Strong Resilience in Challenging Times

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 2021

This interim report 2021 (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.

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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*
Stephen Edward BRADLEY *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
Stephen Edward BRADLEY

Remuneration Committee

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

Nomination Committee

Stephen Edward BRADLEY *(Chairman)*
LI Tzar Kuoi, Victor
Donald Jeffrey ROBERTS

Sustainability Committee

IP Tak Chuen, Edmond *(Chairman)*
CHEONG Ying Chew, Henry
Eirene YEUNG

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	5 August 2021
Record Date for Interim Dividend	7 September 2021
Payment of Interim Dividend	16 September 2021

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
MUFG Bank, Ltd.
Mizuho Bank, Ltd.
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
The Bank of Nova Scotia, Hong Kong Branch
Industrial and Commercial Bank of China Limited

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

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

Strong Resilience in Challenging Times

HIGHLIGHTS

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

PROFIT FOR THE FIRST HALF YEAR

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

INTERIM DIVIDEND

The Directors have declared an interim dividend for 2021 of HK$0.41 per share (2020 – HK$0.34 per share) to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 7 September 2021. The interim dividend will be paid on Thursday, 16 September 2021.

PROSPECTS

Business Review

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

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

Property Sales

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

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

Property Rental

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

Hotel and Serviced Suite Operation

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

Aircraft Leasing

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

Pub Operation

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

Infrastructure and Utility Asset Operation

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

Sustainability Initiatives and Response to COVID-19

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

Outlook

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

Prevention and control of COVID-19 on the Mainland has sustained stable economic recovery. The Mainland recorded a positive real GDP year-on-year growth of 12.7% in the first half of 2021. The reduction of the reserve requirement ratio for major commercial banks in mid-July and the release of RMB1 trillion into the system would lend extra support to small and medium enterprises and underpin economic recovery. It is expected that the Central Government will expend more efforts on consolidating the foundation of economic development to maintain steady recovery and growth momentum.

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

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

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

Acknowledgement

Intelligent, creative, dedicated, experienced and loyal employees are the Group's most valuable asset in this extremely competitive and challenging global environment. My colleagues on the Board join me in thanking our team of diligent employees for their hard work, adaptability, loyal service and contributions during the period.

Victor T K Li
Chairman

Hong Kong, 5 August 2021

Management Discussion and Analysis

BUSINESS REVIEW

Major Business Activities

1. Developments Completed and Scheduled for Completion in 2021:

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

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

(1) February 2021: A wholly owned subsidiary of the Group was awarded a Government tender for a site, New Kowloon Inland Lot No. 6604, Kai Tak Area 4E Site 2, Kai Tak, Kowloon. With an area of approximately 117,843 sq.ft. (approximately 10,948 sq.m.), the site is designated for a residential/retail development estimated to have a developable gross floor area of approximately 648,137 sq.ft. (approximately 60,214 sq.m.).

(2) March 2021: The Company announced on 18 March 2021 ("Announcement") the proposal ("Proposal") which comprised: (a) the proposed acquisition ("Proposed Acquisition") of minority shareholding interests in four infrastructure companies from Li Ka Shing Foundation Limited ("LKSF") for a total purchase price of HK$17 billion, which would be satisfied by the issue to LKSF (or its affiliate) of 333,333,333 shares of the Company (the "Shares") ("Consideration Shares"); (b) the Share buy-back proposal which comprised (i) a conditional cash offer to buy-back up to 380,000,000 Shares ("Maximum Number of Shares", which was revised from 333,333,333 Shares, as announced by the Company on 14 April 2021) for cancellation at an offer price of HK$51 per Share (the "Offer Price") from all qualifying shareholders of the Company ("Share Buy-back Offer"), and (ii) the possible on-market buy-backs of any shortfall at a price not exceeding the Offer Price following completion of the Share Buy-back Offer if valid acceptances received under the Share Buy-back Offer was less than the Maximum Number of Shares by utilising the proposed general mandate to buy-back Shares (if approved by the shareholders at the 2021 annual general meeting of the Company); and (c) the application for the Whitewash Waiver (as defined in the Announcement) to waive any obligation on the part of LKSF to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Controlling Shareholder Group (as defined in the Announcement) as a result of the allotment and issue of the Consideration Shares to LKSF (or its affiliate) and the Share Buy-back Offer. The Proposal was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 13 May 2021. The Proposed Acquisition was completed in May 2021 and the Share Buy-back Offer was completed in June 2021.

(3) May 2021: A wholly owned subsidiary of the Group reached a land exchange agreement with the Government in respect of a site at Kam Tai Road, Kam Tin, Yuen Long, New Territories (Lot No. 2206 in D.D. 109) for an area of approximately 171,986 sq.ft. (approximately 15,978 sq.m.). The site is designated for residential development and estimated to have a gross floor area of approximately 137,584 sq.ft. (approximately 12,782 sq.m.).

(4) June 2021: The Company bought back a total of 3,150,000 Shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") with the aggregate consideration paid (before expenses) amounting to HK$163,423,500. All the Shares bought back were cancelled on 2 July 2021.

(5) June 2021: A wholly owned subsidiary of the Group issued notes in aggregate nominal amounts of (i) US$250 million at a fixed interest rate of 0.75% per annum with 3-year term; and (ii) US$350 million at a fixed interest rate of 1.375% per annum with 5-year term under the US$5,000,000,000 Euro Medium Term Note Programme, which is guaranteed by the Company ("Notes"). The Notes were sold to professional investors only and were listed on the Stock Exchange on 2 July 2021.

Property Sales

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

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

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

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

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

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

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

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

At the interim period end date, the Group had a development land bank (including developers' interests in joint development projects but excluding agricultural land and completed properties) of approximately 80 million sq.ft., of which 6 million sq.ft., 70 million sq.ft. and 4 million sq.ft. were located in Hong Kong, on the Mainland and overseas respectively.

Property Rental

Revenue of property rental (including share of joint ventures) for the period was HK$3,353 million (2020 – HK$3,453 million) and comprised rental income derived from leasing of retail, office, industrial and other properties as follows:

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

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

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

Location	**2021 HK$ Million**	2020 HK$ Million
Hong Kong	**2,241**	2,634
The Mainland	**295**	281
Overseas	**358**	254
	2,894	3,169

At the interim period end date, the Group had an investment property portfolio of approximately 17.4 million sq.ft. (including share of joint ventures but excluding car parking spaces) as follows:

Location	Retail Million sq.ft.	Office Million sq.ft.	Industrial Million sq.ft.	Others Million sq.ft.	Total Million sq.ft.
Hong Kong	3.2	3.9	5.9	–	13.0
The Mainland	1.5	0.4	–	–	1.9
Overseas	0.1	1.4	–	1.0	2.5
	4.8	5.7	5.9	1.0	17.4

An increase of HK$121 million (2020 – decrease of HK$809 million) in fair value of investment properties was recorded at 30 June 2021 based on a professional valuation using capitalisation rates ranging from approximately 4% to 8%.

Hotel and Serviced Suite Operation

Revenue of hotel and serviced suite operation (including share of joint ventures) for the period was HK$1,190 million (2020 – HK$992 million), and below pre-COVID-19 level when hotel operation continued to be adversely impacted by the pandemic.

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

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

Location	**2021 HK$ Million**	2020 HK$ Million
Hong Kong	**162**	90
The Mainland	**(38)**	(57)
	124	33

The Group's hotel and serviced suite properties are mostly located in Hong Kong and provide approximately 15,000 rooms for guest accommodation.

Property and Project Management

Revenue of property and project management (including share of joint ventures) for the period was HK$432 million (2020 – HK$403 million) and mainly comprised management fees received for provision of property management and related services to properties developed by the Group.

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

Location	**2021 HK$ Million**	2020 HK$ Million
Hong Kong	**137**	138
The Mainland	**36**	23
Overseas	**13**	12
	186	173

At the interim period end date, approximately 274 million sq.ft. of completed properties were managed by the Group and this is expected to grow steadily following gradual completion of property development projects in the years ahead. The Group is committed to providing high quality services to the properties under its management.

Aircraft Leasing

Revenue of aircraft leasing (including share of joint ventures) for the period was HK$1,256 million (2020 – HK$1,520 million), a decrease of HK$264 million when compared with the same period last year, and comprised income derived from leasing of narrow body aircraft and wide body aircraft to airlines. During the period, the Group strived to restructure lease terms with airline lessees to maintain aircraft on lease when airlines operated under difficult conditions.

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

Location	**2021 HK$ Million**	2020 HK$ Million
Asia	**99**	256
Europe	**87**	164
North America	**227**	256
Latin America	**27**	57
	440	733

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

Pub Operation

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

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

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

Infrastructure and Utility Asset Operation

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

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

	Principal Activity	Interest in Joint Venture
CK William JV	An owner and operator of energy utility assets in Australia, the United States, Canada and the United Kingdom	40%
CKP (Canada) JV	A building equipment and service provider under the consumer brand identity of "Reliance Home Comfort" in Canada	75%
Sarvana JV	A fully integrated energy management service provider operated by ista Group in Europe	65%
UK Power Networks JV	A power distributor that serves London, the South East and East of England	20%
Northumbrian Water JV	A regulated water and sewerage company in England and Wales	36%
Dutch Enviro Energy JV	An energy-from-waste company in the Netherlands	24%
Wales & West Utilities JV	A gas distributor that serves Wales and the South West of England	22%

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

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

Management Discussion and Analysis *(continued)*

Furthermore, the Group has interests in the economic benefits of the following infrastructure and utility asset businesses:

	Principal Activity	Interest in Economic Benefit
Park'N Fly	An off-airport car park provider in Canada	20%
UK Rails	A rolling stock operating company in the United Kingdom	20%
Australian Gas Networks	A distributor of natural gas in Australia	11%

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

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

Interests in Real Estate Investment Trusts

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

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

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

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

FINANCIAL REVIEW

Liquidity and Financing

The Group monitors its liquidity requirements on a short to medium term basis and arranges bank and other borrowings accordingly. During the period, the Group issued HK$3,790 million floating rate notes for a 3-year term at HIBOR+0.47% per annum and two tranches of US dollar fixed rate notes, US$250 million for a 3-year term at 0.75% per annum and US$350 million for a 5-year term at 1.375% per annum, under the Euro Medium Term Note Programme.

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

The Group's net debt to net total capital ratio at 30 June 2021 was approximately 11.8%. Net debt is arrived at by deducting bank balances and deposits of HK$43.9 billion from bank and other loans, and net total capital is the aggregate of total equity and net debt.

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

Treasury Policies

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

At the interim period end date, the Group's borrowings were 65% in HK$ and US$ and 35% in other currencies, including AUD, GBP and RMB, which had been arranged for investments and operations in Australia, the United Kingdom and on the Mainland. The Group derives its revenue from property businesses mainly in HK$ and RMB and maintains bank balances and deposits substantially in HK$ and RMB. Income in foreign currencies is generated by overseas investments and operations, and cash in local currencies is maintained for operational requirements.

Charges on Assets

At the interim period end date, properties amounting to HK$8,493 million (31 December 2020 – HK$15,924 million) were charged to secure bank loans arranged for property projects on the Mainland and in the United Kingdom, and properties amounting to HK$33,316 million (31 December 2020 – HK$33,078 million) were charged to secure other loans arranged for pub operation in the United Kingdom.

Contingent Liabilities

At the interim period end date, the Group provided guarantees for (i) revenue shared by land owner of a hotel project amounting to HK$490 million (31 December 2020 – HK$505 million); (ii) mortgage loans provided by banks to purchasers of properties developed by the Group on the Mainland amounting to HK$2,473 million (31 December 2020 – HK$4,662 million); and (iii) loans provided by banks to a joint venture amounting to HK$3,781 million (31 December 2020 – HK$3,781 million).

Employees

At the interim period end date, the Group employed approximately 55,000 employees. The related employees' costs for the period (excluding directors' emoluments), before employment support subsidies from governments and other reimbursements, amounted to approximately HK$5,576 million. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group does not have any share option scheme for employees.

Directors' Biographical Information

LI Tzar Kuoi, Victor, aged 57, joined the CK Group in 1985, and has been the Chairman since May 2018, the Managing Director since February 2015, and the Chairman of the Executive Committee of the Company since June 2015. He has been a member of the Remuneration Committee of the Company since May 2018. He has also been a member of the Nomination Committee of the Company since January 2019, and acted as the Chairman of the Nomination Committee of the Company from January 2019 to November 2020. 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 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, and a Non-executive Director and the Deputy Chairman of HK Electric Investments Limited. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong. Mr. Li is also the Deputy Chairman of Li Ka Shing Foundation Limited and Li Ka Shing (Global) Foundation, the Member Deputy Chairman of 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 a degree of 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 74, joined the CK Group in 1993, and has been an Executive Director and Deputy Managing Director of the Company since February 2015, and an Executive Committee Member of the Company since June 2015. He was a member of the Nomination Committee of the Company from January 2019 to November 2020. He is Deputy Managing Director of CK Hutchison Holdings Limited, the Group Managing Director of CK Infrastructure Holdings Limited, and the President of CK Life Sciences Int'l., (Holdings) Inc. He was the Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc. from June 2002 to August 2020. 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 69, 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 the Chairman of the Sustainability Committee of the Company since December 2020. He was a member of the Nomination Committee of the Company from January 2019 to November 2020. 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 70, joined the CK Group in 1978, and has been an Executive Director of the Company since February 2015, and an Executive Committee Member of the Company since June 2015. He was a member of the Nomination Committee of the Company from January 2019 to November 2020. 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. Mr. Chung 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.

CHIU Kwok Hung, Justin, aged 71, joined the CK Group in 1997, and has been an Executive Director of the Company since February 2015, and an Executive Committee Member of the Company since June 2015. He was a member of the Nomination Committee of the Company from January 2019 to November 2020. 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). 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 40 years of international experience in real estate in Hong Kong and overseas. 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, an Honorary Professor of School of Pharmaceutical Sciences of Sun Yat-sen University, an Adjunct Professor in the School of Business of Hong Kong Baptist University and a Senior Departmental Fellow of the Department of Land Economy at University of Cambridge. 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 a 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 certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

CHOW Wai Kam, Raymond, JP, aged 73, has been an Executive Director of the Company since February 2015, and an Executive Committee Member of the Company since June 2015. He was a member of the Nomination Committee of the Company from January 2019 to November 2020. 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 Continental Aerospace Technologies Holding Limited (formerly known as 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.

Directors' Biographical Information *(continued)*

PAU Yee Wan, Ezra, aged 65, joined the CK Group in 1982, and has been an Executive Director of the Company since February 2015, and an Executive Committee Member of the Company since June 2015. She was a member of the Nomination Committee of the Company from January 2019 to November 2020. 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 64, joined the CK Group in 1987, and has been an Executive Director of the Company since February 2015, and an Executive Committee Member of the Company since June 2015. She was a member of the Nomination Committee of the Company from January 2019 to November 2020. 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 certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

CHEONG Ying Chew, Henry, aged 73, 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 Sustainability Committee of the Company since December 2020. He was a member of the Nomination Committee of the Company from January 2019 to November 2020. Mr. Cheong is also an Independent Non-executive Director of CK Infrastructure Holdings Limited, New World Department Store China Limited and Skyworth Group Limited, and an Independent Director of BTS Group Holdings Public Company Limited. 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 72, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since February 2015. He was a member of the Nomination Committee of the Company from January 2019 to November 2020. Mr. Chow is the Chairman and Managing Director of Wah Yip (Holdings) Limited.

HUNG Siu-lin, Katherine, aged 73, joined the CK Group in March 1972, and has been an Independent Non-executive Director, the Chairperson of the Remuneration Committee and a member of the Audit Committee of the Company since February 2015. She was a member of the Nomination Committee of the Company from January 2019 to November 2020. Ms. Hung is 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 (Hong Kong) Industrial and Commercial Professionals Alumni Association Ltd. 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 from 2011 to May 2016, an Executive Committee Member of Hong Kong Housing Society from September 2008 to August 2014 and a member of the Supervisory Board of Hong Kong Housing Society from September 2014 to August 2020, a Member of Estate Agents Authority 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 80, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since March 2017. He was a member of the Nomination Committee of the Company from January 2019 to November 2020. He is also an Independent Non-executive Director of CK Infrastructure Holdings Limited and CK Life Sciences Int'l., (Holdings) 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 70, 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 Life Sciences Int'l., (Holdings) Inc. (listed in Hong Kong); 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; an Independent Non-executive Director of Queen's Road Capital Investment Ltd. (listed in Canada); and an Independent Non-executive Director of NexGen Energy Ltd. (listed in both the U.S.A. and Canada). He is also a Director of The Hongkong Electric Company, Limited, and an Independent Non-executive Director of Welab Bank Limited and Welab Capital 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 was a Member of the Listing Committee of the Main Board and GEM of The Stock Exchange of Hong Kong Limited from July 2015 to July 2020. 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 previously served as a Governor of the Canadian International School of Hong Kong for the periods between 1998 to 2004, and between 2006 to 2012 and also a member on its Finance & Administration 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.

Stephen Edward BRADLEY, aged 63, has been an Independent Non-executive Director, a member of the Audit Committee and a member of the Nomination Committee of the Company since November 2020, and the Chairman of the Nomination Committee of the Company since December 2020. He is also a Director of CNEX (Shanghai CFETS-NEX International Money Broking Co., Ltd.) and Broad Lea Group Ltd; and Senior Consultant of NEX Group Limited (which was acquired by CME Group in 2018). Mr. Bradley entered the British Diplomatic Service in 1981 and retired from the British Diplomatic Service in 2009. He served in various capacities including: Director of Trade & Investment Promotion (Paris) from 1999 to 2002; Minister, Deputy Head of Mission & Consul-General (Beijing) from 2002 to 2003; and HM Consul-General (Hong Kong) from 2003 to 2008. Mr. Bradley also worked in the private sector as Marketing Director, Guinness Peat Aviation (Asia) and Associate Director, Lloyd George Management (now a part of BMO Global Asset Management). Mr. Bradley holds a Bachelor of Arts degree from Balliol College, University of Oxford, England and a post-graduate diploma from Fudan University, Shanghai.

Disclosure of Interests

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

As at 30 June 2021, 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	505,224,683 (Note 1)	1,160,195,710 (Note 2)	1,666,045,593	45.68%
Kam Hing Lam	Beneficial owner & interest of child or spouse	51,040	57,360	–	–	108,400	0.00297%
Ip Tak Chuen, Edmond	Beneficial owner	300,000	–	–	–	300,000	0.0082%
Chow Nin Mow, Albert	Beneficial owner	66	–	–	–	66	≃0%
Hung Siu-lin, Katherine	Beneficial owner	43,256	–	–	–	43,256	0.0012%
Donald Jeffrey Roberts	Interests held jointly	–	–	–	167,396 (Note 3)	167,396	0.00459%

Long Positions in Shares *(continued)*

(b) Associated Corporations

			Number of Ordinary Shares					
Name of Company	Name of Director	Capacity	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total	Approximate % of Shareholding
Precise Result Global Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	15 (Note 4)	15	15%
Jabrin Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	2,000 (Note 4)	2,000	20%
Mightycity Company Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	168,375 (Note 4)	168,375	1.53%

Notes:

(1) The 505,224,683 shares of the Company comprise:

(a) 56,177,350 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) 84,464,971 shares held by Li Ka Shing Foundation Limited ("LKSF") and 314,156,862 shares held by certain subsidiaries of 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.

(c) 50,425,500 shares held by a wholly-owned subsidiary of Li Ka Shing (Global) Foundation ("LKSGF"). By virtue of the terms of the constituent documents of LKSGF, 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 LKSGF.

(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.

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) Such 167,396 shares are jointly held by Mr. Donald Jeffrey Roberts and his wife.

(4) 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 2021, 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 2021, 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:

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)	27.51% (Note 4)
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)	27.51% (Note 4)
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)	27.51% (Note 4)
Li Ka-shing	(i) Interest of controlled corporations (ii) Founder of discretionary trusts	503,360,133 1,160,195,710	1,663,555,843 (Note 2)	45.61% (Note 4)
Li Ka Shing Foundation Limited	(i) Beneficial owner (ii) Interest of controlled corporations	84,464,971 314,156,862	398,621,833 (Note 3)	10.93% (Note 4)

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 1,663,555,843 shares of the Company comprise:

(a) 503,360,133 shares of the Company of which:

(i) 54,312,800 shares held by certain companies of which Mr. Li Ka-shing is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings.

(ii) 84,464,971 shares held by LKSF and 314,156,862 shares held by certain subsidiaries 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.

(iii) 50,425,500 shares held by a wholly-owned subsidiary of LKSGF. By virtue of the terms of the constituent documents of LKSGF, 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 LKSGF.

(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) The 398,621,833 shares of the Company comprise:

(a) 84,464,971 shares held by LKSF.

(b) 314,156,862 shares held by certain subsidiaries of LKSF.

(4) The approximate percentages of shareholding were based on the issued share capital of the Company as at 30 June 2021 (i.e. 3,646,733,833 shares).

Save as disclosed above, as at 30 June 2021, 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 2021. In respect of code provision A.2.1 of the CG Code, the positions of the Chairman of the Board and the Managing Director are held by the same individual, namely, Mr. Victor T K Li. Although the positions of the Chairman and the Managing Director are not separately held, the Board is of the view that this is the most appropriate arrangement in the interest of the shareholders as a whole at present. All major decisions will, in accordance with current practice, be continued to be made in consultation with members of the Board and relevant board committees and key personnel of the Group after thorough discussions. The Board comprises six Independent Non-executive Directors who will continue to provide their views and comments to Mr. Victor T K Li as Chairman and Managing Director as they have done so previously. Furthermore, Mr. Li Ka-shing has been the Senior Advisor of the Company following his retirement as Chairman, and has in that capacity continued to contribute to the Group on significant matters.

The Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the CG Code, the Company has established the Whistleblowing Policy – Procedures for Reporting Possible Improprieties, which has been revised from time to time. In addition, the Company has also established the Policy on Handling of Confidential Information, Information Disclosure, and Securities Dealing for compliance by the Company's employees.

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 fourteen Directors, comprising eight Executive Directors and six 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 meets with the Independent Non-executive Directors without the presence of other 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 has been 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 2021.

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 2021.

AUDIT COMMITTEE

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

The Group's interim report for the six months ended 30 June 2021 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 an Independent Non-executive Director, Ms. Hung Siu-lin, Katherine (Chairperson of the Remuneration Committee), the Chairman and Managing Director, Mr. Victor T K Li and an Independent Non-executive Director, Mr. Cheong Ying Chew, Henry.

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

The principal responsibilities of the Nomination Committee include reviewing the structure, size, diversity profile and skills matrix of the Board and independence of the Independent Non-executive Directors and making recommendation on the re-election of Directors for the Board's consideration.

SUSTAINABILITY COMMITTEE

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

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, where applicable, 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

On 4 June 2021, a total of 380,000,000 Shares were bought back at the Offer Price for an aggregate consideration of HK$19,380,000,000 (before expenses) pursuant to the Share Buy-back Offer and cancelled (details of which were disclosed in the Company's announcement dated 4 June 2021).

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

Particulars of the share buy-backs are as follows:

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

Save as disclosed above, during the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 2021, 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 2021 is set out below:

HK$ million	
Non-current assets	391,065
Current assets	25,317
Current liabilities	(35,206)
Non-current liabilities	(298,037)
Net assets	83,139
Share capital	29,456
Reserves	53,998
Non-controlling interests	(315)
Total equity	83,139

As at 30 June 2021, the consolidated attributable interest of the Group in these affiliated companies amounted to HK$28,627 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.

Global Economy

The ongoing COVID-19 pandemic and associated community shutdowns have a widespread and severe impact on worldwide economic activity. Despite gradual relaxation or lifting of most lockdown measures in certain nations, the pace of recovery is constrained by the spread of new coronavirus variants and uneven vaccination across countries. The global economic outlook still depends on the development of the health crisis, including the duration, spread, severity and any recurrence of the pandemic, the efficacy and availability of vaccines, and the nature and severity of measures adopted by governments. International trade relations, uncertainties following Brexit, the fluctuation of major currencies, the increasing geopolitical tensions, as well as the development of global inflation, interest rate and oil prices, all have created uncertainties in the world economy and global financial market. A severe 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, the United States and the Republic of Ireland. 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.

Outbreak of Highly Contagious Disease

The continuing COVID-19 pandemic in different parts of the world, including the places of businesses at which the Group operates, has a significant adverse impact on most economies due to the community standstill, disruption of business activities, behavioral change, weakened sentiment in consumption and tourism related sectors, restricted labour supply and production, and confidence effects. The situation of COVID-19 outbreak has stabilised following the rollout of vaccines, but the development of the pandemic remains highly volatile and unpredictable. The rapid spread of new COVID-19 variants and any resurgence of the pandemic may cause disruption of operational activities and loss of life, and may pose a negative impact on the Group's businesses, financial conditions, results of operations or growth prospects. There can be no assurance that there will not be another significant global outbreak of a severe communicable disease, and if such an outbreak were to occur, it may have an adverse impact on the operations of the Group and its results of operations may suffer.

Potential Risks in relation to Brexit

The UK voted in 2016 to leave the European Union ("EU"), resulting in financial market volatility and a fall in the value of the British pound. The UK ceased to be a member state of the EU on 31 January 2020 and the transition period ended on 31 December 2020, symbolising that the UK has completely separated from the EU and opened a new page in the relationship with the EU. Although the Trade and Cooperation Agreement made between the UK and the EU in December 2020 sets out preferential arrangements in various areas, further negotiations are expected to continue to fill the gaps and the arrangements remain uncertain. In any event, Brexit has created significant uncertainty about the future relationship between the UK and the EU.

The Group has expanded its presence in the UK through investments in the property, infrastructure and pub businesses, and is, and may increasingly become, exposed to changes in the local political, economic, and regulatory conditions. While the long term implication of Brexit remains to be seen, the continuing uncertainties following Brexit could adversely affect the UK economy and the strength of the British pound, which may in turn potentially impact on the Group's businesses, asset values and reported profits derived from its operations in the UK.

Industry Trends and Interest Rates

The trends in the industries in which the Group operates, including the market sentiment and conditions, asset 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.

Currency Fluctuations

The Group is a leading multinational corporation with businesses in Hong Kong, the Mainland, Singapore, the UK, Continental Europe, Australia, Canada, the United States and the Republic of Ireland, 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.

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.

Compliance with Personal Data Protection Legislation

In the ordinary course of its operations, various businesses of the Group collect, store and use data that is protected by personal data protection laws in the different countries in which they operate. As regulatory focus on privacy issue continues to increase and worldwide laws and regulations concerning the handling of personal information expand and become more complex, potential risks related to personal data collection and use within the Group's businesses are expected to intensify.

In the event that any relevant business of the Group is unable to meet its obligations under applicable data protection laws, it may be subject to regulatory action or civil claims. The cost of regulatory or legal action, and any monetary and/or reputational damage suffered as a result of such action, could have a material adverse effect on the Group's financial conditions and results of operations.

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.

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.

Social Incidents and Terrorist Threat

The Group is a leading multinational corporation with businesses in Hong Kong, the Mainland, Singapore, the UK, Continental Europe, Australia, Canada, the United States and the Republic of Ireland. In recent years, a series of social incidents and terrorist activities occurred across the globe that resulted in economic losses, multiple deaths and casualties. There can be no assurance that countries in which the Group operates will not have any social incidents 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.

Climate Change

Some of the Group's assets and businesses, and many of the Group's customers and suppliers are located in areas that would be affected in the medium to long term by climate change. Climate change may increase the frequency and intensity of extreme weather events, and some of which can result in natural disasters. It could disrupt supply chains, interrupt business operations and cause financial and physical damages. Alternation in weather patterns, such as typhoons, droughts, or rain amount may cause shortage of crops for food and other natural resources. The harsher temperatures in some locations may also pose increased risk for colleagues working in those locations. Changes in microclimates for certain locations may render certain businesses obsolete. Some governments are also beginning to introduce legislations or requirements to restrict emissions and other environmental protective measures. Regulations, disruption and damage arising from climate change could have a material impact on the Group's businesses and adversely affect the Group's financial conditions and results of operations.

Although the Group has not experienced any significant disruption or damage from climate change thus far, there can be no assurance that climate change and its impact including rising sea levels, prolonged droughts or heat waves and other extreme weather patterns will not occur and result in major disruption or damage to the Group's assets and businesses, which could materially and adversely affect the Group's financial condition and results of operations.

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, fire, frost and similar disasters and the occurrence of any of these disasters 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, infrastructure and utility assets, 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.

Property Developments

There exist general risks inherent in property developments and in the ownership of properties, including, among other things, (a) rising construction costs; (b) financing for developments may not be available on favourable terms; (c) 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; (d) long-term financing may not be available on completion of construction; (e) developed properties may not be sold or leased on profitable terms; (f) intense competition from other developers or property owners may lead to vacant properties or an inability to sell or rent properties on favourable terms; (g) purchasers or tenants may default; (h) product may face recall or loss in customer confidence due to contractor's failure in meeting product quality requirement; (i) properties held for rental purpose will need to be renovated, repaired and re-let on a periodic basis; (j) it may not be possible to renew leases or re-let spaces when existing leases expire; and (k) 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.

Other Information *(continued)*

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.

The Aviation Industry

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 infectious, 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.

Any such factors may produce sharp decreases or increases in aircraft values and lease rates, which may adversely affect on the Group's businesses, financial conditions, results of operations or growth prospects.

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. Business and leisure travelling has been reduced sharply given the contingent measures including travel restrictions and new border control measures implemented in many countries or places to prevent the spread of COVID-19. Severe fallout has been witnessed in the aviation industry as a large number of airlines have significantly cut flights and grounded planes. If the situation continues, the Group may experience (a) 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; (b) an inability to lease aircraft on commercially acceptable terms, or at all, upon repossession, resulting in lower lease margins due to aircraft not earning revenue and resulting in maintenance, insurance and storage costs; and (c) 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. 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.

Increased lessee defaults as a result of the effects of the COVID-19 pandemic may require the lessor to exercise its remedies earlier than anticipated. In the current environment, it is more difficult, expensive and time-consuming for the lessor to repossess aircraft and procure its de-registration, exportation and physical transfer. This could result in increased risk to the aircraft's value where its maintenance condition deteriorates while repossession, de-registration and exportation of the aircraft are being pursued, and increased costs and expenses due to unexpected maintenance, insurance, storage and legal costs, as well as lost revenue for the time the aircraft are off lease. Additionally, the return condition of repossessed aircraft may not be as expected and maintenance costs associated with bringing the aircraft to airworthiness may be incurred. Any of the foregoing may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Furthermore, the COVID-19 pandemic and current market conditions have increased the likelihood that lessees encountering financial difficulties may initiate or enter into a bankruptcy, insolvency or similar proceeding. Any such proceeding may result in the aircraft being grounded or the lease being restructured or rejected, which could result in lower effective margins and/or higher maintenance, insurance, storage and legal costs, as well as lost revenue for the time the aircraft are off lease, all of which may depress the aircraft's market value and adversely affect the ability to re-lease the aircraft on commercially acceptable terms, and adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Where 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 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. Moreover, the recent introduction of insolvency and restructuring reforms in a number of jurisdictions has increased the likelihood of a lessee seeking to implement a balance-sheet restructuring enforceable against its creditors under the insolvency laws of a jurisdiction other than its own.

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.

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 fulfil 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 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, outbreaks and spreads of epidemics, as well as 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.

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.

The UK Pub Industry

Deterioration in Market Conditions and Change of Consumer Demand

Various control measures have been implemented by the UK government to contain the spread of COVID-19 and its new variants, including but not limited to the statutory business closure of all pubs and restaurants temporarily and social distancing which, to a great extent, restricts dine-in patronage and social gatherings. This has resulted in a sudden tremendous plunge in consumption of products and services provided by the pubs and restaurants in the UK. In view of the uncertainty over the duration of such control measures, the resulting effect on the industry is unpredictable and may pose significant adverse impact on the Group's business, financial conditions, results of operations or growth prospects. The pace of recovery depends on the development of COVID-19 situation and mass vaccination programmes. In relation to non-recourse debt financing, the Group has obtained waivers from the relevant creditors (except for one debenture) in respect of covenant breaches as a result of COVID-19. There is no assurance that such waivers could always be obtained in future.

Brexit and the knock-on effects cast another layer of uncertainty and it remains unclear how consumer confidence will be impacted upon as Brexit unfolds. The Group's business operates in a market where consumer behavior may change from time to time. The use of digital media, including the expanding food delivery market, also adds to the competition. Failure to respond to increased competition, to refine segmentation and adopt branding effectively, to price products appropriately and to align the portfolio of product offerings to meet the demand of consumers could all lead to reduced revenue, profitability and lower than anticipated market share and growth rates.

Supply Chain and Distribution

The footprint of the Group's pub operations cover most parts of England, Wales and Scotland. The Group manages the supply chain by a combination of internal logistic resources and also by relying on a number of key suppliers and third party distributors to supply and deliver goods, including in particular food and drinks. These suppliers also provide raw materials to the breweries operated by the Group to produce and package beers under the brands owned by the Group. Short term or prolonged disruption of such suppliers and distributors caused by events such as outbreaks of epidemic could lead to interruption of delivery of products or services to customers, resulting in a loss of revenue. Long term failure or withdrawal of key suppliers or distributors could, in addition, lead to significantly increased costs in procuring alternatives. Moreover, failure to brew, package and distribute beers for extended periods could also have long term adverse effects on revenue and profitability.

Mounting Cost Pressures

The Group continues to face cost headwinds amongst some significant areas of expenditure for pubs managed by the Group, including pressure from increasing food prices, the National Living Wage/National Minimum Wage, the Apprenticeship Levy, business rates, utilities taxes as well as costs of additional safety and hygiene measures in response to COVID-19. A lot of these cost factors are beyond the control of the Group. Failure to mitigate effectively against them could lead to reduced revenue, profitability and lower growth rates. Apart from pubs managed by the Group, any difficulties the licensees in tenanted pubs face may also impact on their ability to keep up with their rental payments and to pay for their purchases from the Group.

Whilst the long term impact of Brexit is yet to be fully understood, there has been reduced migration of working population from the EU to the UK. This could add to the cost and challenges in recruiting and retaining enough talented people. Similar issues are faced by the licensees in tenanted pubs.

Health, Safety, Employment and Data Protection Regulations

Failure to comply with major health and safety legislation and the causing of serious injury or loss of life to any customers, employees or tenants in the pubs managed by the Group or pubs tenanted by licensees, offices or breweries could have a significant impact on the reputation of the Group. It could further lead to investigations by relevant authorities and potentially significant financial loss. If there is an issue in the food supply chain, including the provision of incorrect allergen information, that leads to serious illness or loss of life to any customer, it could also lead to a significant impact on the reputation of the Group, restrictions in supply, potential increases in the cost of goods, reduced sales revenue and profitability.

Failure to comply with employment-related legislation such as those relating to the National Living Wage/National Minimum Wage and right to work could lead to HM Revenue and Customs fines, additional expense and reduced profitability and an adverse impact on the Group's reputation and ability to recruit and retain talented people.

A significant personal data breach through failure to comply with the UK Data Protection Act 2018 and UK version of the General Data Protection Regulation could impact the Group's ability to do business and reputation, leading to loss of revenue and potentially significant risk of financial damage from fines or compensation.

Infrastructure Market

Some of the investments owned by the Group (for example, water, 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. Many of these regulated businesses have recently been or will soon be undergoing challenging regulatory resets. Against an environment of ultra-low interest and inflation rates as well as tougher stances adopted by regulators, the outcome is expected to be lower revenues arising from lower allowed returns. Any operational practices that are significantly out of step with community expectations can lead to brinkmanship, concerns being raised with regulators or even the local Government directly, and may ultimately lead to more stringent regulatory resets as well as bad publicity that could also have a reputational impact. 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, outbreaks of epidemics 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.

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 competitors 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 global quality investments to enhance its recurrent income base and quality of earnings. The Group has taken steps to create and will continue to explore ways to create new sources of recurring 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 business expansion strategies successfully or that its strategies will be able to deliver the results as anticipated. In pursuit of new business opportunities, the Group is experiencing more intense competition where competing bidders are more aggressive in the valuation of the assets on the back of abundant market liquidity and lower return requirements. 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.

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 acquisition 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. COVID-19 has introduced more market uncertainty and has also imposed logistical restrictions on the ability to conduct due diligence according to the Group's usual procedures.

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.

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.

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.

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 2021

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

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

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

Interim Financial Statements *(continued)*

Consolidated Statement of Financial Position

As at 30 June 2021

	Note	(Unaudited) **30/6/2021** **$ Million**	(Audited) 31/12/2020 $ Million
Non-current assets			
Fixed assets		**94,536**	95,101
Investment properties		**130,037**	128,683
Joint ventures		**85,434**	62,467
Associates		**7,118**	7,077
Investments		**11,192**	16,787
Goodwill		**6,743**	6,655
Deferred tax assets		**3,563**	3,102
Other non-current assets		**7,457**	8,096
		346,080	327,968
Current assets			
Properties for sale		**133,992**	121,737
Debtors, prepayments and others		**10,578**	10,414
Loan receivables		**837**	1,065
Bank balances and deposits		**43,945**	59,519
		189,352	192,735
Current liabilities			
Creditors, accruals and others		**21,945**	21,336
Bank and other loans		**23,665**	22,887
Customers' deposits received		**19,942**	22,303
Provision for taxation		**3,972**	4,297
		69,524	70,823
Net current assets		**119,828**	121,912
Non-current liabilities			
Bank and other loans		**69,506**	55,006
Deferred tax liabilities		**16,993**	14,938
Lease liabilities		**5,917**	6,980
Derivative financial instruments		**3,990**	5,568
Pension liabilities		**175**	170
		96,581	82,662
Net assets		**369,327**	367,218
Representing:			
Share capital and share premium	(9)	**242,622**	245,639
Reserves		**113,636**	109,000
Shareholders' funds		**356,258**	354,639
Perpetual capital securities		**6,200**	6,200
Non-controlling interests		**6,869**	6,379
Total equity		**369,327**	367,218

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Shareholders' funds						(Unaudited)
	Share capital $ Million	Share premium $ Million	Reserves(Note) $ Million	Total $ Million	Perpetual capital securities $ Million	Non-controlling interests $ Million	Total equity $ Million
Balance at 1 January 2020	3,694	241,945	98,614	344,253	11,670	5,309	361,232
Total comprehensive income	–	–	4,047	4,047	266	746	5,059
Change in non-controlling interests	–	–	–	–	–	(8)	(8)
Distribution of perpetual capital securities	–	–	–	–	(266)	–	(266)
Dividend paid to non-controlling interests	–	–	–	–	–	(48)	(48)
Dividend paid to shareholders							
2019 final dividend $1.58 per share	–	–	(5,835)	(5,835)	–	–	(5,835)
Balance at 30 June 2020	3,694	241,945	96,826	342,465	11,670	5,999	360,134
Balance at 1 January 2021	**3,694**	**241,945**	**109,000**	**354,639**	**6,200**	**6,379**	**367,218**
Total comprehensive income	–	–	9,648	9,648	112	465	10,225
Change in non-controlling interests	–	–	–	–	–	34	34
Issue of shares	333	16,667	–	17,000	–	–	17,000
Buy-back and cancellation of issued shares	(380)	(19,543)	380	(19,543)	–	–	(19,543)
Costs for share issue and buy-back	–	(94)	–	(94)	–	–	(94)
Distribution of perpetual capital securities	–	–	–	–	(112)	–	(112)
Dividend paid to non-controlling interests	–	–	–	–	–	(9)	(9)
Dividend paid to shareholders							
2020 final dividend $1.46 per share	–	–	(5,392)	(5,392)	–	–	(5,392)
Balance at 30 June 2021	**3,647**	**238,975**	**113,636**	**356,258**	**6,200**	**6,869**	**369,327**

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 2020	(69,014)	166	(3,511)	70	(7)	170,910	98,614
Total comprehensive income	–	–	(2,440)	225	–	6,262	4,047
Dividend paid to shareholders							
2019 final dividend $1.58 per share	–	–	–	–	–	(5,835)	(5,835)
Balance at 30 June 2020	(69,014)	166	(5,951)	295	(7)	171,337	96,826
Balance at 1 January 2021	**(69,014)**	**166**	**(1,616)**	**(476)**	**–**	**179,940**	**109,000**
Total comprehensive income	–	–	672	539	–	8,437	9,648
Buy-back and cancellation of issued shares	–	380	–	–	–	–	380
Dividend paid to shareholders							
2020 final dividend $1.46 per share	–	–	–	–	–	(5,392)	(5,392)
Balance at 30 June 2021	**(69,014)**	**546**	**(944)**	**63**	**–**	**182,985**	**113,636**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	(Unaudited) 2021 $ Million	2020 $ Million
Net cash from (used in) operating activities	**(2,758)**	11,344
Net cash used in investing activities		
Acquisition of investment properties	**(1,070)**	(5,068)
Disposal of aircraft	**–**	758
Other investing activities	**(911)**	921
	(1,981)	(3,389)
Net cash used in financing activities		
Net borrowing (repayment) of bank and other loans	**15,247**	(1,425)
Dividend paid to shareholders	**(5,392)**	(5,835)
Buy-back of issued shares	**(19,543)**	–
Other financing activities	**(1,233)**	(1,733)
	(10,921)	(8,993)
Net decrease in cash and cash equivalents	**(15,660)**	(1,038)
Translation differences	**311**	(523)
Cash and cash equivalents at 1 January	**58,214**	59,441
Cash and cash equivalents at 30 June	**42,865**	57,880

Note: Cash and cash equivalents

	30/6/2021 $ Million	30/6/2020 $ Million
Bank balances and deposits	**43,945**	58,857
Less: restricted bank balances	**(1,080)**	(977)
	42,865	57,880

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 2020.

The application of International Financial Reporting Standards ("IFRSs") effective for annual accounting periods beginning on 1 January 2021 has no significant impact on the Group's results and financial position. For the IFRSs which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

2. Revenue and Profit Contribution

Revenue by principal activities is as follows:

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

and is summarised by location as follows:

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

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

Information on profit contribution by principal activities is set out in management discussion and analysis on pages 9 to 20 of the interim report.

3. Profit before Taxation

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

4. Taxation

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

5. Interim Dividend

An interim dividend of $0.41 (2020 – $0.34) per share, amounting to $1,494 million (2020 – $1,256 million), was declared by the Directors on 5 August 2021.

6. Earnings Per Share

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

7. Ageing Analysis

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

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

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

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

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 which are not observable market data including discounted cash flow on projections and estimates based on assumptions

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	
	30/6/2021 $ Million	31/12/2020 $ Million	**30/6/2021 $ Million**	31/12/2020 $ Million	**30/6/2021 $ Million**	31/12/2020 $ Million
Investments						
Listed securities	**5,356**	4,717	**–**	–	**–**	–
Unlisted securities	**–**	–	**–**	–	**1,573**	1,682
Investments in infrastructure businesses	**–**	–	**–**	–	**3,636**	9,774
Investment in a hotel development project	**–**	–	**–**	–	**627**	614
Derivative financial instruments						
– assets	**–**	–	**1,672**	1,616	**–**	–
– liabilities	**–**	–	**(5,449)**	(7,003)	**–**	–

For fair value measurement of investments using level 3 value inputs, fair value is determined using valuation techniques with reference to projected cash flow, price of recent transaction and other specific inputs relevant to the particular investment. Change of value inputs reasonably to possible alternatives would not have material effect on the Group's results and financial position. Movement of investments using level 3 value inputs is as follows:

	2021 $ Million	2020 $ Million
At 1 January	**12,070**	11,229
Investments	**49**	56
Fair value gain recognised through income statement	**291**	240
Transfer of investments in infrastructure businesses to joint ventures	**(6,574)**	–
At 30 June	**5,836**	11,525

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

9. Share Capital and Share Premium

	Number of shares	Share capital $ Million	Share premium $ Million	Total $ Million
Shares of $1 each issued				
At 1 January 2021	3,693,400,500	3,694	241,945	245,639
Issue of shares	333,333,333	333	16,667	17,000
Buy-back and cancellation	(380,000,000)	(380)	(19,543)	(19,923)
Costs for share issue and buy-back	–	–	(94)	(94)
At 30 June 2021	3,646,733,833	3,647	238,975	242,622

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

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

		Purchase price per share		
Month	Number of shares bought back	Highest	Lowest	Aggregate consideration
June 2021	3,150,000	$51.95	$51.70	$163,423,500

10. Commitments

At the period end date, the Group had capital commitments for development of investment properties amounting to $3,352 million and acquisition of aircraft amounting to $10,473 million.

11. Review of Interim Financial Statements

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