Building Value
from Quality Assets

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 2018

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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 *Executive Director*
PAU Yee Wan, Ezra *Executive Director*
WOO Chia Ching, Grace *Executive Director*

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

Senior Advisor

LI Ka-shing

Audit Committee

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

Remuneration Committee

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

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
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

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

Auditor

Deloitte Touche Tohmatsu

Legal Advisers

Woo, Kwan, Lee & Lo

Registered Office

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

Principal Place of Business

7th Floor, Cheung Kong Center,
2 Queen's Road Central, Hong Kong

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square,
Grand Cayman, KY1-1102, Cayman Islands

Hong Kong Share Registrar and Transfer Office

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

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	2 August 2018
Record Date for Interim Dividend	4 September 2018
Payment of Interim Dividend	13 September 2018

Chairman's Statement

Building Value from Quality Assets

PROFIT FOR THE FIRST HALF YEAR

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2018 amounted to HK$24,753 million. Earnings per share were HK$6.69, an increase of 69% as compared to the same period last year.

INTERIM DIVIDEND

The Directors have declared an interim dividend for 2018 of HK$0.47 per share (HK$0.42 per share in 2017) to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 4 September 2018. The interim dividend will be paid on Thursday, 13 September 2018.

PROSPECTS

Business Review

CK Asset Holdings Limited recorded satisfactory results for the first half of 2018 as various businesses continued to perform solidly. Good progress was made in executing our two-pronged strategy. The Group has continued to enhance the property business fundamentals while strengthening the recurring earnings base through portfolio and geographic diversification to generate stable shareholder returns.

The Group's solid performance was mainly due to three factors. While the property operations recorded performance in line with expectations, the newly acquired businesses have started to contribute stable recurring income to the Group. Also, substantial gains were recognised on disposal of the Group's ownerships in Century Link in Shanghai and The Center in Hong Kong. For the six months ended 30 June 2018, the Group's unaudited profit attributable to shareholders was HK$24,753 million, and earnings per share was 69% higher than the corresponding period in 2017. Profit before investment property revaluation and disposal was HK$12,068 million, with earnings per share before investment property revaluation and disposal recording an increase of 22% over the same period last year. An increase in fair value of investment properties of HK$926 million and a surplus on disposal of investment properties of HK$11,759 million, both after tax and non-controlling interests, were recorded.

Solid progress was made by the Group in meeting development targets with stable operational performance across all of its principal activities during the first-half period.

Property Development

Hong Kong recorded steady increases in property transaction volume and revenue in the first half of 2018, whereas market conditions on the Mainland generally remained stable. The Group's total sales of properties amounted to over HK$16 billion for the period. As sales revenue from certain development projects is expected to be recognised in the second half of the year, property sale contribution was lower than that of the same period last year. The Group will maintain a cautious and disciplined approach in the property development business.

Property Investment

Contribution from property rental was similar to that of the same period last year. While the Group's retail leasing business has improved amid the continued recovery of Hong Kong's retail market, a modest decrease in rental revenue from our commercial properties was recorded due to the disposal of The Center at a consideration of HK$40.2 billion in May 2018. The disposal reflected our ongoing strategy to maximise returns by optimising and balancing the property investment portfolio mix through divestment and acquisition as suitable opportunities arise. Acquisition of 5 Broadgate in London was made in June this year at a consideration of GBP1 billion (approximately HK$10.6 billion). This new Grade-A office building will provide a steady income stream and good returns with a tenancy agreement signed through to 2035. The Group's diversified rental income base is further strengthened through the continued expansion of its property investment portfolio in the United Kingdom and continental Europe.

Hotel and Serviced Suite Operation

Inbound tourism continued to improve in the first half of 2018 with Mainland visitors remaining the main growth driver. This contributed positively to the modest improvement in average hotel room occupancy rate and average achieved hotel room rate. Contribution from the Group's hotel and serviced suite operation improved over the same period last year. The addition of a total of approximately 1,200 rooms from two hotel projects in Hong Kong will significantly broaden the Group's hotel portfolio, enhancing its underlying strength to provide steady income streams to the Group.

Infrastructure and Utility Asset Operation

The Group's infrastructure and utility asset operations performed solidly in the first half year, with overall results in line with expectations. A full half-year contribution of HK$864 million was generated by DUET in Australia from its businesses comprising electricity distribution, gas transmission and distribution, as well as the provision of electricity generation solutions for remote customers. We also recorded a newly added contribution of HK$470 million from Reliance Home Comfort, a Canadian provider of building equipment and services, and a full half-year contribution of HK$871 million from ista, a fully integrated energy management services provider with the main market being Germany. The Group will continue to pursue quality investments in infrastructure and utility assets with a track record of solid performance and strong capacity to generate stable, predictable cash flows with a view to maximising sustainable growth in shareholder returns.

Aircraft Leasing

The aircraft leasing business provides steady income streams to the Group on a medium to long term basis. Solid operational performance was recorded for the first half of the year, with an increase of HK$79 million in profit contribution.

In general, several potential acquisitions are currently being explored including a large-scale project in Australia.

Outlook

As escalating international trade tensions unfold, this uncertainty adds to the concern of the unclear Brexit outcome and accelerated tightening in certain nations. Despite these challenges, the fundamentals for global growth should remain solid and a cautiously optimistic outlook is expected for the second half year.

China recorded real GDP growth of 6.8% for the first half of 2018. While export growth is likely to be impacted if the uncertainty over external trade continues, China's ongoing reforms to enhance the economic structure should strengthen its growth resilience. The Central Government's focus on transforming economic development from "high speed" to "high quality", with policies on financial de-leveraging and risk prevention firmly in place, is conducive to fostering a steady and healthy economic growth over the long term.

Intensifying trade frictions present uncertainties to the economies of the U.S. and China as well as the global economy, and Hong Kong would inevitably be impacted. However, Hong Kong is poised to benefit from the opportunities presented by the development of the Greater Bay Area over the long term. Also, stable property market conditions are expected in Hong Kong despite the growing prospect of interest rate rises in the second half year. A new round of government initiatives to stabilise the property market were announced earlier in June, and housing policies will continue to be a determining factor for the market.

The Group has made various investments since late 2016 which include investment properties and hotel projects in Hong Kong and overseas markets; infrastructure and utility assets in continental Europe, Australia, Canada and the United Kingdom; and the aircraft leasing business. As recurring income and profit contribution of these investments grow, the Group is expected to record an increase of over 50% in recurrent profit contribution for 2018 as compared to 2016. In furtherance of our fundamental principle "To advance while maintaining stability", the Group will focus on potential investments with stable recurring income to propel earnings growth and enhance strategic flexibility, while ensuring its financial strength is not compromised. A strong recurring income base is strategically critical to stable and sustainable dividend distributions in a changing and unpredictable property market. Barring any unforeseen adverse circumstances, we expect to achieve our scheduled investment target of expanding stable income in the near term.

Notwithstanding all the recent acquisitions, the Group has ample cash on hand with a debt ratio below 2% as at the interim period end date. The established strong operating and financial platform of the Group that is anchored in stability is the cornerstone for sustainable growth of our diversified businesses and generating solid and stable returns for shareholders in a challenging market environment. We will continue to pursue selective investments in global quality assets that would create synergistic benefits and contribute to long-term sustainable earnings. We are confident that the Group is well placed for the next phase of growth.

Acknowledgement

During the period under review, Mr. Li Ka-shing retired as Chairman and Executive Director of the Group. Mr. Li is the founder of the CK Group. For the past 46 years, he has led the CK Group as Chairman on a steady path of diversification and globalisation to maximise value and returns for shareholders. On behalf of the Board, I would like to extend our sincere gratitude to Mr. Li for his invaluable contributions at practically no cost to the Group, and deep appreciation that Mr. Li has agreed to stay on as Senior Advisor to continue to contribute to the Group.

Mr. Anthony Yeh also resigned as an Independent Non-executive Director of the Group during the period under review by reason of age. He has been with the CK Group since 1993. On behalf of the Board, I would also like to express our appreciation for his invaluable contributions to the Group over the years.

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

Li Tzar Kuoi, Victor
Chairman and Managing Director

Hong Kong, 2 August 2018

Management Discussion and Analysis

BUSINESS REVIEW

Major Business Activities

1. Developments Completed and Scheduled for Completion in 2018:

Name	Location	Gross Floor Area (sq.ft.)	Group's Interest
Ocean Pride Development	Tsuen Wan Town Lot No. 401		
Ocean Pride and Ocean Supreme		1,798,648	Joint Venture
OP Mall		436,476	100%*
Harbour Glory and Hotel Development	Inland Lot No. 8920	755,626	100%
Seanorama	Sha Tin Town Lot No. 574	562,156	100%
Borrett Road Project	Inland Lot No. 8949	435,296	100%
My Central	Inland Lot No. 9038	159,414	Joint Venture
Hupan Mingdi Land No. 905	Jiading District, Shanghai	1,633,820	100%
Yuhu Mingdi Phases 2(1) and 3	Huangpu District, Guangzhou	862,589	80%
Upper West Shanghai Phase 2 Tenders 1 and 2, Phase 3 Tender 1, Phase 4 Tenders 1 and 2, and Phase 5	Putuo District, Shanghai	6,772,311	60%
Noble Hills Phases 4A, 4B and 5B	Wangcheng District, Changsha	1,678,221	100%
Le Parc Phases 6C and 7B	Chengdu High-Tech Zone, Chengdu	2,668,285	100%
Regency Hills Land Nos. 13A and 13B	Yangjiashan, Nanan District, Chongqing	2,305,896	95%
Laguna Verona Phase G1b/G2a Zone 2	Hwang Gang Lake, Dongguan	687,878	99.8%

Name	Location	Gross Floor Area (sq.ft.)	Group's Interest
Noble Hills Phases 2A and 2B	Zengcheng, Guangzhou	1,077,972	100%
City Link	Jing An District, Shanghai	726,757	60%
Emerald Cove	Wuguishan, Zhongshan	687,802	100%
Chelsea Waterfront Chartwell House, Compton House and West Tower	Chelsea/Fulham, London	140,311	95%

* As the purchaser under an Agreement for Sale and Purchase dated 24 May 2017, pending completion of the relevant sale and purchase.

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

In June 2018, a wholly owned subsidiary of the Group acquired 5 Broadgate in London, the United Kingdom at a consideration of GBP1 billion (approximately HK$10.6 billion). This is a new Grade-A office building with a gross external area of approximately 1.2 million sq.ft. The existing tenancy agreement of 5 Broadgate is signed through to 2035.

During the period under review, the Group continued to actively pursue quality investments in different business areas in order to optimise capital utilisation and maximise returns for shareholders. The Group continues to develop the property business in a cautious and disciplined manner and provide innovative property concepts, enhance property qualities, and upgrade asset management levels.

Property Sales

Revenue of property sales (including share of joint ventures) recognised for the period was HK$9,109 million (2017 – HK$21,831 million), comprising mainly (i) sale of the remaining residential units of The Zumurud in Hong Kong; (ii) sale of residential and commercial units of various projects on the Mainland – Laguna Verona in Dongguan, The Harbourfront in Qingdao, Royal Waterfront and Hupan Mingdi in Shanghai, Emerald City in Nanjing and Millennium Waterfront in Wuhan; and (iii) sale of residential units of Chelsea Waterfront in the United Kingdom, and is summarised by locations as follows:

Location	**2018 HK$ Million**	2017 HK$ Million
Hong Kong	**1,972**	7,535
The Mainland	**6,417**	14,292
Overseas	**720**	4
	9,109	21,831

Contribution from property sales (including share of joint ventures) for the period was HK$2,234 million (2017 – HK$9,132 million) and was derived from the following locations:

Location	**2018 HK$ Million**	2017 HK$ Million
Hong Kong	**210**	3,018
The Mainland	**1,644**	6,136
Overseas	**380**	(22)
	2,234	9,132

Revenue and contribution of property sales for the period decreased when compared with the same period last year as property sales and contribution of development projects scheduled for the year will be recognised upon completion in the second half year.

Besides, the sale of the Group's 50% interest in a joint venture for the development of Century Link in Shanghai was completed in January 2018 and a profit of HK$6,989 million was recognised.

During the period, the presales of residential units of Seanorama, Harbour Glory and Ocean Pride in Hong Kong, various projects on the Mainland including Noble Hills in Changsha, Le Parc in Chengdu and Noble Hills in Guangzhou were in good progress and all residential units of Stars of Kovan in Singapore were sold out. Profit contribution is expected when property sales are recognised upon completion of these projects.

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 115 million sq.ft., of which 5 million sq.ft., 106 million sq.ft. and 4 million sq.ft. were located in Hong Kong, on the Mainland and overseas respectively; and property sales contracted (including share of joint ventures) but not yet recognised were as follows:

Location	Contracted Sales HK$ Million
Hong Kong	57,726
The Mainland	17,709
Overseas	2,965
	78,400

Property Rental

Revenue of property rental (including share of joint ventures) for the period was HK$3,880 million (2017 – HK$3,889 million), comprising rental income derived from leasing of office, retail, industrial and other properties as follows:

Use of Property	**2018 HK$ Million**	2017 HK$ Million
Office	**1,587**	1,590
Retail	**1,694**	1,673
Industrial	**362**	393
Others	**237**	233
	3,880	3,889

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

Contribution from property rental (including share of joint ventures) for the period was HK$3,584 million (2017 – HK$3,594 million) and was derived from the following locations:

Location	**2018 HK$ Million**	2017 HK$ Million
Hong Kong	**3,028**	3,205
The Mainland	**348**	226
Overseas	**208**	163
	3,584	3,594

The disposal of The Center in Hong Kong was completed in May 2018 and a surplus of HK$11.6 billion over its carrying value was recognised upon completion.

In June 2018, the Group acquired a commercial property at 5 Broadgate, London for £1 billion (approximately HK$10.6 billion) as an investment property. The newly acquired investment property provides immediate rental income contribution to group profit and helps to make up the loss of rental due to disposal of The Center.

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

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

An increase in fair value of investment properties of HK$832 million (2017 – HK$4,832 million) was recorded at the interim period end date based on a professional valuation using capitalisation rates ranging from approximately 4% to 8%. The Group also shared an increase in fair value of investment properties of HK$9 million (2017 – HK$5 million) of joint ventures.

Hotel and Serviced Suite Operation

Revenue of hotel and serviced suite operation (including share of joint ventures) for the period was HK$2,425 million (2017 – HK$2,228 million), comprising revenue generated mainly by Harbour Grand Hotels, Harbour Plaza Hotels & Resorts and Horizon Hotels & Suites operated by the Group in Hong Kong.

Contribution (including share of joint ventures) after depreciation charge of HK$195 million on properties was HK$870 million (2017 – HK$685 million), an increase of HK$185 million when compared with the same period last year as inbound travel improved in Hong Kong during the period, and was derived from the following locations:

Location	**2018 HK$ Million**	2017 HK$ Million
Hong Kong	**903**	765
The Mainland	**(14)**	(30)
Overseas	**(19)**	(50)
	870	685

An average occupancy rate of 88.8% for the period was achieved by the Group's hotel and serviced suite operation and the average hotel operating profit per square foot was HK$21 per month, representing an annualised yield of 19.9% on the carrying amount of the Group's completed hotel and serviced suite properties at the interim period end date.

The Group's hotel and serviced suite portfolio comprises 20 hotel and serviced suite properties, including hotel development and extension projects scheduled for completion later this year, and provides over 16,000 rooms for guest accommodation.

Property and Project Management

Revenue of property and project management (including share of joint ventures) for the period was HK$431 million (2017 – HK$309 million), comprising mainly management fee received for provision of property management and related services to property projects developed and sold by the Group.

Contribution from property and project management (including share of joint ventures) for the period was HK$182 million (2017 – HK$138 million) and was derived from the following locations:

Location	2018 HK$ Million	2017 HK$ Million
Hong Kong	**126**	108
The Mainland	**39**	17
Overseas	**17**	13
	182	138

During the period, the Group increased its shareholding in the manager of Hui Xian Real Estate Investment Trust to 70%, which has since become a subsidiary of the Group and increased its contribution to group profit.

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

Aircraft Leasing

Revenue of aircraft leasing (including share of joint ventures) for the period was HK$1,385 million (2017 – HK$1,057 million), comprising lease income derived from leasing of narrow body and wide body aircraft to airlines.

Contribution (including share of joint ventures) after depreciation charge of HK$690 million on aircraft was HK$596 million (2017 – HK$517 million), an increase of HK$79 million when compared with the same period last year as the Group continued to acquire more aircraft during the period, and is analysed by location with reference to lessee's place of operation as follows:

Location	2018 HK$ Million	2017 HK$ Million
Asia	**234**	185
Europe	**136**	154
North America	**149**	111
Latin America	**77**	67
	596	517

At the interim period end date, the Group (including interest in joint ventures) owned a total of 116 narrow body and 5 wide body aircraft with an average age of 5.4 years and an average remaining lease term of 5.3 years, and was committed to acquiring another 20 aircraft for an aggregate consideration of approximately HK$6 billion.

Infrastructure and Utility Asset Operation

At the interim period end date, the Group had equity interests in the following joint ventures in infrastructure and utility asset operation:

Joint Venture	Principal Activities	Equity Interest
DUET Group (since May 2017)	An owner and operator of energy utility assets in Australia, the United States, Canada and the United Kingdom	40%
Reliance Group (since July 2017)	A building equipment and service provider under the consumer brand identity of "Reliance Home Comfort" in Canada	75%
ista Group (since October 2017)	A fully integrated energy management service provider in Europe	65%

The Group's share of revenue for the period amounted to HK$6,888 million (2017 – HK$549 million) as follows:

Joint Venture	**2018 HK$ Million**	2017 HK$ Million
DUET Group	**2,267**	549
Reliance Group	**1,680**	–
ista Group	**2,941**	–
	6,888	549

The Group's share of contribution for the period amounted to HK$2,205 million (2017 – HK$247 million), which was derived from the following locations:

Joint Venture	Australia HK$ Million	Europe HK$ Million	North America HK$ Million	**2018 Total HK$ Million**	2017 Total HK$ Million
DUET Group	820	17	27	**864**	247
Reliance Group	–	–	470	**470**	–
ista Group	–	871	–	**871**	–
	820	888	497	**2,205**	247

Interests in Real Estate Investment Trusts

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

	Principal Activities	Equity 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	27.4%
Prosperity REIT	Investment in office, retail and industrial properties in Hong Kong	18.6%

During the period, the Group shared a profit of HK$197 million (2017 – HK$240 million) of Hui Xian REIT, an associate, and received a distribution of HK$287 million (2017 – HK$263 million).

For the Group's investment in Fortune REIT and Prosperity REIT, cash distributions of HK$157 million (2017 – HK$153 million) received during the period was taken as income and a decrease in fair value of HK$268 million (2017 – increase in fair value of HK$503 million) was recorded at the interim period end date.

FINANCIAL REVIEW

Liquidity and Financing

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

At the interim period end date, the Group's bank and other borrowings amounted to HK$61.2 billion, a decrease of HK$10.8 billion from last year end date. The maturity profile was spread over a period of 10 years, with HK$1.9 billion repayable within 1 year, HK$54.6 billion within 2 to 5 years and HK$4.7 billion beyond 5 years.

The Group's net debt to net total capital ratio at the interim period end date was approximately 1.8%. Net debt is arrived at by deducting bank balances and deposits of HK$55.2 billion from bank and other borrowings, and net total capital is the aggregate of total equity and net debt.

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

Treasury Policies

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

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

Charges on Assets

At the interim period end date, properties amounting to HK$16,497 million (31 December 2017 – HK$15,512 million) were charged to secure bank loans arranged for property projects on the Mainland.

Contingent Liabilities

At the interim period end date, the Group provided guarantees to (i) land owner of a hotel project for its share of revenue amounting to HK$536 million (31 December 2017 – HK$552 million); and (ii) banks for mortgage loans provided to purchasers of properties developed and sold by the Group on the Mainland amounting to HK$3,246 million (31 December 2017 – HK$4,103 million).

Employees

At the interim period end date, the Group (including its subsidiaries) employed approximately 19,800 employees and remuneration for the period (excluding directors' emoluments) amounted to approximately HK$2,982 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 54, joined the CK Group in 1985, and has been the Chairman since 10 May 2018, the Managing Director since February 2015, and the Chairman of the Executive Committee of the Company since June 2015. He has also been a member of the Remuneration Committee of the Company since 10 May 2018. Mr. Victor Li has been a Director since January 2015 and an Executive Director of the Company since February 2015. He acted as the Deputy Chairman of the Company from February 2015 to 10 May 2018. Mr. Victor Li has been the Chairman of CK Hutchison Holdings Limited ("CK Hutchison") since 10 May 2018, and Group Co-Managing Director and Executive Director of CK Hutchison since June 2015. He has also been a member of the Remuneration Committee of CK Hutchison since 10 May 2018. 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") which is the trustee-manager of HK Electric Investments, a Non-executive Director and the Deputy Chairman of HK Electric Investments Limited and Co-Chairman of Husky Energy Inc. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. Mr. Victor Li is also the Deputy Chairman of Li Ka Shing Foundation Limited, Li Ka Shing (Overseas) Foundation and Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Victor Li is the Honorary Consul of Barbados in Hong Kong. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.). Mr. Victor Li is a son of Mr. Li Ka-shing, the Senior Advisor of the Group 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 a Member of the Executive Committee of the Company. Mr. Victor 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 71, joined the CK Group in 1993, and has been an Executive Director and Deputy Managing Director of the Company since February 2015 and a Member of the Executive Committee of the Company since June 2015. He is Deputy Managing Director of CK Hutchison Holdings Limited. He is also the Group Managing Director of CK Infrastructure Holdings Limited and the President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc. All the companies mentioned above are listed companies. Mr. Kam is also the Chairman of Hui Xian Asset Management Limited as the manager of Hui Xian REIT (listed in Hong Kong). He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is the brother-in-law of Mr. Li Ka-shing, the Senior Advisor of the Group 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 and Chairman of the Executive Committee of the Company.

IP Tak Chuen, Edmond, aged 66, 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 and a Member of the Executive Committee of the Company since June 2015. 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 67, joined the CK Group in 1978, and has been an Executive Director of the Company since February 2015 and a Member of the Executive Committee of the Company since June 2015. Mr. Chung is a Registered Architect. He was a member of the 11th Guangzhou Committee of the Chinese People's Political Consultative Conference of the People's Republic of China.

CHIU Kwok Hung, Justin, aged 68, joined the CK Group in 1997, and has been an Executive Director of the Company since February 2015 and a Member of the Executive Committee of the Company since June 2015. He is the Chairman of ARA Asset Management (Prosperity) Limited as the manager of Prosperity REIT (listed in Hong Kong). Mr. Chiu is also a Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong and Singapore). He is also a Director of ARA Fund Management (Asia Dragon) Limited as the manager of the ARA Asia Dragon Fund. Mr. Chiu has more than 30 years of international experience in real estate in Hong Kong and various countries. Mr. Chiu is a Fellow of The Royal Institution of Chartered Surveyors, a Council Member and a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators, a Vice Chairman of the Board of Governors of Hong Kong Baptist University Foundation, an Honorary Associate Member of Business of Trent University, Canada, a Senior Visiting Fellow of the Department of Land Economy at University of Cambridge and an Honorary Professor of School of Pharmaceutical Sciences of Sun Yat-sen University. He was a member of the Standing Committee of the 12th Shanghai Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He holds Bachelor of Arts degree in Sociology and Economics, and was conferred with the degree of Doctor of Social Sciences, honoris causa by Hong Kong Baptist University and the degree of Doctor of Laws, honoris causa by Trent University, Canada. Mr. Chiu is a director of a company controlled by a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

CHOW Wai Kam, JP, aged 70, has been an Executive Director of the Company since February 2015 and a Member of the Executive Committee of the Company since June 2015. He joined the Hutchison Group in July 1995 and before his appointment on the Board, he was previously the Group Managing Director of the property and hotels divisions of the Hutchison Group. Mr. Chow is currently the Group Managing Director of Hutchison Property Group Limited, a wholly owned subsidiary of the Company. He is also a Non-executive Director of AVIC International Holding (HK) Limited, a listed company. He has over 40 years of experience in project management and architectural design for various developments, including hotel, residential, commercial, industrial and school projects in Hong Kong, the Mainland and overseas. He holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from the University of Hong Kong. He is an Authorised Person (List of Architects) and a Registered Architect. He was also admitted as a Fellow of The Hong Kong Institute of Architects since August 2001.

PAU Yee Wan, Ezra, aged 62, joined the CK Group in 1982, and has been an Executive Director of the Company since February 2015 and a Member of the Executive Committee of the Company since June 2015. 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 61, joined the CK Group in 1987, and has been an Executive Director of the Company since February 2015 and a Member of the Executive Committee of the Company since June 2015. She holds a Bachelor of Arts degree from the University of Pennsylvania, U.S.A. and a Master's degree in City and Regional Planning from Harvard University, U.S.A. Ms. Woo is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

CHEONG Ying Chew, Henry, aged 70, 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. Mr. Cheong is also an Independent Non-executive Director of CK Infrastructure Holdings Limited, CNNC International Limited, Greenland Hong Kong Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), New World Department Store China Limited, Skyworth Digital Holdings Limited and TOM Group Limited, an Independent Director of BTS Group Holdings Public Company Limited, and an Alternate Director to Dr. Wong Yick-ming, Rosanna, an Independent Non-executive Director of HTHKH. Mr. Cheong is an Executive Director and Deputy Chairman of Worldsec Limited. All companies mentioned above are listed companies. Mr. Cheong holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

CHOW Nin Mow, Albert, aged 69, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since February 2015. Mr. Chow is the Chairman and Managing Director of Wah Yip (Holdings) Limited.

HUNG Siu-lin, Katherine, aged 70, joined the CK Group in March 1972, and has been an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company since February 2015. Ms. Hung is a member of the Supervisory Board of Hong Kong Housing Society, a Governing Committee Member of The Hong Kong Polytechnic University Foundation, an Honorary Court Member of The Hong Kong Polytechnic University, an Honorary Court Member of Lingnan University, President Consultant of Tianjin University and Honorary Vice Chairman of Chinese Academy of Governance (HK) Industrial and Commercial Professionals Alumni Association. She was a member of the Tianjin Committee of the 12th and 13th Chinese People's Political Consultative Conference of the People's Republic of China from January 2008 to January 2018, a Court Member of The Hong Kong University of Science and Technology for the period from 2011 to May 2016, an Executive Committee Member of Hong Kong Housing Society from September 2008 to August 2014, a Member of Estate Agents Authority during the period from November 2006 to October 2012, and a Steering Committee Member of the Institute for Enterprise of The Hong Kong Polytechnic University from April 2000 to August 2011. Ms. Hung is a University Fellow of The Hong Kong Polytechnic University.

Directors' Biographical Information *(continued)*

Colin Stevens RUSSEL, aged 77, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since March 2017. He is also an Independent Non-executive Director of CK Infrastructure Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc. and Husky Energy Inc. All the companies mentioned above are listed companies. Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organisations on business strategy and planning, market development, competitive positioning and risk management. He is also Managing Director of EMAS (HK) Limited. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel received his Bachelor's degree in electronics engineering and Master's degree in Business Administration from McGill University, Canada. He is a Qualified Commercial Mediator.

Donald Jeffrey ROBERTS, aged 67, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since March 2017. He is also an Independent Non-executive Director of HK Electric Investments Manager Limited, which is the trustee-manager of HK Electric Investments ("HKEI"), and HK Electric Investments Limited, a company listed together with HKEI in Hong Kong. He is also a Director of The Hongkong Electric Company, Limited. Mr. Roberts joined the Hutchison Whampoa Limited ("HWL") Group in 1988 and was the Group Deputy Chief Financial Officer of HWL from 2000 until his retirement in 2011. Mr. Roberts is a Member of the Listing Committee of the Main Board and Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. He was previously a member of the Executive Committee of The Canadian Chamber of Commerce (the "Chamber") in Hong Kong and is currently Governor of the Chamber. He has previously served as a Governor of the Canadian International School of Hong Kong for 12 years and also a member on its finance committee. Mr. Roberts is currently the Deputy Chairman of the Professional Conduct Committee of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Roberts holds a Bachelor of Commerce degree. He is a Chartered Accountant with the Chartered Professional Accountants of Canada, Alberta and British Columbia, and also a Fellow of the HKICPA.

Disclosure of Interests

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

As at 30 June 2018, 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	27,124,850 (Note 1)	1,028,753,254 (Note 2)	1,056,503,304	28.57%
Kam Hing Lam	Beneficial owner & interest of child or spouse	51,040	57,360	–	–	108,400	0.0029%
Chow Nin Mow, Albert	Beneficial owner	66	–	–	–	66	≈0%
Hung Siu-lin, Katherine	Beneficial owner	43,256	–	–	–	43,256	0.0012%
Donald Jeffrey Roberts	Beneficial owner	167,396	–	–	–	167,396	0.0045%

Disclosure of Interests *(continued)*

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 3)	15	15%
Jabrin Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	2,000 (Note 3)	2,000	20%
Mightycity Company Limited	Li Tzar Kuoi, Victor	Beneficiary of trusts	–	–	–	168,375 (Note 3)	168,375	1.53%

Notes:

(1) The 27,124,850 shares of the Company comprise:

(a) 11,178,850 shares held by certain companies of which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.

(b) 15,946,000 shares held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.

(2) The 1,028,753,254 shares of the Company comprise:

(a) 936,462,744 shares 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) 7,863,264 shares held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3"). 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 under the SFO as a Director of the Company.

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

(3) These 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 2018, 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 2018, shareholders of the Company (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Name of Shareholder	Capacity	Number of Ordinary Shares	Total	Approximate % of Shareholding
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	936,462,744	936,462,744 (Note 1)	25.33% (Note 6)
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	936,462,744	936,462,744 (Note 1)	25.33% (Note 6)
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	936,462,744	936,462,744 (Note 1)	25.33% (Note 6)
Li Ka-shing	(i) Interest of controlled corporations (ii) Founder of discretionary trusts	156,702,756 1,028,753,254	1,185,456,010 (Note 2)	32.06% (Note 6)

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

Name of Shareholder	Capacity	Number of Shares/ Underlying Shares	Total	Approximate % of Shareholding
JPMorgan Chase & Co.	(i) Beneficial owner	17,113,067)		
	(ii) Investment manager	51,170,945)		
	(iii) Trustee	27,364)		
	(iv) Custodian corporation/ approved lending agent	158,588,817)	226,900,193 (Notes 3 & 4)	5.97% (Note 4)
JPMorgan Chase Bank, N.A.	(i) Investment manager	2,998,249)		
	(ii) Trustee	27,364)		
	(iii) Custodian corporation/ approved lending agent	198,383,039)	201,408,652 (Note 5)	5.45% (Note 6)
BlackRock, Inc.	Interest of controlled corporations	221,903,822	221,903,822 (Note 7)	6.00% (Note 6)

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

Name of Shareholder	Capacity	Number of Shares/ Underlying Shares	Total	Approximate % of Shareholding
JPMorgan Chase & Co.	Beneficial owner	15,406,410	15,406,410 (Notes 4 & 8)	0.40% (Note 4)

(c) Lending Pool of Other Persons in the Shares and Underlying Shares of the Company

Name of Shareholder	Capacity	Number of Shares/ Underlying Shares	Total	Approximate % of Shareholding
JPMorgan Chase & Co.	Custodian corporation/ approved lending agent	158,588,817	158,588,817 (Note 4)	4.17% (Note 4)
JPMorgan Chase Bank, N.A.	Custodian corporation/ approved lending agent	198,383,039	198,383,039 (Note 5)	5.37% (Note 6)

Disclosure of Interests *(continued)*

Notes:

(1) The three references to 936,462,744 shares relate to the same block of shares in the Company. Of these 936,462,744 shares of the Company, 913,378,704 shares of the Company are held by TUT1 as trustee of UT1 and 23,084,040 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 936,462,744 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 1,185,456,010 shares of the Company comprise:

(a) 156,702,756 shares of the Company of which:

(i) 140,756,756 shares held by certain companies of which Mr. Li Ka-shing are entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.

(ii) 15,946,000 shares held by LKSF. By virtue of the terms of the constituent documents of LKSF, Mr. Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.

(b) 1,028,753,254 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 1,028,753,254 shares of the Company after his retirement from the directorship of the Company.

(3) Such long position includes derivative interests in 4,627,358 underlying shares of the Company of which 456,000 underlying shares are derived from listed and physically settled derivatives, 12,059 underlying shares are derived from unlisted and physically settled derivatives and 4,159,299 underlying shares are derived from unlisted and cash settled derivatives.

(4) Such disclosure of interest was made in the form of notice pursuant to Part XV of the SFO submitted by JPMorgan Chase & Co. to the Company on 4 April 2017, based on the then issued share capital of the Company (i.e. 3,800,194,500 shares).

(5) Such long position and lending pool reported by JPMorgan Chase Bank, N.A., were based on the notice filed on 9 June 2015 by JPMorgan Chase Bank, N.A. to the Company. JPMorgan Chase Bank, N.A. is a wholly owned subsidiary of JPMorgan Chase & Co. Subsequently, JPMorgan Chase Bank, N.A. notified the Company that as of 31 March 2017, it is deemed to be interested in long position 185,941,205 shares and in short position 16,946,469 shares of the Company, which were included in JPMorgan Chase & Co.'s interests as disclosed in the form of notice submitted to the Company on 4 April 2017.

(6) The approximate percentages of shareholding were based on the issued share capital of the Company as at 30 June 2018 (i.e. 3,697,498,500 shares).

(7) Such long position includes derivatives interests in 983,000 underlying shares of the Company derived from unlisted and cash settled derivatives.

(8) Such short position includes derivative interests in 15,406,410 underlying shares of the Company of which 396,000 underlying shares are derived from listed and physically settled derivatives, 557,000 underlying shares are derived from listed and cash settled derivatives, 744,830 underlying shares are derived from unlisted and physically settled derivatives and 13,708,580 underlying shares are derived from unlisted and cash settled derivatives.

Save as disclosed above, as at 30 June 2018, 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 has 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 2018. In respect of code provision A.2.1 of the CG Code, the positions of the Chairman of the Board (the "Chairman") and the Managing Director are held by the same individual, namely, Mr. Li Tzar Kuoi, Victor, following the retirement of Mr. Li Ka-shing as Chairman and Executive Director of the Company after the conclusion of the annual general meeting of the Company held on 10 May 2018 ("2018 AGM"). 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, especially given that Mr. Li Tzar Kuoi, Victor, has worked side-by-side with Mr. Li Ka-shing at the CK Group for 33 years. 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. In addition, Mr. Li Ka-shing has agreed to stay on as Senior Advisor of the Company at the request of the Board and in that capacity to continue to contribute to the Group on significant matters. Furthermore, the Board of Directors comprises five Independent Non-executive Directors who will continue to provide their views and comments to Mr. Li Tzar Kuoi, Victor as Chairman and Managing Director as previously. In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. At present, the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced and diversified composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the positions of Chairman and Managing Director. In respect of code provision A.6.7 of the CG Code, an Independent Non-executive Director was not in a position to attend the 2018 AGM due to indisposition.

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

BOARD COMPOSITION AND BOARD PRACTICES

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions, effective from 3 June 2015, which will be revised and adopted from time to time. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2018.

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 2018.

AUDIT COMMITTEE

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

The Group's interim report for the six months ended 30 June 2018 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 now comprises the Chairman and Managing Director, Mr. Li Tzar Kuoi, Victor and two Independent Non-executive Directors, namely, Ms. Hung Siu-lin, Katherine (Chairman of the Remuneration Committee) and Mr. Cheong Ying Chew, Henry.

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

Other Information

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

During the six months ended 30 June 2018, 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 2018, 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 2018 is set out below:

HK$ million	
Non-current assets	232,884
Current assets	34,596
Current liabilities	(24,712)
Non-current liabilities	(166,742)
Net assets	76,026
Share capital	26,608
Reserves	49,462
Non-controlling interests	(44)
Total equity	76,026

As at 30 June 2018, the consolidated attributable interest of the Group in these affiliated companies amounted to HK$32,104 million.

RISK FACTORS

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

Property Developments

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

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

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

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

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

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

Global Economy

While global economic activity continues to strengthen, there are still a number of uncertainties and risks affecting the global economy. Increasing trade tensions between the United States and certain major nations, the unclear outcomes of the negotiations of the United Kingdom ("UK") to leave the European Union, the fluctuation of the US dollar against major currencies around the world and the continuing geopolitical tensions create uncertainties in the world economy and global financial market. A slowdown in global economic growth could lead to economic contractions in certain markets, commercial and consumer delinquencies, weakened consumer confidence and increased market volatility. The Group is a leading multinational corporation with businesses in Hong Kong, the Mainland, Singapore, the UK, continental Europe, Australia, Canada and the United States. Any adverse economic conditions in those countries and places in which the Group operates may potentially impact on the Group's financial conditions, results of operations or growth prospects.

Industry Trends and Interest Rates

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

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

Highly Competitive Markets

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

New Business Ventures and Investments

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

The Aviation Industry

Deterioration in the Financial Conditions of the Commercial Airline Industry

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

Cyclicality of Supply and Demand for Aircraft

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

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

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

Effects of Fuel Costs

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

Dependence on Aircraft and Engine Manufacturers

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

Effects of Environmental Regulations

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

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

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

Infrastructure Market

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

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

Currency Fluctuations

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

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

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

Strategic Partners

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

Acquisitions

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

Impact of Local, National and International Regulations

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

Impact of New Accounting Standards

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

Outbreak of Highly Contagious Disease

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

Connected Transactions

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

Natural Disasters

Some of the Group's assets and businesses, customers and suppliers are located in areas at risk of damage from earthquakes, floods and similar events and the occurrence of any of these events could disrupt the Group's businesses and materially and adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Although the Group has not experienced any major structural damage to its property development projects or assets or facilities from earthquakes or natural disasters to date, there can be no assurance that future earthquakes or other natural disasters will not occur and result in major damage to the Group's property development projects, or assets or facilities or on the general supporting infrastructure facilities in the vicinity, which could adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Terrorist Threat

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

Past Performance and Forward-Looking Statements

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

Interim Financial Statements

Consolidated Income Statement
For the six months ended 30 June 2018

	Note	(Unaudited) 2018 $ Million	2017 (Restated) $ Million
Group revenue		16,788	28,931
Share of revenue of joint ventures		7,330	932
Total	(2)	24,118	29,863
Group revenue		16,788	28,931
Investment and other income		1,943	737
Operating costs			
Property and related costs		(6,802)	(12,392)
Salaries and related expenses		(1,912)	(1,920)
Interest and other finance costs		(601)	(576)
Depreciation		(870)	(768)
Other expenses		(245)	(256)
		(10,430)	(15,912)
Change in fair value of investments in securities		(268)	565
Change in fair value of investment properties		832	4,832
Surplus on disposal of investment properties		11,781	–
Profit on disposal of hotel properties		–	363
Profit on disposal of a property development joint venture		6,989	–
Share of profit of joint ventures		362	(7)
Share of profit of associates		197	240
Profit before taxation	(3)	28,194	19,749
Taxation	(4)	(2,885)	(4,576)
Profit after taxation		25,309	15,173
Profit attributable to			
Shareholders		24,753	14,975
Non-controlling interests and holders of perpetual capital securities		556	198
		25,309	15,173
Earnings per share	(6)	$6.69	$3.97

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	(Unaudited) 2018 $ Million	2017 (Restated) $ Million
Profit after taxation	**25,309**	15,173
Other comprehensive income (loss) – reclassifiable to profit or loss		
Translation of financial statements of operations outside Hong Kong		
Exchange gain (loss)	**(1,775)**	2,177
Exchange loss reclassified to profit or loss	**162**	180
Exchange gain on translation of bank loans for hedging	**394**	–
Derivative financial instruments – gain (loss) in fair value		
Net investment hedges	**2,443**	(800)
Cash flow hedges	**131**	(16)
Investments in securities – gain (loss) in fair value	**(3)**	2
Share of other comprehensive income (loss) of joint ventures	**(676)**	290
Other comprehensive income – not reclassifiable to profit or loss		
Share of other comprehensive income of joint ventures	**11**	–
Other comprehensive income	**687**	1,833
Total comprehensive income	**25,996**	17,006
Total comprehensive income attributable to		
Shareholders	**25,436**	16,809
Non-controlling interests and holders of perpetual capital securities	**560**	197
	25,996	17,006

Interim Financial Statements *(continued)*

Consolidated Statement of Financial Position
As at 30 June 2018

	(Unaudited) 30/6/2018 $ Million	(Audited) 31/12/2017 $ Million
Non-current assets		
Fixed assets	37,074	35,337
Investment properties	121,057	135,998
Joint ventures	64,029	65,293
Associates	7,486	7,402
Investments in securities	6,825	6,706
Long term receivables and others	11,072	2,905
Deferred tax assets	2,723	2,720
	250,266	256,361
Current assets		
Stock of properties	137,445	135,589
Short term loan receivable	10,230	–
Debtors, prepayments and others	5,476	4,979
Joint venture contracted for sale	–	1,493
Bank balances and deposits	55,222	54,917
	208,373	196,978
Current liabilities		
Bank and other loans	1,889	14,342
Creditors, accruals and others	13,546	19,958
Customers' deposits received	41,361	35,680
Provision for taxation	1,474	3,426
	58,270	73,406
Net current assets	150,103	123,572
Non-current liabilities		
Bank and other loans	59,347	57,650
Deferred tax liabilities	10,951	11,655
Derivative financial instruments	146	1,317
Pension obligations	137	131
	70,581	70,753
Net assets	329,788	309,180
Representing:		
Share capital and share premium	245,875	245,875
Reserves	66,380	45,677
Shareholders' funds	312,255	291,552
Perpetual capital securities	11,670	11,670
Non-controlling interests	5,863	5,958
Total equity	329,788	309,180

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Shareholders' funds				Holders of perpetual capital securities	Non-controlling interests	(Unaudited) Total equity
	Share capital	Share premium	Reserves(Note)	Total			
	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million
Balance at 1 January 2017	3,824	249,179	17,196	270,199	–	6,075	276,274
Total comprehensive income	–	–	16,809	16,809	66	131	17,006
Change in non-controlling interests	–	–	–	–	–	207	207
Buy-back and cancellation of issued shares	(116)	(7,002)	116	(7,002)	–	–	(7,002)
Issue of perpetual capital securities	–	–	–	–	11,670	–	11,670
Costs for issue of perpetual capital securities	–	–	(92)	(92)	–	–	(92)
Distribution to holders of perpetual capital securities	–	–	–	–	(66)	–	(66)
Dividend paid to non-controlling interests	–	–	–	–	–	(342)	(342)
Dividend paid to shareholders							
2016 final dividend $1.15 per share	–	–	(4,291)	(4,291)	–	–	(4,291)
Balance at 30 June 2017	3,708	242,177	29,738	275,623	11,670	6,071	293,364
Balance at 1 January 2018	**3,698**	**242,177**	**45,677**	**291,552**	**11,670**	**5,958**	**309,180**
Total comprehensive income	–	–	**25,436**	**25,436**	**271**	**289**	**25,996**
Change in non-controlling interests	–	–	–	–	–	**(283)**	**(283)**
Distribution to holders of perpetual capital securities	–	–	–	–	**(271)**	–	**(271)**
Dividend paid to non-controlling interests	–	–	–	–	–	**(101)**	**(101)**
Dividend paid to shareholders							
2017 final dividend $1.28 per share	–	–	**(4,733)**	**(4,733)**	–	–	**(4,733)**
Balance at 30 June 2018	**3,698**	**242,177**	**66,380**	**312,255**	**11,670**	**5,863**	**329,788**

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

Note: Reserves

	Business combination reserve $ Million	Exchange reserve $ Million	Other reserves $ Million	Retained profits $ Million	Total $ Million
Balance at 1 January 2017	(69,014)	(5,105)	6	91,309	17,196
Total comprehensive income (restated as described in note 10)	–	1,854	(20)	14,975	16,809
Buy-back and cancellation of issued shares	–	–	116	–	116
Costs for issue of perpetual capital securities	–	–	–	(92)	(92)
Dividend paid to shareholders 2016 final dividend $1.15 per share	–	–	–	(4,291)	(4,291)
Balance at 30 June 2017	(69,014)	(3,251)	102	101,901	29,738
Balance at 1 January 2018	**(69,014)**	**(1,073)**	**209**	**115,555**	**45,677**
Total comprehensive income	**–**	**558**	**114**	**24,764**	**25,436**
Dividend paid to shareholders 2017 final dividend $1.28 per share	**–**	**–**	**–**	**(4,733)**	**(4,733)**
Balance at 30 June 2018	**(69,014)**	**(515)**	**323**	**135,586**	**66,380**

The balance at 1 January 2017 was restated as described in note 2(a) to the consolidated financial statements of the Company for the year ended 31 December 2017.

At the period end date, other reserves comprised (i) investment revaluation deficit of $7 million (1 January 2018 – deficit of $4 million and 30 June 2017 – deficit of $3 million); (ii) capital redemption reserve of $162 million (1 January 2018 – $162 million and 30 June 2017 – $152 million); and (iii) hedging reserve of $168 million (1 January 2018 – $51 million and 30 June 2017 – deficit of $47 million).

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	(Unaudited) 2018 $ Million	2017 $ Million
Net cash from operating activities	**10,039**	21,923
Net cash from (used in) investing activities		
Investment in/loan advance to joint ventures	**(3,799)**	(17,304)
Addition of investment properties	**(12,882)**	–
Disposal of investment properties	**35,790**	–
Increase in short term loan receivable	**(10,230)**	–
Increase in bank deposits maturing over three months	**–**	(15,559)
Other investing activities	**(1,682)**	890
	7,197	(31,973)
Net cash from (used in) financing activities		
Net borrowing (repayment) of bank and other loans	**(10,609)**	14,745
Buy-back and cancellation of issued shares	**–**	(7,002)
Issue of perpetual capital securities	**–**	11,578
Other financing activities	**(6,298)**	(5,268)
	(16,907)	14,053
Net increase in cash and cash equivalents	**329**	4,003
Translation differences	**103**	550
Cash and cash equivalents at 1 January	**54,369**	61,530
Cash and cash equivalents at 30 June (Note)	**54,801**	66,083

Note: Cash and cash equivalents

	30/6/2018 $ Million	30/6/2017 $ Million
Bank balances and deposits	**55,222**	82,744
Less: Restricted bank balances	**(421)**	(1,102)
Bank deposits maturing over three months	**–**	(15,559)
	54,801	66,083

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 2017 of which changes required as a result of the early adoption of International Financial Reporting Standard ("IFRS") 9 "Financial Instruments" were incorporated.

The adoption of the new and revised IFRSs, other than the IFRS 9 adopted, which are effective for the Group's annual accounting periods beginning on 1 January 2018 has no significant impact on the Group's results and financial position. For those 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 for the period by principal activities is as follows:

	Six months ended 30 June					
	Group		Joint ventures		Total	
	2018 $ Million	2017 $ Million	2018 $ Million	2017 $ Million	2018 $ Million	2017 $ Million
Property sales	9,107	21,810	2	21	9,109	21,831
Property rental	3,801	3,823	79	66	3,880	3,889
Hotel and serviced suite operation	2,416	2,216	9	12	2,425	2,228
Property and project management	406	251	25	58	431	309
Aircraft leasing	1,058	831	327	226	1,385	1,057
Infrastructure and utility asset operation	–	–	6,888	549	6,888	549
	16,788	28,931	7,330	932	24,118	29,863

and is derived from the following locations:

	Six months ended 30 June	
	2018 $ Million	2017 $ Million
Hong Kong	7,751	13,227
The Mainland	7,255	14,961
Overseas	9,112	1,675
	24,118	29,863

2. Revenue and Profit Contribution *(continued)*

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

	Six months ended 30 June					
	Group		Joint ventures		Total	
	2018 $ Million	2017 $ Million	2018 $ Million	2017 $ Million	2018 $ Million	2017 $ Million
Property sales	2,237	9,119	(3)	13	2,234	9,132
Property rental	3,512	3,539	72	55	3,584	3,594
Hotel and serviced suite operation	880	692	(10)	(7)	870	685
Property and project management	165	113	17	25	182	138
Aircraft leasing	446	342	150	175	596	517
Infrastructure and utility asset operation	–	–	2,205	247	2,205	247
	7,240	13,805	2,431	508	9,671	14,313
Interest and other finance costs	(601)	(576)	(638)	(123)	(1,239)	(699)
	6,639	13,229	1,793	385	8,432	13,614
Interests in real estate investment trusts					86	896
Change in fair value of investment properties						
Group					832	4,832
Joint ventures					9	5
Surplus on disposal of investment properties					11,781	–
Profit on disposal of hotel properties					–	363
Profit on disposal of a property development joint venture					6,989	–
Others					406	108
Taxation						
Group					(2,885)	(4,576)
Joint ventures					(341)	(69)
Profit attributable to non-controlling interests and holders of perpetual capital securities					(556)	(198)
Profit attributable to shareholders					24,753	14,975

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

3. Profit before Taxation

	Six months ended 30 June	
	2018 $ Million	2017 $ Million
Profit before taxation is arrived at after charging:		
Interest and other finance costs		
Bank and other loans	1,029	836
Less: Amount capitalised	(428)	(260)
	601	576
Costs of properties sold	5,631	10,797
and after crediting:		
Interest on loans to joint ventures	1,095	170

4. Taxation

	Six months ended 30 June	
	2018 $ Million	2017 $ Million
Current tax		
Hong Kong	574	984
Outside Hong Kong	3,056	3,657
Deferred tax	(745)	(65)
	2,885	4,576

5. Interim Dividend

An interim dividend of $0.47 (2017 – $0.42) per share, amounting to $1,738 million (2017 – $1,553 million), was declared by the Directors on 2 August 2018.

6. Earnings Per Share

The calculation of earnings per share is based on profit attributable to shareholders and on 3,697,498,500 shares (2017 – weighted average of 3,767,484,133 shares) in issue during the period.

7. Ageing Analysis

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

	30/6/2018 $ Million	31/12/2017 $ Million
Current to one month	476	502
Two to three months	52	48
Over three months	58	50
	586	600

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

	30/6/2018 $ Million	31/12/2017 $ Million
Current to one month	3,607	4,852
Two to three months	57	54
Over three months	23	18
	3,687	4,924

8. Fair Value of Financial Assets and Financial Liabilities

At the period end date, investments in securities amounting to $5,779 million were measured at fair value based on quoted prices in active markets and investments in securities amounting to $1,046 million (including an investment made during the period of $390 million) were measured at fair value based on value inputs that are not observable market data, but change of these value inputs to reasonably possible alternatives would not have material effect on the Group's results and financial position.

Derivative financial instruments were measured at fair value based on value inputs, other than quoted prices, that are observable either directly or indirectly.

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

9. Commitments

At the period end date, the Group had capital commitments for additions of fixed assets and investment properties amounting to $7,086 million and $120 million respectively.

10. Restated Comparative Information

Following the adoption of IFRS 9 "Financial Instruments" in the preparation of 2017 annual financial statements, gain in fair value of investments in securities amounting to $565 million for the six months ended 30 June 2017 was reclassified from consolidated statement of comprehensive income to consolidated income statement. Hence, profit attributable to shareholders for the six months ended 30 June 2017 was restated from $14,410 million (previously reported) to $14,975 million and earnings per share was restated from $3.82 (previously reported) to $3.97.

11. Review of Interim Financial Statements

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