to market volatility.

Property Development

The property market in Hong Kong remained stable for the first half of 2019, largely attributable to the constant demand for residential properties and prospects of a U.S. interest rate cut. Contracted sales of properties during the period amounted to over HK$10 billion and a satisfactory increase in property sale contribution was recorded. The Group's new property development projects in Wong Chuk Hang, Siu Sau in Tuen Mun and Yau Tong are progressing well as scheduled. Market conditions on the Mainland generally remained steady. Long-term regulatory mechanism of the Central Government supported healthy real estate market development.

Property Investment

Revenue from property rental was slightly less than that of last year whereas contribution from property investment remained stable. Loss of rental income resulting from the commencement of the Hutchison House redevelopment program was offset by the rental income contribution from the commercial property at 5 Broadgate, London which was acquired by the Group in June 2018. The new Hutchison House will bring positive momentum to the Group's investment property portfolio and will be a landmark of modern Grade A office building in Central, while the soon to be completed OP Mall in Tsuen Wan will become one of the largest shopping malls along the West Rail Line. The Group's recurrent income base will be strengthened by the increase in total floor area of investment properties following the completion of these projects.

Hotel and Serviced Suite Operation

Inbound tourism continued to improve in the first half of 2019. Contribution from the Group's hotel and serviced suite operation was similar to that of the same period last year. The addition of a total of approximately 1,200 rooms from the new Hotel Alexandra in North Point and the expansion program of Harbour Grand Kowloon in Hung Hom will enlarge the hotel portfolio. The Group's hotel and serviced suite portfolio will comprise approximately 15,000 rooms.

Infrastructure and Utility Asset Operation

The Group's infrastructure and utility asset operation continued to perform solidly for the first half of 2019, and is a key contributor of steady recurrent income to the Group. CK William Group in Australia contributed HK$816 million from its businesses comprising electricity distribution, gas transmission and distribution, as well as the provision of electricity generation solutions for remote customers. Reliance Home Comfort contributed HK$500 million from its building equipment and services business in Canada. ista contributed HK$856 million from its fully integrated energy management services business with Germany as its main market. The economic benefits of infrastructure businesses received by the Group under an economic benefits agreement contributed HK$370 million. The Group will continue to explore global infrastructure and utility asset and related investment opportunities, with high predictability of revenue, to strengthen quality cash flows and enhance the overall portfolio value.

Aircraft Leasing

In the first half of 2019, aircraft investment demand continued to be buoyant. While this environment provided great support for aircraft trading values, competition for new growth opportunities has also increased. Our aircraft leasing business provides steady income streams to the Group on a medium to long term basis. With solid operational performance for the first half of the year, profit contribution amounted to HK$717 million, representing an increase of HK$121 million as compared to the same period last year.

Outlook

Trade negotiations between China and the United States are on track pending resolution of the finer details. Uncertainties about the Brexit process in the United Kingdom lead to market volatility and warrant caution. The increasingly challenging macro environment and global economic slowdown have heightened market risks, and Hong Kong would inevitably be affected.

China's export growth is likely to be impacted by the uncertainty over international trade. Notwithstanding various unfavourable conditions, China recorded real GDP growth of 6.3% for the first half of the year. China's economic development is expected to progress on a steady path given the Central Government's focus on quality economic growth and the strengthening of supply-side structural reform. The Belt and Road Initiative and the Greater Bay Area integration are projected to create more business opportunities for Hong Kong.

Despite the prolonged global political and economic uncertainty, the local property market remains sound. Changes in global market conditions and Hong Kong housing policies will continue to be determining factors for the property sector. The Group has a pipeline of property projects under planning and development, and is anticipated to generate profit contribution in the years to come. The Group will continue to pursue quality investments in varying ways as suitable opportunities arise to enhance our property development portfolio.

The Group has ample cash on hand with a debt ratio of approximately 0.5% as at the interim period end date, and its operating and financial positions remain strong. The Group maintained "A/Stable" and "A2 Stable" credit ratings from Standard & Poor's and Moody's respectively. Based on our solid foundations of strong financial fundamentals and a diversified global business portfolio, the Group is resilient to market challenges.

"Advancing without forgoing stability" will continue to be our motto. The Group will continue to adopt a prudent investment strategy to improve the quality of earnings and enhance the recurrent income base, while achieving asset growth through continual strengthening of our existing property businesses and portfolio and through geographical diversification. The Group will focus on pursuing quality investments and increasing the recurrent income base over time in order to create long-term sustainable value for its shareholders. We remain cautiously optimistic about the Group's future prospects.

Acknowledgement

Intelligent, creative, dedicated, experienced and loyal employees are the Group's most valuable asset in this extremely competitive and challenging global environment. I take this opportunity to thank our colleagues on the Board and diligent employees for their hard work, loyal service and contributions during the period.

Victor T K Li
Chairman

Hong Kong, 1 August 2019

Management Discussion and Analysis

BUSINESS REVIEW

Major Business Activities

1. Developments Completed and Scheduled for Completion in 2019:

Name	Location	Gross Floor Area (sq.ft.)	Group's Interest
Harbour Glory and Hotel Alexandra	Inland Lot No. 8920	755,626	100%
Borrett Road Project Phase 2	Inland Lot No. 8949	149,123	100%
Stars of Kovan	Upper Serangoon Road, Singapore	326,063	100%
Yuhu Mingdi Phase 3	Huangpu District, Guangzhou	689,207	80%
Upper West Shanghai Phase 2 Tender 3, Phase 3 Tender 1, Phase 4 Tender 1, and Phase 5	Putuo District, Shanghai	4,049,357	60%
La Grande Ville Phase 5	Shun Yi District, Beijing	578,894	100%
Noble Hills Phase 4B	Wangcheng District, Changsha	882,801	100%
Regency Hills Land Nos. 13B and 14	Yangjiashan, Nanan District, Chongqing	887,693	95%
Noble Hills Phases 2B and 3A	Zengcheng, Guangzhou	1,077,413	100%
Regency Cove Phase 2A	Caidian District, Wuhan	733,592	100%
Emerald Cove	Wuguishan, Zhongshan	687,953	100%
Chelsea Waterfront West Tower	Chelsea/Fulham, London	157,004	95%

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

(1) March 2019: A wholly owned subsidiary of the Group ("CKA Sub"), a wholly owned subsidiary of CK Hutchison Holdings Limited ("CK Hutchison") and CK Hutchison entered into a supplemental agreement to the economic benefits agreement as described in the Company's announcement of 31 August 2018, pursuant to which CK Hutchison will provide CKA Sub with certain ancillary voting arrangements and director nomination rights in the relevant holding companies of certain relevant businesses.

(2) March 2019: The Group reached a land exchange agreement with the Government in respect of the site at Tung Yuen Street and Shung Yiu Street alongside the adjoining government land, Yau Tong (to be known as Yau Tong Inland Lot No. 45) for an area of approximately 83,668 sq.ft. The site is designated for private residential development and estimated to have a developable gross floor area of approximately 418,339 sq.ft.

Property Sales

Revenue of property sales (including share of joint ventures) recognised for the period was HK$19,232 million (2018 – HK$9,109 million), comprising mainly (i) sale of residential units of The Zumurud, Ocean Pride, Ocean Supreme and My Central in Hong Kong; (ii) sale of residential and commercial units of various projects on the Mainland – Laguna Verona in Dongguan, Noble Hills in Guangzhou, The Harbourfront in Qingdao, Hupan Mingdi in Shanghai and Regency Hills in Chongqing; and (iii) sale of residential units of Chelsea Waterfront in the United Kingdom, and is summarised as follows:

Location	**2019 HK$ Million**	2018 HK$ Million
Hong Kong	**15,674**	1,972
The Mainland	**3,428**	6,417
Overseas	**130**	720
	19,232	9,109

Contribution from property sales (including share of joint ventures) for the period was HK$7,530 million (2018 – HK$2,234 million) and is summarised by location as follows:

Location	**2019 HK$ Million**	2018 HK$ Million
Hong Kong	**6,653**	210
The Mainland	**830**	1,644
Overseas	**47**	380
	7,530	2,234

All the residential units of Harbour Glory in Hong Kong and Stars of Kovan in Singapore have been presold and property sales will be recognised when completion of sales takes place in the second half year. On the Mainland, the presales of residential units of various projects including Upper West Shanghai in Shanghai, Laguna Verona in Dongguan and Regency Cove in Wuhan are progressing well and contribution to profit is expected upon completion of these projects.

Property sales contracted (including share of joint ventures) but not yet recognised at 30 June 2019 are as follows:

	Scheduled for Sales Recognition		
Location	In 2019 HK$ Million	After 2019 HK$ Million	Total HK$ Million
Hong Kong	34,796	4,864	39,660
The Mainland	2,307	8,553	10,860
Overseas	3,023	–	3,023
	40,126	13,417	53,543

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 101 million sq.ft., of which 4 million sq.ft., 93 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$3,756 million (2018 – HK$3,880 million), comprising rental income derived from leasing of office, retail, industrial and other properties as follows:

Use of Property	**2019 HK$ Million**	2018 HK$ Million
Office	**1,471**	1,587
Retail	**1,695**	1,694
Industrial	**371**	362
Others	**219**	237
	3,756	3,880

The Group's investment properties are primarily located in Hong Kong, including Cheung Kong Center, China Building and Hutchison House (currently under redevelopment) in Central, 1881 Heritage in Tsimshatsui, Whampoa Garden in Hunghom, Hutchison Logistics Centre in Kwai Chung and others.

Contribution from property rental (including share of joint ventures) for the period was HK$3,567 million (2018 – HK$3,584 million) and is summarised by location as follows:

Location	**2019 HK$ Million**	2018 HK$ Million
Hong Kong	**2,819**	3,028
The Mainland	**340**	348
Overseas	**408**	208
	3,567	3,584

At the interim period end date, the Group had an investment property portfolio of approximately 17 million sq.ft. (including share of joint ventures but excluding car parking spaces) as follows:

Location	Office Million sq.ft.	Retail Million sq.ft.	Industrial Million sq.ft.	Total Million sq.ft.
Hong Kong	3	3	7	13
The Mainland	1	1	–	2
Overseas	1	1	–	2
	5	5	7	17

An increase in fair value of investment properties of HK$1,002 million (2018 – HK$832 million) was recorded at 30 June 2019 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$2,374 million (2018 – HK$2,425 million), comprising mainly revenue of Harbour Grand Hotels, Harbour Plaza Hotels & Resorts, and Horizon Hotels & Suites operated by the Group. The Group's completed hotel and serviced suite properties provide approximately 15,000 rooms for guest accommodation and are mostly located in Hong Kong.

Contribution (including share of joint ventures) after depreciation charge of HK$197 million on properties was HK$876 million (2018 – HK$870 million) and is summarised by location as follows:

Location	**2019** **HK$ Million**	2018 HK$ Million
Hong Kong	**897**	903
The Mainland	**(21)**	(14)
Overseas	**–**	(19)
	876	870

An average occupancy rate of 89.5% was achieved for the period and the average hotel operating profit per square foot was HK$23 per month, representing an annualised yield of 21% on the carrying amount of completed hotel and serviced suite properties at 30 June 2019.

The new Hotel Alexandra, an 840-room hotel developed in Hong Kong, has been completed and a soft opening will take place in early 2020.

Property and Project Management

Revenue of property and project management (including share of joint ventures) for the period was HK$432 million (2018 – HK$431 million), comprising mainly management fees received for provision of property management and related services to property projects developed and sold by the Group.

Contribution from property and project management (including share of joint ventures) for the period was HK$183 million (2018 – HK$182 million) and is summarised by location as follows:

Location	**2019 HK$ Million**	2018 HK$ Million
Hong Kong	**130**	126
The Mainland	**40**	39
Overseas	**13**	17
	183	182

At the interim period end date, the total floor area of completed properties managed by the Group was approximately 270 million sq.ft. and this is expected to grow steadily following gradual completion of the Group's 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$1,556 million (2018 – HK$1,385 million), comprising lease income derived from leasing of narrow body aircraft and wide body aircraft to airlines.

Contribution (including share of joint ventures) after depreciation charge of HK$794 million on aircraft was HK$717 million (2018 – HK$596 million), an increase of HK$121 million when compared with the same period last year as the Group has since acquired some more aircraft, and is analysed by location with reference to lessee's place of operation as follows:

Location	**2019 HK$ Million**	2018 HK$ Million
Asia	**272**	234
Europe	**219**	136
North America	**174**	149
Latin America	**52**	77
	717	596

At the interim period end date, the Group (including interest in joint ventures) owned 129 narrow body aircraft and 5 wide body aircraft with an average age of 5.7 years and an average remaining lease term of 4.9 years, and had commitments (including share of joint ventures) of approximately HK$11.9 billion for the acquisition of another 31 aircraft.

Infrastructure and Utility Asset Operation

The Group has invested in the economic benefits of the following infrastructure and utility asset businesses since October 2018:

Business	Principal Activity	Interest in Economic Benefit
Park'N Fly	An off-airport car park provider in Canada	20%
UK Rails	A rolling stock operating company in the United Kingdom	20%
Northumbrian Water	A regulated water and sewerage company in England and Wales	16%
Dutch Enviro Energy	An energy-from-waste company in the Netherlands	14%
Wales & West Gas Networks	A gas distributor that serves Wales and the South West of England	12%
Australian Gas Networks	A distributor of natural gas in Australia	11%

Management Discussion and Analysis *(continued)*

The Group also has equity interests in the following joint ventures in infrastructure and utility asset operations acquired in 2017:

Joint Venture	Principal Activity	Equity Interest
CK William JV	An owner and operator of energy utility assets in Australia, the United States, Canada and the United Kingdom	40%
CKP (Canada) JV	A building equipment and service provider under the consumer brand identity of "Reliance Home Comfort" in Canada	75%
Sarvana JV	A fully integrated energy management service provider operated by ista Group in Europe	65%

During the period, the Group shared the revenue of joint ventures in infrastructure and utility asset operations as follows:

	2019 HK$ Million	2018 HK$ Million
CK William JV	**2,132**	2,267
CKP (Canada) JV	**1,698**	1,680
Sarvana JV	**2,828**	2,941
	6,658	6,888

Profit contribution of the Group's investments in infrastructure and utility assets amounted to HK$2,542 million (2018 – HK$2,205 million) for the period, and is summarised by location as follows:

	Australia HK$ Million	Europe HK$ Million	North America HK$ Million	**2019 Total HK$ Million**	2018 Total HK$ Million
CK William JV	792	8	16	**816**	864
CKP (Canada) JV	–	–	500	**500**	470
Sarvana JV	–	856	–	**856**	871
Other investments	118	252	–	**370**	–
	910	1,116	516	**2,542**	2,205

Interests in Real Estate Investment Trusts

At the interim period end date, the Group had equity interests in the following listed real estate investment trusts ("REITs"):

	Principal Activity	Equity Interest
Hui Xian REIT	Investment in hotels and serviced suites, office and retail properties on the Mainland	32.2%
Fortune REIT	Investment in retail properties in Hong Kong	27.2%
Prosperity REIT	Investment in office, retail and industrial properties in Hong Kong	18.4%

During the period, the Group shared a profit of HK$166 million (2018 – HK$197 million) of Hui Xian REIT, an associate, and received a cash distribution in the amount of HK$260 million (2018 – HK$287 million).

For investments in Fortune REIT and Prosperity REIT, cash distributions received in the total amount of HK$156 million (2018 – HK$157 million) were recognised as income for the period and an increase in value of HK$1,056 million based on market closing price at 30 June 2019 was accounted for as gain on financial instruments (2018 – loss of HK$268 million on financial instruments).

FINANCIAL REVIEW

Liquidity and Financing

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

At the interim period end date, the Group's bank and other borrowings amounted to HK$61.2 billion, a decrease of HK$8.3 billion when compared with bank and other borrowings at 31 December 2018. The maturity profile was spread over a period of 10 years, with HK$3.7 billion repayable within 1 year, HK$51.3 billion within 2 to 5 years and HK$6.2 billion beyond 5 years.

The Group's net debt to net total capital ratio at 30 June 2019 was approximately 0.5%. Net debt is arrived at by deducting bank balances and deposits of HK$59.4 billion from bank and other borrowings, and net total capital is the aggregate of total equity and net debt.

With plenty of cash on hand as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Treasury Policies

The Group maintains a conservative approach on foreign exchange exposure management and borrows principally on a floating rate basis. The Group manages and reviews its exposure to foreign exchange rates and interest rates on a regular basis. For investment overseas and at times of exchange rate and interest rate uncertainty or volatility, hedging instruments including swaps and forwards are used in the management of exposure to foreign exchange rate and interest rate fluctuations.

At the interim period end date, the Group's borrowings were primarily in HK$ and US$, bank loans in RMB were borrowed for property development projects on the Mainland and bank loans in AUD were borrowed for investments in infrastructure and utility asset operation in Australia. The Group derives its revenue from property businesses mainly in HK$ and RMB and maintains bank balances and deposits substantially in HK$ and RMB. Income in foreign currencies is generated by overseas investments and joint venture operations, and cash in these foreign currencies is maintained for operational requirements.

Charges on Assets

At the interim period end date, properties amounting to HK$18,452 million (31 December 2018 – HK$13,393 million) were charged to secure bank loans arranged for property development projects on the Mainland.

Contingent Liabilities

At the interim period end date, the Group provided guarantees for (i) the hotel revenue to be shared by the land owner of a hotel property amounting to HK$521 million (31 December 2018 – HK$536 million); and (ii) the mortgage loans provided by banks to purchasers of properties developed and sold by the Group on the Mainland amounting to HK$2,740 million (31 December 2018 – HK$3,005 million).

Employees

At the interim period end date, the Group (including its subsidiaries) employed approximately 18,500 employees and remuneration for the period (excluding directors' emoluments) amounted to approximately HK$2,823 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.

Directors' Biographical Information

LI Tzar Kuoi, Victor, aged 55, joined the CK Group in 1985, and has been the Chairman since 10 May 2018, the Managing Director since February 2015, and the Chairman of the Executive Committee of the Company since June 2015. He has also been a member of the Remuneration Committee of the Company since 10 May 2018 and the Chairman of the Nomination Committee of the Company since January 2019. Mr. Li has been a Director since January 2015 and an Executive Director of the Company since February 2015. He acted as the Deputy Chairman of the Company from February 2015 to 10 May 2018. Mr. Li is the Chairman and Group Co-Managing Director of CK Hutchison Holdings Limited. He is also the Chairman of CK Infrastructure Holdings Limited and CK Life Sciences Int'l., (Holdings) Inc., a Non-executive Director of Power Assets Holdings Limited and HK Electric Investments Manager Limited ("HKEIM") as the trustee-manager of HK Electric Investments, a Non-executive Director and the Deputy Chairman of HK Electric Investments Limited and Co-Chairman of Husky Energy Inc. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. Mr. Li is also the Deputy Chairman of Li Ka Shing Foundation Limited, Li Ka Shing (Overseas) Foundation and Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Li is the Honorary Consul of Barbados in Hong Kong. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.). Mr. Li is the elder son of Mr. Li Ka-shing, the Senior Advisor of the Company and a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), and a nephew of Mr. Kam Hing Lam, Deputy Managing Director and an Executive Committee Member of the Company. Mr. Li is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

KAM Hing Lam, aged 72, joined the CK Group in 1993, and has been an Executive Director and Deputy Managing Director of the Company since February 2015, an Executive Committee Member of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. He is Deputy Managing Director of CK Hutchison Holdings Limited. He is also the Group Managing Director of CK Infrastructure Holdings Limited and the President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc. All the companies mentioned above are listed companies. Mr. Kam is also the Chairman of Hui Xian Asset Management Limited as the manager of Hui Xian REIT (listed in Hong Kong). He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is the brother-in-law of Mr. Li Ka-shing, the Senior Advisor of the Company and a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, and an uncle of Mr. Li Tzar Kuoi, Victor, the Chairman and Managing Director of the Company and the Chairman of the Executive Committee of the Company.

IP Tak Chuen, Edmond, aged 67, joined the CK Group in 1993, and has been a Director since January 2015, Deputy Managing Director and an Executive Director of the Company since February 2015, an Executive Committee Member of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. He is Deputy Managing Director of CK Hutchison Holdings Limited. He is also an Executive Director and Deputy Chairman of CK Infrastructure Holdings Limited, and the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc. All the companies mentioned above are listed companies. Mr. Ip is also a Non-executive Director of Hui Xian Asset Management Limited as the manager of Hui Xian REIT (listed in Hong Kong). He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration. Mr. Ip is a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

CHUNG Sun Keung, Davy, aged 68, joined the CK Group in 1978, and has been an Executive Director of the Company since February 2015, an Executive Committee Member of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. Mr. Chung is a Registered Architect. He was a member of the 11th Guangzhou Committee of the Chinese People's Political Consultative Conference of the People's Republic of China.

CHIU Kwok Hung, Justin, aged 69, joined the CK Group in 1997, and has been an Executive Director of the Company since February 2015, an Executive Committee Member of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. He is the Chairman of ARA Asset Management (Prosperity) Limited as the manager of Prosperity REIT (listed in Hong Kong). Mr. Chiu is also a Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong and Singapore). He is also a Director of ARA Fund Management (Asia Dragon) Limited as the manager of the ARA Asia Dragon Fund. Mr. Chiu has more than 30 years of international experience in real estate in Hong Kong and various countries. Mr. Chiu is a Fellow of The Royal Institution of Chartered Surveyors, a Council Member and a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators, a Vice Chairman of the Board of Governors of Hong Kong Baptist University Foundation, an Honorary Associate Member of Business of Trent University, Canada, a member of the Singapore Management University International Advisory Council in China, a Senior Visiting Fellow of the Department of Land Economy at University of Cambridge, an Honorary Professor of School of Pharmaceutical Sciences of Sun Yat-sen University and an Adjunct Professor in the School of Business of Hong Kong Baptist University. He was a member of the Standing Committee of the 12th Shanghai Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He holds Bachelor of Arts degree in Sociology and Economics, and was conferred with the degree of Doctor of Social Sciences, honoris causa by Hong Kong Baptist University and the degree of Doctor of Laws, honoris causa by Trent University, Canada. Mr. Chiu is a director of a company controlled by a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

CHOW Wai Kam, Raymond, JP, aged 71, has been an Executive Director of the Company since February 2015, an Executive Committee Member of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. He joined the Hutchison Group in July 1995 and before his appointment on the Board, he was previously the Group Managing Director of the property and hotels divisions of the Hutchison Group. Mr. Chow is currently the Group Managing Director of Hutchison Property Group Limited, a wholly owned subsidiary of the Company. He is also a Non-executive Director of AVIC International Holding (HK) Limited, a listed company. He has over 40 years of experience in project management and architectural design for various developments, including hotel, residential, commercial, industrial and school projects in Hong Kong, the Mainland and overseas. He holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from the University of Hong Kong. He is an Authorised Person (List of Architects) and a Registered Architect. He was also admitted as a Fellow of The Hong Kong Institute of Architects since August 2001.

PAU Yee Wan, Ezra, aged 63, joined the CK Group in 1982, and has been an Executive Director of the Company since February 2015, an Executive Committee Member of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. Ms. Pau is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance, and a director of certain companies controlled by certain substantial shareholders of the Company.

WOO Chia Ching, Grace, aged 62, joined the CK Group in 1987, and has been an Executive Director of the Company since February 2015, an Executive Committee Member of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. She holds a Bachelor of Arts degree from the University of Pennsylvania, U.S.A. and a Master's degree in City and Regional Planning from Harvard University, U.S.A. Ms. Woo is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

CHEONG Ying Chew, Henry, aged 71, has been an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company since February 2015, and a member of the Nomination Committee of the Company since January 2019. Mr. Cheong is also an Independent Non-executive Director of CK Infrastructure Holdings Limited, CNNC International Limited, Greenland Hong Kong Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), New World Department Store China Limited, Skyworth Group Limited (formerly known as Skyworth Digital Holdings Limited) and TOM Group Limited, an Independent Director of BTS Group Holdings Public Company Limited, and an Alternate Director to Dr. Wong Yick-ming, Rosanna, an Independent Non-executive Director of HTHKH. Mr. Cheong is an Executive Director and Deputy Chairman of Worldsec Limited. All companies mentioned above are listed companies. Mr. Cheong holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

CHOW Nin Mow, Albert, aged 70, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since February 2015, and a member of the Nomination Committee of the Company since January 2019. Mr. Chow is the Chairman and Managing Director of Wah Yip (Holdings) Limited.

Directors' Biographical Information *(continued)*

HUNG Siu-lin, Katherine, aged 71, joined the CK Group in March 1972, and has been an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company since February 2015, and a member of the Nomination Committee of the Company since January 2019. Ms. Hung is a member of the Supervisory Board of Hong Kong Housing Society, a Governing Committee Member of The Hong Kong Polytechnic University Foundation, an Honorary Court Member of The Hong Kong Polytechnic University, an Honorary Court Member of Lingnan University, President Consultant of Tianjin University and Honorary Vice Chairman of Chinese Academy of Governance (HK) Industrial and Commercial Professionals Alumni Association. She was a member of the Tianjin Committee of the 12th and 13th Chinese People's Political Consultative Conference of the People's Republic of China from January 2008 to January 2018, a Court Member of The Hong Kong University of Science and Technology for the period from 2011 to May 2016, an Executive Committee Member of Hong Kong Housing Society from September 2008 to August 2014, a Member of Estate Agents Authority during the period from November 2006 to October 2012, and a Steering Committee Member of the Institute for Enterprise of The Hong Kong Polytechnic University from April 2000 to August 2011. Ms. Hung is a University Fellow of The Hong Kong Polytechnic University.

Colin Stevens RUSSEL, aged 78, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since March 2017, and a member of the Nomination Committee of the Company since January 2019. He is also an Independent Non-executive Director of CK Infrastructure Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc. and Husky Energy Inc. All the companies mentioned above are listed companies. Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organisations on business strategy and planning, market development, competitive positioning and risk management. He is also Managing Director of EMAS (HK) Limited. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel received his Bachelor's degree in electronics engineering and Master's degree in Business Administration from McGill University, Canada. He is a Qualified Commercial Mediator.

Donald Jeffrey ROBERTS, aged 68, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since March 2017, and a member of the Nomination Committee of the Company since January 2019. He is also an Independent Non-executive Director of HK Electric Investments Manager Limited, which is the trustee-manager of HK Electric Investments ("HKEI"), and HK Electric Investments Limited, a company listed together with HKEI in Hong Kong. He is also a Director of The Hongkong Electric Company, Limited. Mr. Roberts is an Independent Non-executive Director of WeLab Digital Limited. He joined the Hutchison Whampoa Limited ("HWL") Group in 1988 and was the Group Deputy Chief Financial Officer of HWL from 2000 until his retirement in 2011. Mr. Roberts is a Member of the Listing Committee of the Main Board and Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. He was previously a member of the Executive Committee of The Canadian Chamber of Commerce (the "Chamber") in Hong Kong and is currently Governor of the Chamber. He has previously served as a Governor of the Canadian International School of Hong Kong for 12 years and also a member on its finance committee. Mr. Roberts served as a member, including as the Deputy Chairman, of the Professional Conduct Committee of the Hong Kong Institute of Certified Public Accountants ("HKICPA") for 9 years. Mr. Roberts holds a Bachelor of Commerce degree. He is a Chartered Accountant with the Chartered Professional Accountants of Canada, Alberta and British Columbia, and also a Fellow of the HKICPA.

Disclosure of Interests

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

As at 30 June 2019, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares

(a) The Company

		Number of Ordinary Shares					
Name of Director	Capacity	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total	Approximate % of Shareholding
Li Tzar Kuoi, Victor	Beneficial owner, interest of child or spouse, interest of controlled corporations & beneficiary of trusts	220,000	405,200	74,841,850 (Note 1)	1,160,195,710 (Note 2)	1,235,662,760	33.45%
Kam Hing Lam	Beneficial owner & interest of child or spouse	51,040	57,360	–	–	108,400	0.0029%
Chow Nin Mow, Albert	Beneficial owner	66	–	–	–	66	≃0%
Hung Siu-lin, Katherine	Beneficial owner	43,256	–	–	–	43,256	0.0012%
Donald Jeffrey Roberts	Beneficial owner	167,396	–	–	–	167,396	0.0045%

Long Positions in Shares *(continued)*

(b) Associated Corporations

Name of Company	Name of Director	Capacity	Number of Ordinary Shares					Approximate % of Shareholding
			Personal Interest	Family Interest	Corporate Interest	Other Interest	Total	
Precise Result Global Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	15 (Note 3)	15	15%
Jabrin Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	2,000 (Note 3)	2,000	20%
Mightycity Company Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	168,375 (Note 3)	168,375	1.53%

Notes:

(1) The 74,841,850 shares of the Company comprise:

(a) 35,728,850 shares held by certain companies of which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.

(b) 39,113,000 shares held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.

(2) The 1,160,195,710 shares of the Company comprise:

(a) 1,003,380,744 shares of the Company held by Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1") and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("TUT1 related companies"). Mr. Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard.

Disclosure of Interests *(continued)*

The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Unity Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

As Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of the Company held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO as a Director of the Company.

(b) 72,387,720 shares of the Company held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3") and its related companies in which TUT3 as trustee of UT3 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("TUT3 related companies"). Mr. Li Ka-shing is the settlor of each of the two discretionary trusts ("DT3" and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard.

The entire issued share capital of TUT3, TDT3 and TDT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as aforesaid.

As Mr. Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT3 and DT4, and by virtue of the above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of the Company held by TUT3 as trustee of UT3 and TUT3 related companies under the SFO as a Director of the Company.

(c) 84,427,246 shares of the Company held by a company controlled by TDT3 as trustee of DT3.

(3) These companies are subsidiaries of the Company and such shares are held through TUT1 as trustee of UT1. By virtue of Mr. Li Tzar Kuoi, Victor's deemed interests as described in Note (2)(a) above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to such shares under the SFO as a Director of the Company.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2019, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30 June 2019, shareholders of the Company (other than Directors or chief executives of the Company) who 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 SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

1. Long Positions of Substantial Shareholders in the Shares of the Company

Name of Shareholder	Capacity	Number of Ordinary Shares	Total	Approximate % of Shareholding
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	1,003,380,744	1,003,380,744 (Note 1)	27.16% (Note 5)
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	1,003,380,744	1,003,380,744 (Note 1)	27.16% (Note 5)
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	1,003,380,744	1,003,380,744 (Note 1)	27.16% (Note 5)
Li Ka-shing	(i) Interest of controlled corporations	72,977,300		
	(ii) Founder of discretionary trusts	1,160,195,710	1,233,173,010 (Note 2)	33.38% (Note 5)

Disclosure of Interests *(continued)*

2. (a) Long Positions of Other Persons in the Shares and Underlying Shares of the Company

Name of Shareholder	Capacity	Number of Shares/ Underlying Shares	Total	Approximate % of Shareholding
BlackRock, Inc.	Interest of controlled corporations	226,025,652	226,025,652 (Note 3)	6.12% (Note 5)

(b) Short Positions of Other Persons in the Shares and Underlying Shares of the Company

Name of Shareholder	Capacity	Number of Shares/ Underlying Shares	Total	Approximate % of Shareholding
BlackRock, Inc.	Interest of controlled corporations	798,500	798,500 (Note 4)	0.02% (Note 5)

Notes:

(1) The three references to 1,003,380,744 shares relate to the same block of shares in the Company. Of these 1,003,380,744 shares of the Company, 913,378,704 shares of the Company are held by TUT1 as trustee of UT1 and 90,002,040 shares of the Company 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 another discretionary trust is taken to have a duty of disclosure under the SFO in relation to the same 1,003,380,744 shares of the Company as described in Note (2)(a) under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

(2) The 1,233,173,010 shares of the Company comprise:

(a) 72,977,300 shares of the Company of which:

(i) 33,864,300 shares held by certain companies of which Mr. Li Ka-shing are entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings.

(ii) 39,113,000 shares held by 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 general meetings of LKSF.

(b) 1,160,195,710 shares of the Company as described in Note (2) under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above. As Mr. Li Ka-shing may be regarded as a founder of each of DT1, DT2, 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 1,160,195,710 shares of the Company after his retirement from the directorship of the Company.

(3) Such long position includes derivatives interests in 1,350,500 underlying shares of the Company derived from unlisted and cash settled derivatives.

(4) Such short position includes derivative interests in 50,500 underlying shares of the Company derived from unlisted and cash settled derivatives.

(5) The approximate percentages of shareholding were based on the issued share capital of the Company as at 30 June 2019 (i.e. 3,693,400,500 shares).

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who 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 SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Corporate Governance

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

The Company had applied the principles and complied with all code provisions (except as stated below) and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2019. In respect of code provision A.2.1 of the CG Code, the positions of the Chairman of the Board and the Managing Director are held by the same individual, namely, Mr. Victor T K Li. Although the positions of the Chairman and the Managing Director are not separately held, the Board is of the view that this is the most appropriate arrangement in the interest of the shareholders as a whole at present. All major decisions will, in accordance with current practice, be continued to be made in consultation with members of the Board and relevant board committees and key personnel of the Group after thorough discussions. The Board comprises five Independent Non-executive Directors who will continue to provide their views and comments to Mr. Victor T K Li as Chairman and Managing Director as they have done so previously. Furthermore, Mr. Li Ka-shing has been the Senior Advisor of the Company following his retirement as Chairman, and has in that capacity continued to contribute to the Group on significant matters. In respect of code provision A.5.1 of the CG Code, the Company established its nomination committee ("Nomination Committee") on 1 January 2019 which comprises all Directors of the Company, and the Chairman of the Board is the Chairman of the Nomination Committee. When the need to select, nominate or re-elect Directors arises, a sub-committee will be established comprising members from the Nomination Committee in compliance with the requirements under the Listing Rules in relation to the composition of nomination committee.

The Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the CG Code, the Company has established the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters. In addition, the Company has also established the Policy on Handling of Confidential Information, Information Disclosure, and Securities Dealing for compliance by the Company's employees.

BOARD COMPOSITION AND BOARD PRACTICES

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders' value. The Board consists of a total of thirteen Directors, comprising eight Executive Directors and five Independent Non-executive Directors. More than one-third of the Board are Independent Non-executive Directors and more than one of them have appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. All Directors (including Independent Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Amended and Restated Articles of Association and the CG Code.

The positions of the Chairman and the Managing Director are currently held by the same individual. All major decisions are made in consultation with members of the Board and relevant board committees and key personnel of the Group after thorough discussions.

All Directors have made active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group. In addition to regular Board meetings, the Chairman shall meet with the Independent Non-executive Directors without the presence of Executive Directors at least once every year.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions. The Company Secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, the Securities and Futures Ordinance and other applicable laws, rules and regulations.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions, effective from 3 June 2015, which will be revised and adopted from time to time. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2019.

Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees are set out in the Employee Handbook of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has an internal audit function in place to provide an independent assessment of the Group's risk management and internal control systems and review of their effectiveness in accordance with the CG Code. The Internal Audit Department prepares its audit plan using a risk based methodology in consultation with, but independent of, the management for review by the audit committee of the Company ("Audit Committee"). The audit work focuses on financial, operational and compliance controls review and those areas of the Group's activities with significant perceived risks. An integral part of the internal audit function is to monitor and ensure effective implementation of the risk management and internal control systems.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the six months ended 30 June 2019.

AUDIT COMMITTEE

The Company established an Audit Committee on 26 February 2015 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The Audit Committee comprises five Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Audit Committee), Mr. Chow Nin Mow, Albert, Ms. Hung Siu-lin, Katherine, Mr. Colin Stevens Russel and Mr. Donald Jeffrey Roberts. The principal duties of the Audit Committee include: the review and supervision of the Group's financial reporting system, risk management and internal control systems; review of the Group's financial information; review of the relationship with the external auditor of the Company; and performance of the corporate governance functions delegated by the Board.

The Group's interim report for the six months ended 30 June 2019 has been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

In compliance with the CG Code, the Company established its remuneration committee ("Remuneration Committee") on 26 February 2015 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee comprises the Chairman and Managing Director, Mr. Victor T K Li and two Independent Non-executive Directors, namely, Ms. Hung Siu-lin, Katherine (Chairman of the Remuneration Committee) and Mr. Cheong Ying Chew, Henry.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and management, and reviewing the remuneration packages of all Executive Directors and management with reference to the corporate goals and objectives of the Board resolved from time to time.

NOMINATION COMMITTEE

The Company established its Nomination Committee on 1 January 2019 which comprises all Directors of the Company, and the Chairman of the Board is the Chairman of the Nomination Committee. When the need to select, nominate or re-elect Directors arises, a sub-committee will be established comprising members from the Nomination Committee in compliance with the requirements under the Listing Rules in relation to the composition of nomination committee.

The responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills matrix of the Board and the needs of the Board and to make recommendations on any proposed changes to the Board to complement the Board to achieve the Group corporate strategy as well as promote shareholder value. It facilitates the Board in conducting the selection and nomination of Directors, and makes recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors. It also assesses the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules, and shareholders can choose to receive such documents using electronic means through the Company's website; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its shareholders and stakeholders; (v) press conferences and briefing meetings with analysts are arranged from time to time to update on the performance of the Group; (vi) the Company's Hong Kong Share Registrar deals with shareholders for share registration and related matters; and (vii) the Corporate Affairs Department of the Company handles enquiries from shareholders and investors generally.

In compliance with the CG Code, the Company has established a shareholders communication policy on 26 February 2015 which is subject to review on a regular basis to ensure its effectiveness.

Other Information

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

The following information is disclosed in accordance with Rule 13.22 of Chapter 13 of the Listing Rules:

As at 30 June 2019, the Group's financial assistance given to affiliated companies (as defined under Rule 13.11(2)(a) of the Listing Rules) exceeded 8% of the relevant percentage ratio under the Listing Rules. A combined statement of financial position of the affiliated companies as at 30 June 2019 is set out below:

HK$ million	
Non-current assets	220,888
Current assets	28,124
Current liabilities	(16,184)
Non-current liabilities	(166,035)
Net assets	66,793
Share capital	20,109
Reserves	46,995
Non-controlling interests	(311)
Total equity	66,793

As at 30 June 2019, the consolidated attributable interest of the Group in these affiliated companies amounted to HK$27,736 million.

RISK FACTORS

The Group's businesses, financial conditions, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Interim Report does not constitute a recommendation or advice to invest in the shares or other securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares or other securities of the Company.

Property Developments

There exist general risks inherent in property developments and in the ownership of properties, including, among other things, rising construction costs, risks that financing for developments may not be available on favourable terms, that construction may not be completed on schedule or within budget especially due to issues such as inclement weather, aging workforce, labour shortage, skills mismatch and succession gap as well as the escalation of material prices, that long-term financing may not be available on completion of construction, that developed properties may not be sold or leased on profitable terms, that there will be intense competition from other developers or property owners which may lead to vacant properties or an inability to sell or rent properties on favourable terms, that purchasers or tenants may default, that properties held for rental purpose will need to be renovated, repaired and re-let on a periodic basis, that it may not be possible to renew leases or re-let spaces when existing leases expire, and that the property market conditions are subject to changes in environmental laws and regulations and zoning laws and other governmental rules and fiscal policies. Property values and rental values are also affected by factors such as the changes in the relationships between countries or sovereign states, the state of the local economy, political and societal developments, governmental regulations and changes in planning or tax laws, levels of interest rates and consumer prices, the overall supply of properties, and the imposition of governmental measures to dampen property prices. Taxes, levies, stamp duties and similar taxes or charges payable for the vacancy of first-hand private residential units, the property management services, the sale or transfer of residential properties, as well as policies and rules on profit repatriation may be imposed by the relevant authorities from time to time.

Investment in property is generally illiquid, which may limit the ability of the Group to timely monetise property assets.

Supply of land is subject to the development of land policies in different markets. Acquisition of land in Hong Kong, the Mainland and overseas markets may be subject to various regulatory requirements or restrictions as well as changes in demand and supply dynamics. Future growth prospects of the property development business are therefore affected by the availability and price levels of prime sites in Hong Kong, the Mainland and overseas markets.

The Group may be subject to fines or sanctions if it does not pay land premiums or does not develop properties according to the terms of the land grant documents. Under the Mainland laws and regulations relating to idle land, if a developer fails to develop land according to the terms of the land grant contracts (including but not limited to, the payment of fees, the designated uses of land and the time for commencement and completion of development of the land), the relevant authorities may issue a warning to or impose a fine on the developer or require the developer to forfeit the land use rights. Any violation of the terms of the land grant contracts may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Furthermore, there are specific requirements regarding idle land and other aspects of land use rights grant contracts in many cities on the Mainland, and the local authorities are expected to enforce such rules in accordance with the instructions from the central government of the Mainland.

Circumstances leading to the repossession of land or delays in the completion of a property development may arise, in particular, in view of the increasing complications in governmental approval process and if the Group's land is repossessed, the Group will not be able to continue its property development on the forfeited land, recover the costs incurred for the initial acquisition of the repossessed land or recover development costs and other costs incurred up to the date of the repossession. Furthermore, regulations relating to idle land or other aspects of land use rights may become more restrictive or punitive in the future. If the Group does not comply with the terms of any land use rights grant contracts as a result of delays in project development, or as a result of other factors, the Group may lose the opportunity to develop the project, as well as its past investments in the land, which may materially and adversely impact its businesses, financial conditions, results of operations or growth prospects.

Properties could suffer physical damage by fire or other causes and the Group may be exposed to any potential risks associated with public liability claims, resulting in losses (including loss of rent and value of properties) which may not be fully compensated for by insurance proceeds, and such events may in turn affect the Group's financial conditions or results of operations. There is also the possibility of other losses for which the Group may not obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, payment of compensation may be required and this may affect the returns on capital invested in that property. The Group would also remain liable for any debt or other financial obligation, such as committed capital expenditures, related to that property. In addition, insurance policies will have to be renewed every year and acceptable terms for coverage will have to be negotiated, thus exposing the Group to the volatility of the insurance markets, including the possibility of rate increases. Any such factors may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Global Economy

Trade tensions between the United States and certain major nations, change in tariffs and trade barriers, Brexit uncertainties, the fluctuation of the US dollar against major currencies around the world and the continuing geopolitical tensions create uncertainties in the world economy and global financial market. A slowdown in global economic growth could lead to economic contractions in certain markets, commercial and consumer delinquencies, weakened consumer confidence and increased market volatility. The Group is a leading multinational corporation with businesses in Hong Kong, the Mainland, Singapore, the United Kingdom ("UK"), continental Europe, Australia, Canada and the United States. Any adverse economic conditions in those countries and places in which the Group operates may potentially impact on the Group's businesses, financial conditions, results of operations or growth prospects.

Industry Trends and Interest Rates

The trends in the industries in which the Group operates, including the property market sentiment and conditions, property values, the mark to market value of investment securities, the currency environment and interest rate cycles, may pose significant risks to the Group's businesses, financial conditions, results of operations or growth prospects. There can be no assurance that the combination of industry trends and interest rates the Group experiences in the future will not adversely affect its businesses, financial conditions, results of operations or growth prospects.

In particular, income from finance and treasury operations is dependent upon the capital markets, interest rate and currency environment, and the worldwide economic and market conditions, and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's businesses, financial conditions, results of operations or growth prospects. The volatility in the financial markets may also adversely affect the income to be derived by the Group from its finance and treasury activities.

Highly Competitive Markets

The Group's business operations face significant competition across the markets in which they operate. New market entrants and intensified price competition among existing market players could adversely affect the Group's businesses, financial conditions, results of operations or growth prospects. Competition risks faced by the Group include (a) an increasing number of developers undertaking property investment and development in Hong Kong, the Mainland and in other overseas markets, which may affect the market share and returns of the Group; and (b) significant competition and pricing pressure from other developers which may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

New Business Ventures and Investments

To balance and mitigate the inherent risks associated with the cyclical nature of property development, or generally, the Group is committed to balancing and strengthening its business portfolio through diversification and globalisation. The Group has taken steps to create and will continue to explore ways to create new sources of revenue by investing into new business sectors and geographical regions if appropriate in respect of investments that meet its criteria. However, there can be no assurance that the Group will implement its diversification and globalisation strategies successfully or that its strategies will be able to deliver the results as anticipated. Also, expansion into new sectors and markets may expose the Group to new uncertainties including but not limited to risks relating to insufficient operating experience in certain sectors and markets, changes in governmental policies and regulations and other adverse developments affecting such sectors and markets. There is also no assurance that all investors would favour the new ventures or investments that may be made by the Group.

The Aviation Industry

Deterioration in the Financial Conditions of the Commercial Airline Industry

The financial conditions of the commercial airline industry generally may have an impact on the Group's businesses, financial conditions, results of operations or growth prospects. The Group may experience (a) downward pressure on demand for the aircraft in the Group's fleet and reduced market lease rates and effective lease margins, as well as reduced aircraft values; (b) a higher incidence of lessee defaults, lease restructurings, repossessions and airline bankruptcies and restructurings, resulting in lower lease rates and effective margins and/or increased costs due to maintenance, insurance, storage and legal costs associated with the repossession, as well as lost revenue for the time the aircraft are off lease, increased aircraft transition costs to new lessees (including refurbishment and modification of aircraft to fit the specifications of new lessees) and possibly lower lease rates from the new lessees; and (c) an inability to lease aircraft on commercially acceptable terms, resulting in lower lease margins due to aircraft not earning revenue and resulting in maintenance, insurance and storage costs. Any such factors may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Aircraft Repossession Rights and Other Remedies

In the event that an aircraft lessee defaults on its obligations under an aircraft lease, the lessor will be entitled to exercise certain remedies, including the right to terminate the leasing of the aircraft, take possession and control of the aircraft, and procure the de-registration, exportation and physical transfer of the aircraft from the territory in which it is located. The lessor's ability to exercise such remedies in a cost effective and timely manner will vary significantly depending upon the jurisdiction in question and whether the aircraft is returned voluntarily by the lessee through negotiation. If the lessor cannot obtain the lessee's co-operation, enforcement of the lessor's rights under the lease may need to be sought through the courts, which may be difficult, expensive and time-consuming, particularly if the proceedings are contested by the lessee.

Furthermore, if the lessee is the subject of bankruptcy, insolvency or similar proceedings, the lessor's ability to exercise its remedies under the lease will be affected by the insolvency laws of the jurisdiction in the question, which may not have an equivalent of the protections provided by Section 1110 of the U.S. Bankruptcy Code in U.S. domestic airline bankruptcies. Remedies under the Cape Town Convention on International Interests in Mobile Equipment and the related Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment (collectively, the "Cape Town Convention"), which include the ability to obtain possession of aircraft after a prescribed stay period, mitigate some of these risks. However, there are many jurisdictions in the world that have not ratified and fully implemented the Cape Town Convention.

In jurisdictions that have newly enacted insolvency laws, or that have recently adopted the Cape Town Convention, there may be limited experience in their application and limited jurisprudence that would indicate how such insolvency laws or the Cape Town Convention (or any inconsistencies between existing law and such insolvency laws or the Cape Town Convention) will be implemented, interpreted, applied or enforced by the courts or government agencies, and there can be no assurance that any court or government agency interpreting the Cape Town Convention will do so in a manner that maximises the benefits of the Cape Town Convention for the lessor. Any application of such insolvency laws in an adverse manner, and any interpretation of the Cape Town Convention by a court or government agency in a manner that does not maximise the benefits of the Cape Town Convention with respect to the lessor, may materially and adversely affect the lessor's ability to exercise its remedies under the lease and present significant and firm hurdles to effect repossession, de-registration and exportation of the aircraft, which will have an impact on the Group's businesses, financial conditions, results of operations or growth prospects.

Cyclicality of Supply and Demand for Aircraft

The commercial jet aircraft leasing and sales industry has periodically experienced cycles of aircraft oversupply and undersupply. The oversupply of a specific type of aircraft in the market is likely to depress aircraft lease rates and values of that type of aircraft.

The supply and demand of aircraft is affected by various cyclical factors that are not under the Group's control, including (a) passenger air travel demand; (b) airline profitability; (c) fuel costs and general economic condition; (d) geopolitical events; (e) outbreaks of communicable, pandemic diseases and natural disasters; (f) governmental regulations, including new Airworthiness Directives and environmental and safety regulations; (g) interest rates; (h) airline restructurings and bankruptcies; (i) cancellation or deferral of orders for aircraft; (j) delays in delivery by manufacturers; (k) the cost and availability of credit; (l) manufacturer production levels and technological innovation, including introduction of new generation aircraft; (m) retirement and obsolescence of aircraft models; (n) manufacturers merging or exiting the industry or ceasing to produce aircraft or engine types; (o) accuracy of estimates relating to future supply and demand made by manufacturers and airlines; (p) re-introduction into service of aircraft previously in storage; and (q) airport and air traffic control infrastructure constraints.

These factors may produce sharp decreases or increases in aircraft values and lease rates, and may result in lease defaults and may prevent the aircraft from being re-leased or, where applicable, sold on satisfactory terms. This would have an adverse effect on the Group's businesses, financial conditions, results of operations or growth prospects.

Effects of Fuel Costs

Fuel costs represent a major expense to companies operating within the airline industry. Fuel prices fluctuate widely depending primarily on international market conditions, geopolitical and environmental events, natural disasters, regulatory changes and currency exchange rates. Significant changes in fuel prices could have a material adverse impact on airline profitability (including the profitability of the initial lessees) and may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Dependence on Aircraft and Engine Manufacturers

The supply of large passenger jet aircraft is dominated by a small number of airframe manufacturers, and a limited number of engine manufacturers. The Group therefore depends on these manufacturers' success in remaining financially stable, producing aircraft and related components that meet technical and regulatory requirements and airlines' demands and providing ongoing and reliable customer support. Should the manufacturers fail to respond appropriately to market changes, or to fulfill their contractual obligations or to produce aircraft or components that meet technical or regulatory requirements, the Group may experience (a) poor customer support from the manufacturers of aircraft and components resulting in reduced demand for a particular manufacturer's product, creating downward pressure on demand for those aircraft and components of those types in the Group's fleet and reduced market lease rates for aircraft of those types; (b) a reduction in the Group's competitiveness due to deep discounting by the manufacturers, which may lead to reduced market lease rates and may adversely affect the value of the Group's portfolio and the Group's ability to remarket or sell some of the aircraft; and (c) poor customer support from the manufacturers of associated components resulting in disruption to the lessees' operations and consequent loss of revenue for the lessees. Any such factors may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Effects of Environmental Regulations

Many aspects of commercial airlines' operations are subject to increasingly stringent federal, state, local and foreign laws protecting the environment, including the imposition of additional taxes on airlines or their passengers. Regulatory actions that may be taken in the future by the relevant governments and authorities may have a materially adverse impact on the airline industry, particularly if regulators were to conclude that emissions from commercial aircraft cause significant harm to the upper atmosphere or have a greater impact on climate change. Potential actions may include the imposition of requirements to purchase emission offsets or credits, which could require participation in emission trading, substantial taxes on emissions and growth restrictions on airline operations, among other potential regulatory actions. Any such factors may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Effects of Terrorist Attacks, War or Armed Hostilities and Other Geopolitical Conditions

Terrorist attacks and geopolitical conditions have negatively affected the airline industry and concerns about geopolitical conditions, war or armed hostilities and further terrorist attacks could continue to negatively affect airlines (including the initial lessees) for the foreseeable future depending upon various factors including (a) higher costs to airlines due to the increased security measures; (b) losses in passenger revenue due to a decrease in travel; (c) the price and availability of jet fuel and the ability to obtain fuel hedges under current market conditions; (d) higher financing costs and difficulty in raising financing; (e) significantly higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance will continue to be available or may exclude events such as radioactive dirty bombs, bio-hazardous materials and electromagnetic pulsing, which may damage or destroy aircraft; (f) the ability of airlines to reduce their operating costs and conserve financial resources; and (g) special charges recognised by some airlines, such as those related to the impairment of aircraft and other long lived assets stemming from the grounding of aircraft as a result of terrorist attacks. Any such factors may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Infrastructure Market

Some of the investments owned by the Group (for example, gas and electricity) are subject to regulatory pricing and strict adherence must be made to the licence requirements, codes and guidelines established by the relevant regulatory authorities from time to time. Failure to comply with these licence requirements, codes or guidelines may lead to penalties, or, in extreme circumstances, amendment, suspension or cancellation of the relevant licences by the authorities. Infrastructure projects are capital intensive, and with only a few major players in the market, there can be no assurance of ready buyers on disposal.

The distribution and transmission networks of the Group's utilities investments are also exposed to supply interruptions. If a severe earthquake, storm, flood, fire, sabotage, terrorist attack or other unplanned event interrupts service, the loss of cash flow resulting from the interruption and the cost of recovery from network damage could be considerable and potentially cause poor customer perception and may also lead to claims and litigations. Moreover, some losses from events such as terrorist attacks may not be recoverable. Increases in the number or duration of supply interruptions could result in material increases in the costs associated with the operation of the distribution and transmission networks. All of these uncertain factors could have a material adverse effect on the businesses, financial conditions, results of operations or growth prospects of the Group.

Currency Fluctuations

The Group is a leading multinational corporation with businesses in Hong Kong, the Mainland, Singapore, the UK, continental Europe, Australia, Canada and the United States, and is exposed to potential currency fluctuations in these countries and places in which the Group operates. The results of the Group are reported in Hong Kong dollars but its various subsidiaries, associates and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, associates and joint ventures and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's financial conditions, results of operations, asset values or liabilities.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with (a) currency swaps and (b) appropriate level of borrowings denominated in the local currencies. The Group has not entered into any speculative derivative transaction.

Although currency exposures have been managed by the Group, a depreciation or fluctuation of the currencies in which the Group conducts operations relative to the Hong Kong dollars could adversely affect its businesses, financial conditions, results of operations or growth prospects. For instance, the volatility of the British pounds relative to the Hong Kong dollars subsequent to the referendum in the UK in favour of Brexit could affect the Group's financial conditions, results of operations, asset values or liabilities.

Cybersecurity

With the fast expanding adoption of internet and networking operational technology, cyberattacks around the world are occurring at a higher frequency and intensity. The Group's critical utility and information assets are exposed to attack, damage or unauthorised access in the cyberworld. Cybersecurity risks could have material adverse effect on the operational and business performance, as well as the business reputation of the Group.

Although the Group has not experienced any major damage to its assets or activities from cyberattacks to date, there can be no assurance that future cyberattacks or breaches of the Group's cybersecurity will not occur and result in significant impact on the Group's reputation, businesses, financial conditions, results of operations or growth prospects.

Strategic Partners

Some of the businesses of the Group are conducted through non-wholly owned subsidiaries, associates and joint ventures in which the Group shares control (in whole or in part) and strategic alliances had been formed by the Group with other strategic or business partners. There can be no assurance that any of these strategic or business partners will continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non-wholly owned subsidiaries, associates and joint ventures and the markets in which they operate. Furthermore, the joint venture partners may (a) have economic or business interests or goals that are inconsistent with those of the Group; (b) take actions contrary to the Group's policies or objectives; (c) undergo a change of control; (d) experience financial and other difficulties; or (e) be unable or unwilling to fulfil their obligations under the joint ventures, which may affect the Group's businesses, financial conditions, results of operations or growth prospects.

Acquisitions

The Group has undertaken acquisition activities in the past and may continue to do so if there are appropriate acquisition opportunities in the market. Although due diligence and detailed analysis are conducted before these activities are undertaken, there can be no assurance that these can fully expose all hidden problems, potential liabilities and unresolved disputes that the target company may have. In addition, valuations and analyses on the target company conducted by the Group and by professionals alike are based on numerous assumptions, and there can be no assurance that those assumptions are correct or appropriate or that they will receive universal recognition. Relevant facts and circumstances used in the analyses could have changed over time, and new facts and circumstances may come to light as to render the previous assumptions and the valuations and analyses based thereon obsolete. Some of these acquisition activities are subject to regulatory approvals in overseas countries and there can be no assurance that such approvals will be obtained, and even if granted, that there will be no burdensome conditions attached to such approvals. The Group may not necessarily be able to successfully integrate the target business into the Group and may not be able to derive any synergy from the acquisition, leading to an increase in costs, time and resources. For acquisition activities undertaken overseas, the Group may also be exposed to different and changing political, social, legal and regulatory requirements at the local, national and international level. The Group may also need to face different cultural issues when dealing with local employees, customers, governmental authorities and pressure groups.

Impact of Local, National and International Regulations

The local business risks in different countries and cities in which the Group operates could have a material impact on the businesses, financial conditions, results of operations or growth prospects. The Group has investments in different countries and cities around the world and the Group is, and may increasingly become, exposed to different and changing political, social, legal, tax, regulatory and environmental requirements at the local, national or international level. Also, new guidelines, directives, policies or measures by governments, whether fiscal, tax, regulatory, environmental or other competitive changes, may lead to an increase in additional or unplanned operating expenses and capital expenditures, increase in market capacity, reduction in government subsidies, pose a risk to the overall investment return of the Group's businesses and may delay or prevent the commercial operation of a business with resulting loss of revenue and profit, which may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Impact of New Accounting Standards

The International Accounting Standards Board has from time to time issued new and revised International Financial Reporting Standards ("IFRS"). As accounting standards continue to develop, the International Accounting Standards Board may in the future issue more new and revised IFRS and the Group may be required to adopt new accounting policies which might or could have a significant impact on the Group's financial position or results of operations.

Outbreak of Highly Contagious Disease

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome ("SARS") in Hong Kong, the Mainland and other places. The SARS outbreak had a significant adverse impact on the economies of the affected areas. The spread of Influenza and other communicable diseases from time to time have also affected many areas of the world. The outbreak of the Ebola virus disease and Zika virus also pose a significant threat to global industries. Additional outbreaks of other epidemic diseases may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Connected Transactions

CK Hutchison Holdings Limited ("CK Hutchison") is also listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). CK Hutchison has been deemed by the Stock Exchange to be a connected person of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Although the Group believes that its relationship with CK Hutchison provides it with significant business advantages, the relationship results in various connected transactions under the Listing Rules and accordingly any transactions entered into between the Group and CK Hutchison or its subsidiaries are connected transactions, which, unless one of the exemptions is available, will be subject to compliance with the applicable requirements of the Listing Rules, including the issuance of announcements, the obtaining of independent shareholders' approval at general meetings and disclosure in annual reports and financial statements. Independent shareholders' approval requirements may also lead to unpredictable outcomes causing disruptions to as well as an increase in the risks of the Group's business activities. Independent shareholders may also take actions that are in conflict with the interests of the Group.

Natural Disasters

Some of the Group's assets and businesses, customers and suppliers are located in areas at risk of damage from earthquakes, floods, drought and similar events and the occurrence of any of these events could disrupt the Group's businesses and materially and adversely affect the Group's businesses, financial conditions, results of operations or growth prospects. There can be no assurance that earthquakes, floods, drought or other natural disasters will not occur and result in major damage to the Group's property development projects, or assets or facilities or on the general supporting infrastructure facilities in the vicinity, which could adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Terrorist Threat

The Group is a leading multinational corporation with businesses in Hong Kong, the Mainland, Singapore, the UK, continental Europe, Australia, Canada and the United States. In recent years, a series of terrorist activities occurred across the globe that resulted in multiple deaths and casualties. There can be no assurance that countries in which the Group operates will not have any political unrest or they will be immune from terrorist threat, and if these events occur, they may have an adverse impact on the Group's businesses, financial conditions, results of operations or growth prospects.

Past Performance and Forward-Looking Statements

The past performance and the results of operations of the Group as contained in this Interim Report are historical in nature and past performance can be no guarantee of future results of the Group. This Interim Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the directors, employees or agents of the Group assume (a) any obligation to correct or update the forward-looking statements or opinions contained in this Interim Report; and (b) any liability in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

Interim Financial Statements

Consolidated Income Statement
For the six months ended 30 June 2019

	Note	(Unaudited) 2019 $ Million	2018 $ Million
Group revenue		**26,836**	16,788
Share of revenue of joint ventures		**7,172**	7,330
Total	(2)	**34,008**	24,118
Group revenue		**26,836**	16,788
Interest from joint ventures		**1,007**	1,095
Investment and other income		**2,094**	627
Operating costs			
Property and related costs		**(11,531)**	(6,802)
Salaries and related expenses		**(1,817)**	(1,912)
Interest and other finance costs		**(580)**	(601)
Depreciation		**(889)**	(870)
Other expenses		**(246)**	(245)
		(15,063)	(10,430)
Profit on disposal of a property development joint venture		**–**	6,989
Gain (loss) on financial instruments		**1,803**	(47)
Change in fair value of investment properties		**1,002**	832
Surplus on disposal of investment properties		**–**	11,781
Share of profit of joint ventures		**447**	362
Share of profit of associates		**166**	197
Profit before taxation	(3)	**18,292**	28,194
Taxation	(4)	**(2,568)**	(2,885)
Profit after taxation		**15,724**	25,309
Profit attributable to			
Non-controlling interests		**(326)**	(285)
Perpetual capital securities		**(270)**	(271)
Profit attributable to shareholders		**15,128**	24,753
Earnings per share	(6)	**$4.10**	$6.69

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2019

	(Unaudited) 2019 $ Million	2018 $ Million
Profit after taxation	**15,724**	25,309
Other comprehensive income (loss) – reclassifiable to profit or loss		
Translation of financial statements of operations outside Hong Kong		
Exchange loss	**(160)**	(1,775)
Exchange loss reclassified to profit or loss	**–**	162
Exchange gain on translation of bank loans for hedging	**72**	394
Gain (loss) on derivative financial instruments		
Net investment hedges	**(300)**	2,443
Cash flow hedges	**59**	131
Change in fair value of investments	**–**	(3)
Share of other comprehensive loss of joint ventures	**(255)**	(676)
Other comprehensive income (loss) – not reclassifiable to profit or loss		
Share of other comprehensive income (loss) of joint ventures	**(78)**	11
Other comprehensive income (loss)	**(662)**	687
Total comprehensive income	**15,062**	25,996
Total comprehensive income attributable to		
Non-controlling interests	**(318)**	(289)
Perpetual capital securities	**(270)**	(271)
Total comprehensive income attributable to shareholders	**14,474**	25,436

Consolidated Statement of Financial Position
As at 30 June 2019

	(Unaudited) 30/6/2019 $ Million	(Audited) 31/12/2018 $ Million
Non-current assets		
Fixed assets	**39,872**	37,660
Investment properties	**123,772**	123,478
Joint ventures	**59,394**	59,842
Associates	**7,205**	7,256
Investments	**19,087**	16,796
Loan receivables	**3,789**	3,848
Derivative financial instruments	**3,233**	3,006
Deferred tax assets	**2,691**	3,134
	259,043	255,020
Current assets		
Properties for sale	**142,806**	143,373
Debtors, prepayments and others	**5,192**	3,710
Loan receivables	**10,129**	17,117
Bank balances and deposits	**59,402**	56,725
	217,529	220,925
Current liabilities		
Bank and other loans	**3,720**	1,829
Creditors, accruals and others	**16,837**	15,622
Customers' deposits received	**32,985**	33,916
Provision for taxation	**2,948**	3,080
	56,490	54,447
Net current assets	**161,039**	166,478
Non-current liabilities		
Bank and other loans	**57,443**	67,663
Deferred tax liabilities	**11,969**	12,474
Derivative financial instruments	**304**	167
Pension obligations	**173**	166
	69,889	80,470
Net assets	**350,193**	341,028
Representing:		
Share capital and share premium	**245,639**	245,639
Reserves	**87,073**	77,881
Shareholders' funds	**332,712**	323,520
Perpetual capital securities	**11,670**	11,670
Non-controlling interests	**5,811**	5,838
Total equity	**350,193**	341,028

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Shareholders' funds				Perpetual	Non-	(Unaudited)
	Share capital $ Million	Share premium $ Million	Reserves(Note) $ Million	Total $ Million	capital securities $ Million	controlling interests $ Million	Total equity $ Million
Balance at 1 January 2018	3,698	242,177	45,677	291,552	11,670	5,958	309,180
Total comprehensive income	–	–	25,436	25,436	271	289	25,996
Change in non-controlling interests	–	–	–	–	–	(283)	(283)
Distribution of perpetual capital securities	–	–	–	–	(271)	–	(271)
Dividend paid to non-controlling interests	–	–	–	–	–	(101)	(101)
Dividend paid to shareholders							
2017 final dividend $1.28 per share	–	–	(4,733)	(4,733)	–	–	(4,733)
Balance at 30 June 2018	3,698	242,177	66,380	312,255	11,670	5,863	329,788
Balance at 1 January 2019	**3,694**	**241,945**	**77,881**	**323,520**	**11,670**	**5,838**	**341,028**
Total comprehensive income	–	–	14,474	14,474	270	318	15,062
Change in non-controlling interests	–	–	–	–	–	(239)	(239)
Distribution of perpetual capital securities	–	–	–	–	(270)	–	(270)
Dividend paid to non-controlling interests	–	–	–	–	–	(106)	(106)
Dividend paid to shareholders							
2018 final dividend $1.43 per share	–	–	(5,282)	(5,282)	–	–	(5,282)
Balance at 30 June 2019	**3,694**	**241,945**	**87,073**	**332,712**	**11,670**	**5,811**	**350,193**

Condensed Consolidated Statement of Changes in Equity *(continued)*

Note: Reserves

	Business combination reserve $ Million	Capital redemption reserve $ Million	Exchange reserve $ Million	Hedging reserve $ Million	Revaluation reserve $ Million	Retained profits $ Million	Total $ Million
Balance at 1 January 2018	(69,014)	162	(1,073)	51	(4)	115,555	45,677
Total comprehensive income	–	–	558	117	(3)	24,764	25,436
Dividend paid to shareholders							
2017 final dividend $1.28 per share	–	–	–	–	–	(4,733)	(4,733)
Balance at 30 June 2018	(69,014)	162	(515)	168	(7)	135,586	66,380
Balance at 1 January 2019	**(69,014)**	**166**	**(2,742)**	**262**	**(8)**	**149,217**	**77,881**
Total comprehensive income	–	–	(274)	(302)	–	15,050	14,474
Dividend paid to shareholders							
2018 final dividend $1.43 per share	–	–	–	–	–	(5,282)	(5,282)
Balance at 30 June 2019	**(69,014)**	**166**	**(3,016)**	**(40)**	**(8)**	**158,985**	**87,073**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	(Unaudited) 2019 $ Million	2018 $ Million
Net cash from operating activities	10,197	10,039
Net cash from (used in) investing activities		
Investment in/loan advance to joint ventures	(240)	(3,799)
Acquisition of investment properties	–	(12,882)
Acquisition of aircraft	(2,302)	(2,405)
Disposal of investment properties	–	35,790
(Increase) decrease in loan receivables	10,230	(10,230)
Other investing activities	350	723
	8,038	7,197
Net cash used in financing activities		
Net repayment of bank and other loans	(8,336)	(10,609)
Dividend paid to shareholders	(5,282)	(4,733)
Other financing activities	(1,556)	(1,565)
	(15,174)	(16,907)
Net increase in cash and cash equivalents	3,061	329
Translation differences	23	103
Cash and cash equivalents at 1 January	55,417	54,369
Cash and cash equivalents at 30 June	58,501	54,801

Note:

Cash and cash equivalents

	30/6/2019 $ Million	30/6/2018 $ Million
Bank balances and deposits	59,402	55,222
Less: restricted bank balances	(901)	(421)
	58,501	54,801

Restricted bank balances represent property sale proceeds placed with banks in accordance with the requirements of property development on the Mainland and are restricted for use until certain conditions are fulfilled.

Notes to Interim Financial Statements

1. Basis of Preparation

The interim financial statements are presented in Hong Kong dollars and have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". 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 2018.

The adoption of new and revised International Financial Reporting Standards ("IFRSs") effective for the Group's annual accounting periods beginning on 1 January 2019 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.

2. Revenue and Profit Contribution

Revenue by principal activities is as follows:

	Six months ended 30 June					
	Group		Joint ventures		Total	
	2019 $ Million	2018 $ Million	2019 $ Million	2018 $ Million	2019 $ Million	2018 $ Million
Property sales	19,226	9,107	6	2	19,232	9,109
Property rental	3,682	3,801	74	79	3,756	3,880
Hotel and serviced suite operation	2,366	2,416	8	9	2,374	2,425
Property and project management	413	406	19	25	432	431
Aircraft leasing	1,149	1,058	407	327	1,556	1,385
Infrastructure and utility asset operation	–	–	6,658	6,888	6,658	6,888
	26,836	16,788	7,172	7,330	34,008	24,118

and is summarised by location as follows:

	Six months ended 30 June	
	2019 $ Million	2018 $ Million
Hong Kong	21,139	7,751
The Mainland	4,252	7,255
Overseas	8,617	9,112
	34,008	24,118

2. Revenue and Profit Contribution *(continued)*

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	
	2019 $ Million	2018 $ Million	2019 $ Million	2018 $ Million	2019 $ Million	2018 $ Million
Property sales	7,534	2,237	(4)	(3)	7,530	2,234
Property rental	3,501	3,512	66	72	3,567	3,584
Hotel and serviced suite operation	886	880	(10)	(10)	876	870
Property and project management	170	165	13	17	183	182
Aircraft leasing	487	446	230	150	717	596
Infrastructure and utility asset operation	370	–	2,172	2,205	2,542	2,205
	12,948	7,240	2,467	2,431	15,415	9,671
Interest and other finance costs	(580)	(601)	(624)	(638)	(1,204)	(1,239)
	12,368	6,639	1,843	1,793	14,211	8,432
Profit on disposal of a property development joint venture					–	6,989
Interests in real estate investment trusts					322	354
Gain (loss) on financial instruments					1,803	(47)
Change in fair value of investment properties						
Group					1,002	832
Joint ventures					–	9
Surplus on disposal of investment properties					–	11,781
Others					1,322	185
Taxation						
Group					(2,568)	(2,885)
Joint ventures					(368)	(341)
Profit attributable to non-controlling interests and perpetual capital securities					(596)	(556)
Profit attributable to shareholders					15,128	24,753

Information on profit contribution by principal activities is set out in management discussion and analysis on pages 7 to 17 of the interim report.

3. Profit before Taxation

	Six months ended 30 June 2019 $ Million	2018 $ Million
Profit before taxation is arrived at after charging:		
Interest and other finance costs		
Bank and other loans	**977**	1,029
Less: amount capitalised	**(397)**	(428)
	580	601
Costs of properties sold	**10,062**	5,631

4. Taxation

	Six months ended 30 June 2019 $ Million	2018 $ Million
Current tax		
Hong Kong	**1,464**	574
Outside Hong Kong	**1,148**	3,056
Deferred tax	**(44)**	(745)
	2,568	2,885

5. Interim Dividend

An interim dividend of $0.52 (2018 – $0.47) per share, amounting to $1,921 million (2018 – $1,738 million), was declared by the Directors on 1 August 2019.

6. Earnings Per Share

The calculation of earnings per share is based on profit attributable to shareholders and on 3,693,400,500 shares (2018 – 3,697,498,500 shares) in issue during the period.

7. Ageing Analysis

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

	30/6/2019 $ Million	31/12/2018 $ Million
Current to one month	**1,646**	458
Two to three months	**68**	76
Over three months	**84**	65
	1,798	599

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

	30/6/2019 $ Million	31/12/2018 $ Million
Current to one month	**4,890**	4,999
Two to three months	**19**	28
Over three months	**11**	22
	4,920	5,049

8. Fair Value of Financial Assets and Financial Liabilities

Investments and derivative financial instruments are measured at fair value using value inputs in the following categories:

Level 1: quoted prices in active markets
Level 2: inputs other than quoted prices that are observable either directly or indirectly
Level 3: inputs including discounted cash flow on projections and estimates based on assumptions which are not observable market data

8. Fair Value of Financial Assets and Financial Liabilities *(continued)*

The fair values of investments and derivative financial instruments are summarised by level as follows:

	Level 1		Level 2		Level 3	
	30/6/2019 $ Million	31/12/2018 $ Million	30/6/2019 $ Million	31/12/2018 $ Million	30/6/2019 $ Million	31/12/2018 $ Million
Investments						
Listed securities	6,936	5,593	–	–	–	–
Unlisted securities	–	–	937	–	1,065	1,065
Investments in infrastructure businesses	–	–	–	–	9,575	9,575
Investment in a hotel development project	–	–	–	–	574	563
Derivative financial instruments						
– assets	–	–	3,438	3,445	–	–
– liabilities	–	–	(352)	(167)	–	–

For fair value measurement of investments using level 3 value inputs, change of the value inputs reasonably to possible alternatives would not have material effect on the Group's results and financial position and their fair values had not changed significantly during the period.

The carrying amounts of other financial assets and financial liabilities approximated their fair values at the period end date.

9. Commitments

At the period end date, the Group had capital commitments for (i) development of investment properties amounting to $3,600 million; (ii) acquisition of aircraft amounting to $11,860 million; and (iii) addition of other fixed assets amounting to $747 million.

10. Comparative Information

Certain comparative information has been reclassified to conform to the current period's presentation.

11. Review of Interim Financial Statements

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