Strong Resilience in Challenging Times

CK ASSET HOLDINGS LIMITED
長江實業集團有限公司
(Incorporated in the Cayman Islands with limited liability)
STOCK CODE: 1113

Interim Report 2020

This interim report 2020 (both English and Chinese versions) ("Interim Report") has been posted on the Company's website at www.ckah.com. Shareholders who have chosen (or are deemed to have consented) to read the Company's corporate communications (including but not limited to the Interim Report) published on the Company's website in place of receiving printed copies thereof may request the printed copy of the Interim Report in writing to the Company c/o the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email to ckah.ecom@computershare.com.hk.

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

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

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Corporate Information and Key Dates

Board of Directors

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

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

Senior Advisor

LI Ka-shing

Audit Committee

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

Remuneration Committee

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

Nomination Committee

LI Tzar Kuoi, Victor *(Chairman)*

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

Stock Codes

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

Website

www.ckah.com

Key Dates

Interim Results Announcement	6 August 2020
Record Date for Interim Dividend	8 September 2020
Payment of Interim Dividend	17 September 2020

Executive Committee

LI Tzar Kuoi, Victor *(Chairman)*

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

Company Secretary

Eirene YEUNG

Authorised Representatives

IP Tak Chuen, Edmond
Eirene YEUNG

General Manager, Accounts Department

MAN Ka Keung, Simon

Principal Bankers

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

Auditor

Deloitte Touche Tohmatsu

Legal Advisers

Woo, Kwan, Lee & Lo

Registered Office

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

Principal Place of Business

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

Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar and Transfer Office

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

Chairman's Statement

Strong Resilience in Challenging Times

HIGHLIGHTS

Six months ended 30 June	2020 HK$ million	2019 HK$ million	2020 HK$ per share	2019 HK$ per share	Change
Underlying profit *Note 1*	**8,367**	12,989	**2.27**	3.52	-35.5%
Change in fair values *Note 2*					
Real estate investment trusts	**(1,318)**	1,056			
Investment properties	**(689)**	1,083			
Reported earnings *Note 3*	**6,360**	15,128	**1.72**	4.10	-58.0%
Interim dividend			**0.34**	0.52	-34.6%

Note 1 : Underlying profit, a non-IFRS measure, represents profit before taking into account change in fair values of Fortune REIT, Prosperity REIT and investment properties.
Note 2 : Change in fair values are after tax and non-controlling interests.
Note 3 : Reported earnings represent profit attributable to shareholders.

PROFIT FOR THE FIRST HALF YEAR

The Group's underlying profit*Note 1* per share for the six months ended 30 June 2020 was HK$2.27 (2019 – HK$3.52), a decrease of 35.5% as compared to the same period last year. Fair values of the Group's investments in REITs and investment properties decreased by HK$1,318 million and HK$689 million respectively. Reported earnings per share were HK$1.72 (2019 – HK$4.10), a decrease of 58.0% as compared to the same period last year, mainly due to the adverse impact of the COVID-19 pandemic on the Group's businesses.

INTERIM DIVIDEND

The Directors have declared an interim dividend for 2020 of HK$0.34 per share (2019 – HK$0.52 per share) to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 8 September 2020. The interim dividend will be paid on Thursday, 17 September 2020.

PROSPECTS

Business Review

During the period under review, businesses across all sectors were plagued by the COVID-19 pandemic. The challenges were especially acute for certain sectors such as aviation, tourism, retail and property. Businesses of the Group were adversely affected by the pandemic to varying degrees. A material reduction in profit attributable to shareholders was recorded as compared to the same period last year. The Group remains resilient in the face of economic headwinds with its solid financial foundation and high-quality assets. We will meet future challenges with caution and determination, and deploy proactive measures to maintain stable operations and steady development. Through the gradual enhancement of its recurrent income base and improvement in the quality of earnings based on a prudent global investment strategy, the Group is committed to create sustainable value for its shareholders.

Property Sales

The property market in Hong Kong was disrupted by the pandemic during the first half of 2020. The Group recorded a lower contribution from property sales in Hong Kong during the period as compared to the same period last year, which was offset by a higher contribution from property sales on Mainland China. Nevertheless, the volume and value of transactions improved slightly at the end of the period due to persistent housing demand and low interest rates. Sea to Sky, a residential project in Tseung Kwan O, was launched in June and received an overwhelming response. During the period, the Group also successfully bid for a site off Anderson Road in Kwun Tong which was earmarked for a project that comprises both private units and government subsidised starter homes.

Despite the impact of COVID-19 in the first half of the year, the property market on Mainland China remained relatively stable with the support of the Central Government's directive of "housing for residents and not speculators". On 23 July 2020, the Group completed the sale of certain residential and commercial units and carparks of Chengdu Le Parc, details of which were stated in the Company's announcement of the same date.

Property Rental

Contribution from property rental during the period was 11% less than the same period last year, mainly attributable to the negative impact of the pandemic and the fact that certain retail properties previously leased to Greene King have become part of the pub operation since October 2019. OP Mall in Tsuen Wan generated a satisfactory response and contributed rental income to the Group. The redevelopment of Hutchison House is on track and it is well-positioned to become a landmark modern Grade A office building in Central. The Group will continue to evaluate acquisition opportunities and optimise the quality of its investment portfolio for steady income yield and long-term capital growth.

Hotel and Serviced Suite Operation

In addition to the ongoing social incidents since June 2019, the hotel sector was impacted further by the pandemic which caused visitor arrivals to plummet during the period. Although the hotel operation recorded a negative contribution in the first half of the year, the serviced suite operation remained relatively stable as the majority of the occupancy is on a long-term basis, and a small contribution was recorded for the overall hotel and serviced suite operation. The newly completed extension of Harbour Grand Kowloon in Hung Hom has commenced operation, and Hotel Alexandra in North Point is expected to welcome guests in the second half of 2020. The Group's hotel and serviced suite portfolio provides approximately 15,000 rooms.

Aircraft Leasing

The aviation industry has been severely impacted by COVID-19. Worldwide passenger numbers decreased significantly. Airlines were forced to ground their aircraft, resulting in a substantial revenue drop. While various governments have expanded efforts to protect the industry, a great deal of uncertainty remains and consumer confidence in air travel will take time to restore. As a result, profit contribution from aircraft leasing for the period was affected, but an overall contribution of HK$733 million was recorded due to the gain on disposal of aircraft. AMCK Aviation's investment approach focuses on young and in demand aircraft, with over 90% of its fleet being narrowbody mostly used for short-haul and domestic travel, the areas which are expected to recover first. Lease management, protection of assets and mitigation of risks will continue to be the main focuses of AMCK Aviation.

Pub Operation

All pubs in the UK, including pubs across the Greene King portfolio, were closed for more than three months since March 2020 in accordance with the UK government's instructions amid the COVID-19 pandemic. The entire industry was halted due to the lockdown and the related restrictions. During the period of closure, Greene King launched its takeaway and delivery service and an online pub "The Lock Inn". Notwithstanding a phased re-opening in the beginning of July, it is expected that the path to full recovery will be long and testing. Greene King recorded an operating loss of HK$1,938 million during the first half of the year.

Infrastructure and Utility Asset Operation

Infrastructure and utility asset operation is a key contributor of steady recurrent income to the Group. The pandemic disrupted the performance of this sector, although to a lesser extent due to the stable nature of infrastructure and utility assets. During the period, CK William Group contributed HK$707 million from its businesses comprising electricity distribution, gas transmission and distribution, as well as the provision of electricity generation solutions for remote customers in Australia and other countries. Reliance Home Comfort contributed HK$553 million from its building equipment and services business in Canada. ista contributed HK$890 million from its fully integrated energy management services business in Europe. The economic benefits of infrastructure businesses received by the Group under an economic benefits agreement contributed HK$306 million. The Group will continue to source global diversified infrastructure and utility assets and related investment opportunities.

Outlook

The global battle against COVID-19 continues, pending an effective line of defense to contain the spread of the virus. With the roll-out of various government relief packages, the full economic impact of the pandemic is yet to be reflected. The global economy is projected to contract sharply and significant challenges lie ahead for all sectors. Implementation of the China-US Phase One Trade Agreement, the approaching US presidential election, Brexit and escalating international conflicts present additional uncertainties. The business environment is expected to remain volatile amid a rapidly changing economic and political landscape.

China recorded negative GDP growth of 6.8% in the first quarter of 2020, but returned to growth in the second quarter with real GDP up 3.2%. In the aftermath of the pandemic, the Central Government is committed to making stable progress through the implementation of new supporting measures to ensure security in six areas in order to maintain stability on six fronts. The six areas are protecting job security, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and normal functioning of primary-level governments; while the six fronts refer to securing stability in employment, the financial sector, foreign trade, foreign investment, domestic investment and market expectations. The new measures are intended to promote sustainable and sound economic development in China, and are expected to stimulate a post COVID-19 recovery at a pace faster than other major nations.

Hong Kong's GDP dropped 9.0% year-on-year in the second quarter of 2020. The property market is negatively affected by the economic downturn and rising unemployment rates against a backdrop of global economic and political uncertainties. Nevertheless, under the current low interest rate environment, coupled with a continual demand for housing and a series of relief measures launched by the Hong Kong government to support businesses and secure employment, the property sector is expected to remain largely resilient over the longer term once the impact of the pandemic has receded. Housing policies will continue to be determining factors.

As at the end of interim period, the Group had ample cash on hand with a net debt to net total capital ratio of approximately 4.7%, and maintained "A/Stable" and "A2 Stable" credit ratings from Standard & Poor's and Moody's respectively. With its solid financials, a low debt ratio and a portfolio of quality assets, the Group remains resilient amid a macro-environment full of uncertainties. We are optimistic that our worldwide businesses will regain growth momentum at times of economic recovery once the virus has subsided, and are well-equipped to seize quality investment opportunities in Hong Kong and overseas. The Group will adhere to its strategy "Advancing Without Forgoing Stability" and continue to generate sustainable value for shareholders.

Acknowledgement

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

Victor T K Li
Chairman

Hong Kong, 6 August 2020

Management Discussion and Analysis

BUSINESS REVIEW

Major Business Activities

1. Developments Completed and Scheduled for Completion in 2020:

Name	Location	Gross Floor Area (sq.ft.)	Group's Interest
Borrett Road Project Phase 2	Inland Lot No. 8949	149,123	100%
Seaside Sonata	New Kowloon Inland Lot No. 6506	595,702	Joint Venture
Yuhu Mingdi Phase 3	Huangpu District, Guangzhou	453,680	80%
Upper West Shanghai Phase 2 Tender 3, Phase 3 Tender 2 and Phase 4 Tender 2	Putuo District, Shanghai	2,740,144	60%
La Grande Ville Phase 5	Shun Yi District, Beijing	487,766	100%
Le Parc Phases 7B and 8A	Chengdu High-Tech Zone, Chengdu	1,013,582	100%*
Regency Hills Land No. 14 (Block 14)	Yangjiashan, Nanan District, Chongqing	299,538	95%
Laguna Verona Phases D2c, G1b/G2a Zone 3 and G2b Zone 1	Hwang Gang Lake, Dongguan	3,670,113	99.8%
Noble Hills Phases 3A and 3B	Zengcheng, Guangzhou	1,070,341	100%
Emerald Cove Phase 1	Daya Bay, Huizhou	1,288,460	100%
Regency Garden Phase 5B-1	Pudong New District, Shanghai	330,549	85%
Emerald Cove	Wuguishan, Zhongshan	677,415	100%

* On 23 July 2020, the Group completed the sale of this development, details of which were stated in the Company's announcement of the same date.

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

(1) May 2020: A wholly owned subsidiary of the Group was awarded a Government tender for a site, Lot No. 1069 in Survey District No. 3, off Anderson Road, Kwun Tong, Kowloon. With an area of approximately 217,076 sq.ft. (approximately 20,167 sq.m.), the site is designated for a residential development estimated to have a developable gross floor area of approximately 1,089,145 sq.ft. (approximately 101,185 sq.m.). Not less than 1,000 units out of the total number of residential units to be erected within the lot shall be starter homes units to implement the Starter Homes Pilot Project.

(2) July 2020: On 23 July 2020, two indirect wholly owned subsidiaries of the Group (the "Sellers") entered into the reinstatement and fifth amendment agreement with RZ3262019 Limited (the "Purchaser") to reinstate and amend the share purchase agreement dated 9 May 2019 (as amended) made between the two parties for the sale of the entire issued share capital of Carton International Limited and Happy Magic Enterprises Inc. (the "Target Companies", both the then indirect wholly owned subsidiaries of the Group) and the assignment of the related shareholder loans, to the Purchaser at a total consideration of approximately US$1,012,481,987 (subject to adjustment) ("Consideration"), which was completed on 23 July 2020. The Target Companies, directly or indirectly, together hold the entire equity interest in a company established in the PRC, which is the owner and developer of the property development known as "Chengdu Le Parc" (also known as "南城都匯商住項目") in Chengdu, PRC, comprising residential and commercial units and carparks. The Consideration was partly paid for by a loan in the US$ equivalent sum of RMB 2,400,000,000 advanced by the Sellers to the Purchaser.

Property Sales

Revenue of property sales (including share of joint ventures) recognised for the period was HK$19,484 million (2019 – HK$19,232 million), comprising mainly (i) sales of the remaining units and carparks of projects completed previously in Hong Kong; (ii) sales of residential units of various projects on the Mainland – Upper West Shanghai and Hupan Mingdi in Shanghai, Regency Hills in Chongqing and La Grande Ville in Beijing; (iii) sales of residential units of Chelsea Waterfront in the United Kingdom; and (iv) sales of residential and commercial units of Stars of Kovan in Singapore, and is summarised by location as follows:

Location	**2020 HK$ Million**	2019 HK$ Million
Hong Kong	**6,116**	15,674
The Mainland	**10,929**	3,428
Overseas	**2,439**	130
	19,484	19,232

Contribution from property sales for the period amounted to HK$9,004 million (2019 – HK$7,530 million) and is summarised by location as follows:

Location	**2020 HK$ Million**	2019 HK$ Million
Hong Kong	**1,768**	6,653
The Mainland	**6,638**	830
Overseas	**598**	47
	9,004	7,530

During the period, a significant contribution was derived from the sales of residential units of Upper West Shanghai on the Mainland, a development project which is 60% owned by the Group and comprises retail, office, residential, serviced apartment and hotel properties.

The presales of residential units of Sea to Sky and Seaside Sonata in Hong Kong and various projects on the Mainland including Laguna Verona in Dongguan, Noble Hills in Guangzhou and Regency Garden in Shanghai are progressing steadily. Contribution to profit is expected upon sales recognition when the projects are completed.

Property sales contracted but not yet recognised at 30 June 2020 are as follows:

Location	Scheduled for Sales Recognition In 2020 HK$ Million	After 2020 HK$ Million	Total HK$ Million
Hong Kong	1,335	13,627	14,962
The Mainland	7,454	5,436	12,890
Overseas	4	78	82
	8,793	19,141	27,934

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 92 million sq.ft., of which 5 million sq.ft., 83 million sq.ft. and 4 million sq.ft. were located in Hong Kong, on the Mainland and overseas respectively.

Property Rental

Revenue of property rental (including share of joint ventures) for the period was HK$3,453 million (2019 – HK$3,756 million) and comprised rental income derived from leasing of retail, office, industrial and other properties as follows:

Use of Property	**2020 HK$ Million**	2019 HK$ Million
Retail	**1,441**	1,695
Office	**1,439**	1,471
Industrial	**365**	371
Others	**208**	219
	3,453	3,756

The Group's investment properties are primarily located in Hong Kong including Cheung Kong Center, China Building and Hutchison House (currently under redevelopment) in Central, 1881 Heritage in Tsimshatsui, Whampoa Garden in Hunghom, Hutchison Logistics Centre in Kwai Chung and others. During the period, the Group completed the acquisition of OP Mall in Tsuen Wan, Hong Kong, and further expanded its retail property investment portfolio.

Contribution from property rental for the period amounted to HK$3,169 million (2019 – HK$3,567 million) and is summarised by location as follows:

Location	**2020 HK$ Million**	2019 HK$ Million
Hong Kong	**2,634**	2,819
The Mainland	**281**	340
Overseas	**254**	408
	3,169	3,567

Rental contribution from overseas decreased as certain retail properties in the United Kingdom, previously leased to Greene King for rental income, have become part of the pub operation since October 2019.

At the interim period end date, the Group had an investment property portfolio of approximately 16.4 million sq.ft. (including share of joint ventures but excluding car parking spaces) as follows:

Location	Retail Million sq.ft.	Office Million sq.ft.	Industrial Million sq.ft.	Total Million sq.ft.
Hong Kong	3.2	3.9	5.9	13.0
The Mainland	1.5	0.4	–	1.9
Overseas	0.1	1.4	–	1.5
	4.8	5.7	5.9	16.4

A decrease of HK$809 million (2019 – increase of HK$1,002 million) in fair value of investment properties was recorded at 30 June 2020 based on a professional valuation using capitalisation rates ranging from approximately 4% to 8%.

Hotel and Serviced Suite Operation

Revenue of hotel and serviced suite operation (including share of joint ventures) for the period was HK$992 million (2019 – HK$2,374 million), a decrease of HK$1,382 million when compared with the same period last year.

During the period, though Horizon Hotels & Suites managed to maintain its occupancy with long stay guests, the hotel operation of Harbour Grand Hotels, Harbour Plaza Hotels & Resorts and all other hotels of the Group had been severely hit by the COVID-19 pandemic. Average occupancy rates of 23% and 86% were recorded for the hotel and serviced suite properties respectively.

Contribution from hotel and serviced suite operation for the period amounted to HK$33 million (2019 – HK$876 million), a decrease of HK$843 million when compared with the same period last year, and is summarised by location as follows:

Location	**2020 HK$ Million**	2019 HK$ Million
Hong Kong	**90**	897
The Mainland	**(57)**	(21)
	33	876

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

Property and Project Management

Revenue of property and project management (including share of joint ventures) for the period was HK$403 million (2019 – HK$432 million) and mainly comprised management fees received for provision of property management and related services to properties developed by the Group.

Contribution from property and project management for the period amounted to HK$173 million (2019 – HK$183 million) and is summarised by location as follows:

Location	**2020 HK$ Million**	2019 HK$ Million
Hong Kong	**138**	130
The Mainland	**23**	40
Overseas	**12**	13
	173	183

At the interim period end date, the total floor area of completed properties managed by the Group was approximately 269 million sq.ft. and this is expected to grow steadily following gradual completion of property development projects in the years ahead. The Group is committed to providing high quality services to the properties under its management.

Aircraft Leasing

Revenue of aircraft leasing (including share of joint ventures) for the period was HK$1,520 million (2019 – HK$1,556 million), and comprised income derived from leasing of narrow body aircraft and wide body aircraft to airlines. The aircraft leasing business has been hit by the COVID-19 pandemic as most of the airline lessees have suffered a decline in operating cash flow due to a slump in flight demand as a result of travel restrictions worldwide.

Contribution from aircraft leasing for the period amounted to HK$733 million (2019 – HK$717 million), including a gain of HK$195 million on disposal of aircraft, and is summarised with reference to lessee's location of operation as follows:

Location	**2020** **HK$ Million**	2019 HK$ Million
Asia	**256**	272
Europe	**164**	219
North America	**256**	174
Latin America	**57**	52
	733	717

At the interim period end date, the Group (including interest in joint ventures) owned 121 narrow body aircraft and 5 wide body aircraft with an average age of 6.3 years and an average remaining lease term of 4.6 years, and had commitments of approximately HK$9 billion for acquisition of 20 aircraft.

Pub Operation

In October 2019, the Group completed the acquisition of Greene King, a leading integrated brewer and pub retailer operating about 2,700 pubs, restaurants and hotels across England, Wales and Scotland, and embarked on its pub operation. Unfortunately, pub businesses in the United Kingdom have been badly affected by the lockdown and mandated closure of pubs and restaurants imposed by the government to counteract the COVID-19 pandemic.

Significant operating losses have been incurred as a result of the enforced closure of the Group's pubs and restaurants. Revenue and contribution for the period were reported as follows:

Division	2020 Revenue HK$ Million	2020 Contribution HK$ Million	2019 Revenue HK$ Million	2019 Contribution HK$ Million
Pub Company – operates food-led and drink-led destination pubs and restaurants and community-focused local pubs	**3,078**	**(1,574)**	–	–
Pub Partners – owns a portfolio of mainly drink-led pubs which are run as franchised or leased pubs	**310**	**(35)**	–	–
Brewing & Brands – sells and distributes a wide range of beers including ale brands brewed in own breweries	**474**	**(329)**	–	–
	3,862	**(1,938)**	–	–

Infrastructure and Utility Asset Operation

The Group has interests in the following joint ventures which operate infrastructure and utility asset businesses:

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

and shared the revenue of joint ventures for the period as follows:

	2020 HK$ Million	2019 HK$ Million
CK William JV	**2,020**	2,132
CKP (Canada) JV	**1,782**	1,698
Sarvana JV	**2,807**	2,828
	6,609	6,658

The Group also invests in the economic benefits of the following infrastructure and utility asset businesses:

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

Profit contribution from investments in infrastructure and utility assets for the period amounted to HK$2,456 million (2019 – HK$2,542 million), and is summarised by location as follows:

	Australia HK$ Million	Europe HK$ Million	North America HK$ Million	**2020 Total HK$ Million**	2019 Total HK$ Million
CK William JV	664	15	28	**707**	816
CKP (Canada) JV	–	–	553	**553**	500
Sarvana JV	–	890	–	**890**	856
Other investments	144	162	–	**306**	370
	808	1,067	581	**2,456**	2,542

Interests in Real Estate Investment Trusts

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

	Principal Activity	Interest
Hui Xian REIT	Investment in hotels and serviced suites, office and retail properties on the Mainland	31.9%
Fortune REIT	Investment in retail properties in Hong Kong	27.0%
Prosperity REIT	Investment in office, retail and industrial properties in Hong Kong	18.2%

The Group shared the results of Hui Xian REIT, an associate, and took up a profit of HK$99 million (2019 – HK$166 million) for the period, whereas a distribution of HK$190 million (2019 – HK$260 million) was received.

Distributions received from Fortune REIT and Prosperity REIT during the period in the amount of HK$157 million (2019 – HK$156 million) were recognised as investment income. A decrease of HK$1,318 million (2019 – increase of HK$1,056 million) in fair value of the Group's interests in Fortune REIT and Prosperity REIT was recorded based on the market closing price at 30 June 2020.

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 loans amounted to HK$76.7 billion, a decrease of HK$3.4 billion when compared with bank and other loans at 31 December 2019. The maturity profile was spread over a period of 16 years, with HK$12.8 billion repayable within 1 year, HK$47.6 billion within 2 to 5 years and HK$16.3 billion beyond 5 years.

The Group's net debt to net total capital ratio at 30 June 2020 was approximately 4.7%. Net debt is arrived at by deducting bank balances and deposits of HK$58.9 billion from bank and other loans, and net total capital is the aggregate of total equity and net debt.

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

Treasury Policies

The Group maintains a conservative approach on foreign exchange exposure management and borrows principally on a floating rate basis. The Group manages and reviews its exposure to foreign exchange rates and interest rates 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, 59.7% of the Group's borrowings were in HK$ and US$, and borrowings in RMB, AUD and GBP had been arranged for investments and operations on the Mainland, in Australia and in the United Kingdom respectively. The Group derives its revenue from property businesses mainly in HK$ and RMB and maintains bank balances and deposits substantially in HK$ and RMB. Income in foreign currencies is generated by overseas investments and operations, and cash in these foreign currencies is maintained for operational requirements.

Charges on Assets

At the interim period end date, properties amounting to HK$15,099 million (31 December 2019 – HK$16,021 million) were charged to secure bank loans arranged for property projects on the Mainland and properties amounting to HK$30,239 million (31 December 2019 – HK$37,058 million) were charged to secure other borrowings arranged for pub operation in the United Kingdom.

Contingent Liabilities

At the interim period end date, the Group provided guarantees for (i) revenue shared by land owner of a hotel project amounting to HK$505 million (31 December 2019 – HK$521 million); (ii) mortgage loans provided by banks to purchasers of properties developed and sold by the Group on the Mainland amounting to HK$3,662 million (31 December 2019 – HK$1,975 million); and (iii) loans provided by banks to a joint venture amounting to HK$3,781 million (31 December 2019 – HK$3,502 million).

Employees

At the interim period end date, the Group employed approximately 54,000 employees. The related employees' costs for the period, before employment support subsidies from governments and other reimbursements, amounted to approximately HK$4,753 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 56, joined the CK Group in 1985, and has been the Chairman since 10 May 2018, the Managing Director since February 2015, and the Chairman of the Executive Committee of the Company since June 2015. He has also been a member of the Remuneration Committee of the Company since 10 May 2018 and the Chairman of the Nomination Committee of the Company since January 2019. Mr. Li has been a Director since January 2015 and an Executive Director of the Company since February 2015. He acted as the Deputy Chairman of the Company from February 2015 to 10 May 2018. Mr. Li is the Chairman and Group Co-Managing Director of CK Hutchison Holdings Limited. He is also the Chairman of CK Infrastructure Holdings Limited and CK Life Sciences Int'l., (Holdings) Inc., a Non-executive Director of Power Assets Holdings Limited and HK Electric Investments Manager Limited ("HKEIM") as the trustee-manager of HK Electric Investments, a Non-executive Director and the Deputy Chairman of HK Electric Investments Limited and Co-Chairman of Husky Energy Inc. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. Mr. Li is also the Deputy Chairman of Li Ka Shing Foundation Limited and Li Ka Shing (Global) Foundation, the Member Deputy Chairman of Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Li is the Honorary Consul of Barbados in Hong Kong. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and a degree of Doctor of Laws, honoris causa (LL.D.). Mr. Li is the elder son of Mr. Li Ka-shing, the Senior Advisor of the Company and a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), and a nephew of Mr. Kam Hing Lam, Deputy Managing Director and an Executive Committee Member of the Company. Mr. Li is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

KAM Hing Lam, aged 73, joined the CK Group in 1993, and has been an Executive Director and Deputy Managing Director of the Company since February 2015, an Executive Committee Member of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. He is Deputy Managing Director of CK Hutchison Holdings Limited. He is also the Group Managing Director of CK Infrastructure Holdings Limited and the President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc. All the companies mentioned above are listed companies. Mr. Kam is also the Chairman of Hui Xian Asset Management Limited as the manager of Hui Xian REIT (listed in Hong Kong). He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is the brother-in-law of Mr. Li Ka-shing, the Senior Advisor of the Company and a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, and an uncle of Mr. Li Tzar Kuoi, Victor, the Chairman and Managing Director of the Company and the Chairman of the Executive Committee of the Company.

IP Tak Chuen, Edmond, aged 68, joined the CK Group in 1993, and has been a Director since January 2015, Deputy Managing Director and an Executive Director of the Company since February 2015, an Executive Committee Member of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. He is Deputy Managing Director of CK Hutchison Holdings Limited. He is also an Executive Director and Deputy Chairman of CK Infrastructure Holdings Limited, and the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc. All the companies mentioned above are listed companies. Mr. Ip is also a Non-executive Director of Hui Xian Asset Management Limited as the manager of Hui Xian REIT (listed in Hong Kong). He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration. Mr. Ip is a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

CHUNG Sun Keung, Davy, aged 69, joined the CK Group in 1978, and has been an Executive Director of the Company since February 2015, an Executive Committee Member of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. Mr. Chung is a Registered Architect. He was a member of the 11th Guangzhou Committee of the Chinese People's Political Consultative Conference of the People's Republic of China.

CHIU Kwok Hung, Justin, aged 70, joined the CK Group in 1997, and has been an Executive Director of the Company since February 2015, an Executive Committee Member of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. He is the Chairman of ARA Asset Management (Prosperity) Limited as the manager of Prosperity REIT (listed in Hong Kong). Mr. Chiu is also a Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong). He is also a Director of ARA Fund Management (Asia Dragon) Limited as the manager of the ARA Asia Dragon Fund. Mr. Chiu has more than 40 years of international experience in real estate in Hong Kong and various countries. Mr. Chiu is a Fellow of The Royal Institution of Chartered Surveyors, a Council Member and a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators, a Vice Chairman of the Board of Governors of Hong Kong Baptist University Foundation, an Honorary Associate Member of Business of Trent University, Canada, a member of the Singapore Management University International Advisory Council in China, a Senior Visiting Fellow of the Department of Land Economy at University of Cambridge, an Honorary Professor of School of Pharmaceutical Sciences of Sun Yat-sen University and an Adjunct Professor in the School of Business of Hong Kong Baptist University. He was a member of the Standing Committee of the 12th Shanghai Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He holds a Bachelor of Arts degree in Sociology and Economics, and was conferred with the degree of Doctor of Social Sciences, honoris causa by Hong Kong Baptist University and the degree of Doctor of Laws, honoris causa by Trent University, Canada. Mr. Chiu is a director of a company controlled by a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

CHOW Wai Kam, Raymond, JP, aged 72, has been an Executive Director of the Company since February 2015, an Executive Committee Member of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. He joined the Hutchison Group in July 1995 and before his appointment on the Board, he was previously the Group Managing Director of the property and hotels divisions of the Hutchison Group. Mr. Chow is currently the Group Managing Director of Hutchison Property Group Limited, a wholly owned subsidiary of the Company. He is also a Non-executive Director of AVIC International Holding (HK) Limited, a listed company. He has over 40 years of experience in project management and architectural design for various developments, including hotel, residential, commercial, industrial and school projects in Hong Kong, the Mainland and overseas. He holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from the University of Hong Kong. He is an Authorised Person (List of Architects) and a Registered Architect. He was also admitted as a Fellow of The Hong Kong Institute of Architects since August 2001.

PAU Yee Wan, Ezra, aged 64, joined the CK Group in 1982, and has been an Executive Director of the Company since February 2015, an Executive Committee Member of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. Ms. Pau is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance, and a director of certain companies controlled by certain substantial shareholders of the Company.

WOO Chia Ching, Grace, aged 63, joined the CK Group in 1987, and has been an Executive Director of the Company since February 2015, an Executive Committee Member of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. She holds a Bachelor of Arts degree from the University of Pennsylvania, U.S.A. and a Master's degree in City and Regional Planning from Harvard University, U.S.A. Ms. Woo is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

CHEONG Ying Chew, Henry, aged 72, has been an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company since February 2015, and a member of the Nomination Committee of the Company since January 2019. Mr. Cheong is also an Independent Non-executive Director of CK Infrastructure Holdings Limited, New World Department Store China Limited and Skyworth Group Limited, and an Independent Director of BTS Group Holdings Public Company Limited. Mr. Cheong is an Executive Director and Deputy Chairman of Worldsec Limited. All companies mentioned above are listed companies. Mr. Cheong holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

CHOW Nin Mow, Albert, aged 71, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since February 2015, and a member of the Nomination Committee of the Company since January 2019. Mr. Chow is the Chairman and Managing Director of Wah Yip (Holdings) Limited.

Directors' Biographical Information *(continued)*

HUNG Siu-lin, Katherine, aged 72, joined the CK Group in March 1972, and has been an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company since February 2015, and a member of the Nomination Committee of the Company since January 2019. Ms. Hung is a member of the Supervisory Board of Hong Kong Housing Society, a Governing Committee Member of The Hong Kong Polytechnic University Foundation, an Honorary Court Member of The Hong Kong Polytechnic University, an Honorary Court Member of Lingnan University, President Consultant of Tianjin University and Honorary Vice Chairman of Chinese Academy of Governance (Hong Kong) Industrial and Commercial Professionals Alumni Association Ltd. She was a member of the Tianjin Committee of the 12th and 13th Chinese People's Political Consultative Conference of the People's Republic of China from January 2008 to January 2018, a Court Member of The Hong Kong University of Science and Technology for the period from 2011 to May 2016, an Executive Committee Member of Hong Kong Housing Society from September 2008 to August 2014, a Member of Estate Agents Authority during the period from November 2006 to October 2012, and a Steering Committee Member of the Institute for Enterprise of The Hong Kong Polytechnic University from April 2000 to August 2011. Ms. Hung is a University Fellow of The Hong Kong Polytechnic University.

Colin Stevens RUSSEL, aged 79, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since March 2017, and a member of the Nomination Committee of the Company since January 2019. He is also an Independent Non-executive Director of CK Infrastructure Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc. and Husky Energy Inc. All the companies mentioned above are listed companies. Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd., a company which provides advisory services to organisations on business strategy and planning, market development, competitive positioning and risk management. He is also Managing Director of EMAS (HK) Limited. He was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asia Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa, and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. He was Project Manager for RCA Ltd in Liberia, Nigeria, Mexico and India and electronic equipment development engineer in Canada with RCA Ltd and in Britain with Associated Electrical Industries. Mr. Russel received his Bachelor's degree in electronics engineering and Master's degree in Business Administration from McGill University, Canada. He is a Qualified Commercial Mediator.

Donald Jeffrey ROBERTS, aged 69, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since March 2017, and a member of the Nomination Committee of the Company since January 2019. He is also an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc. (listed in Hong Kong); an Independent Non-executive Director of HK Electric Investments Manager Limited, which is the trustee-manager of HK Electric Investments ("HKEI"), and HK Electric Investments Limited, a company listed together with HKEI in Hong Kong; and an Independent Non-executive Director of Queen's Road Capital Investment Ltd. (listed in Canada). He is also a Director of The Hongkong Electric Company, Limited, and an Independent Non-executive Director of Welab Bank Limited and Welab Capital Limited. He joined the Hutchison Whampoa Limited ("HWL") Group in 1988 and was the Group Deputy Chief Financial Officer of HWL from 2000 until his retirement in 2011. Mr. Roberts was a Member of the Listing Committee of the Main Board and GEM of The Stock Exchange of Hong Kong Limited from July 2015 to July 2020. He was previously a member of the Executive Committee of The Canadian Chamber of Commerce (the "Chamber") in Hong Kong and is currently Governor of the Chamber. He was previously served as a Governor of the Canadian International School of Hong Kong for the periods between 1998 to 2004, and between 2006 to 2012 and also a member on its Finance & Administration Committee. Mr. Roberts served as a member, including as the Deputy Chairman, of the Professional Conduct Committee of the Hong Kong Institute of Certified Public Accountants ("HKICPA") for 9 years. Mr. Roberts holds a Bachelor of Commerce degree. He is a Chartered Accountant with the Chartered Professional Accountants of Canada, Alberta and British Columbia, and also a Fellow of the HKICPA.

Disclosure of Interests

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

As at 30 June 2020, 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	144,590,350 (Note 1)	1,160,195,710 (Note 2)	1,305,411,260	35.34%
Kam Hing Lam	Beneficial owner & interest of child or spouse	51,040	57,360	–	–	108,400	0.0029%
Chow Nin Mow, Albert	Beneficial owner	66	–	–	–	66	≃0%
Hung Siu-lin, Katherine	Beneficial owner	43,256	–	–	–	43,256	0.0012%
Donald Jeffrey Roberts	Beneficial owner	167,396	–	–	–	167,396	0.0045%

Long Positions in Shares *(continued)*

(b) Associated Corporations

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

Notes:

(1) The 144,590,350 shares of the Company comprise:

(a) 56,177,350 shares held by certain companies of which Mr. Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.

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

(c) 49,300,000 shares held by a wholly-owned subsidiary of Li Ka Shing (Global) Foundation ("LKSGF"). By virtue of the terms of the constituent documents of LKSGF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSGF.

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

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

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

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

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

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

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

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

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

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2020, 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 2020, shareholders of the Company (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Name of Shareholder	Capacity	Number of Ordinary Shares	Total	Approximate % of Shareholding
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	1,003,380,744	1,003,380,744 (Note 1)	27.16% (Note 10)
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	1,003,380,744	1,003,380,744 (Note 1)	27.16% (Note 10)
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	1,003,380,744	1,003,380,744 (Note 1)	27.16% (Note 10)
Li Ka-shing	(i) Interest of controlled corporations	142,725,800)		
	(ii) Founder of discretionary trusts	1,160,195,710)	1,302,921,510 (Note 2)	35.27% (Note 10)

Disclosure of Interests *(continued)*

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

Name of Shareholder	Capacity	Number of Shares/ Underlying Shares	Total	Approximate % of Shareholding
BlackRock, Inc.	Interest of controlled corporations	221,271,787	221,271,787 (Notes 3 & 4)	5.99% (Note 10)
JPMorgan Chase & Co.	(i) Interest of controlled corporations	12,286,672)		
	(ii) Investment manager	24,280,913)		
	(iii) Person having a security interest in shares	839,500)		
	(iv) Approved lending agent	164,397,579)	201,804,664 (Notes 5 & 6)	5.46% (Note 10)
The Capital Group Companies, Inc.	Interest of controlled corporations	222,283,598	222,283,598 (Note 7)	6.01% (Note 10)

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

Name of Shareholder	Capacity	Number of Shares/ Underlying Shares	Total	Approximate % of Shareholding
BlackRock, Inc.	Interest of controlled corporations	1,456,500	1,456,500 (Notes 4 & 8)	0.04% (Note 10)
JPMorgan Chase & Co.	Interest of controlled corporations	8,493,486	8,493,486 (Notes 6 & 9)	0.22% (Note 10)

(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.	Approved lending agent	164,397,579	164,397,579 (Note 6)	4.45% (Note 10)

Notes:

(1) The three references to 1,003,380,744 shares relate to the same block of shares in the Company. Of these 1,003,380,744 shares of the Company, 913,378,704 shares of the Company are held by TUT1 as trustee of UT1 and 90,002,040 shares of the Company are held by companies controlled by TUT1 as trustee of UT1. Each of TUT1 as trustee of UT1, TDT1 as trustee of DT1 and TDT2 as trustee of another discretionary trust is taken to have a duty of disclosure under the SFO in relation to the same 1,003,380,744 shares of the Company as described in Note (2)(a) under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

(2) The 1,302,921,510 shares of the Company comprise:

(a) 142,725,800 shares of the Company of which:

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

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

(iii) 49,300,000 shares held by a wholly-owned subsidiary of LKSGF. By virtue of the terms of the constituent documents of LKSGF, Mr. Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSGF.

(b) 1,160,195,710 shares of the Company as described in Note (2) under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above. As Mr. Li Ka-shing may be regarded as a founder of each of DT1, DT2, DT3 and DT4 for the purpose of the SFO, Mr. Li Ka-shing is taken to have a duty of disclosure under the SFO as a substantial shareholder in relation to the same 1,160,195,710 shares of the Company after his retirement from the directorship of the Company.

(3) Such long position includes derivatives interests in 873,500 underlying shares of the Company derived from unlisted and cash settled derivatives.

(4) Such disclosure of interests was made in the form of notice pursuant to Part XV of the SFO submitted by BlackRock, Inc. to the Company on 7 May 2020.

(5) Such long positions include derivative interests in 5,284,314 underlying shares of the Company of which 1,684,000 underlying shares are derived from listed and physically settled derivatives, 179,814 underlying shares are derived from unlisted and physically settled derivatives and 3,420,500 underlying shares are derived from unlisted and cash settled derivatives.

(6) Such disclosure of interests was made in the form of notice pursuant to Part XV of the SFO submitted by JPMorgan Chase & Co. to the Company on 22 April 2020.

Disclosure of Interests *(continued)*

(7) Such disclosure of interests was made in the form of notice pursuant to Part XV of the SFO submitted by The Capital Group Companies, Inc. to the Company on 20 June 2020.

(8) Such short position includes derivative interests in 782,500 underlying shares of the Company derived from unlisted and cash settled derivatives.

(9) Such short position includes derivative interests in 7,442,986 underlying shares of the Company of which 1,239,000 underlying shares are derived from listed and physically settled derivatives, 23,500 underlying shares are derived from listed and cash settled derivatives, 2,339,485 underlying shares are derived from unlisted and physically settled derivatives, 3,841,000 underlying shares are derived from unlisted and cash settled derivatives and 1 underlying share is derived from listed and convertible instruments derivatives.

(10) The approximate percentages of shareholding were based on the issued share capital of the Company as at 30 June 2020 (i.e. 3,693,400,500 shares).

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Corporate Governance

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

The Company had applied the principles and complied with all code provisions (except as stated below) and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2020. In respect of code provision A.2.1 of the CG Code, the positions of the Chairman of the Board and the Managing Director are held by the same individual, namely, Mr. Victor T K Li. Although the positions of the Chairman and the Managing Director are not separately held, the Board is of the view that this is the most appropriate arrangement in the interest of the shareholders as a whole at present. All major decisions will, in accordance with current practice, be continued to be made in consultation with members of the Board and relevant board committees and key personnel of the Group after thorough discussions. The Board comprises five Independent Non-executive Directors who will continue to provide their views and comments to Mr. Victor T K Li as Chairman and Managing Director as they have done so previously. Furthermore, Mr. Li Ka-shing has been the Senior Advisor of the Company following his retirement as Chairman, and has in that capacity continued to contribute to the Group on significant matters.

In accordance with code provision A.5.1 of the CG Code, the Company established its nomination committee ("Nomination Committee") on 1 January 2019 which is chaired by the Chairman of the Board. When the need to select, nominate or re-elect Directors arises, the Nomination Committee will establish a sub-committee comprising a majority of Independent Non-executive Directors that is chaired by the Chairman of the Board in compliance with the requirements under the Listing Rules in relation to the composition of the nomination committee to consider and if appropriate, recommend the nomination of Director to be appointed or re-elected. While the Nomination Committee comprises all Directors of the Company, this is consistent with the established approach of the Company that the full Board as a whole is responsible for reviewing the selection and appointment of Directors.

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 meets with the Independent Non-executive Directors without the presence of other Directors at least once every year.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions, effective from 3 June 2015, which 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 2020.

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 2020.

AUDIT COMMITTEE

The Company established the Audit Committee on 26 February 2015 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The Audit Committee comprises 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 2020 has been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

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

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

NOMINATION COMMITTEE

The Company established its Nomination Committee on 1 January 2019 which is chaired by the Chairman of the Board. When the need to select, nominate or re-elect Directors arises, the Nomination Committee will establish a sub-committee comprising a majority of Independent Non-executive Directors that is chaired by the Chairman of the Board in compliance with the requirements under the Listing Rules in relation to the composition of the nomination committee to consider and if appropriate, recommend the nomination of Director to be appointed or re-elected. While the Nomination Committee comprises all Directors of the Company, this is consistent with the established approach of the Company that the full Board as a whole is responsible for reviewing the selection and appointment of Directors.

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

Other Information

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

On 16 March 2020, Greene King Finance plc ("GKF"), an indirect subsidiary of the Company, (i) redeemed in full the principal amount outstanding of the Class A1 secured floating rate notes due 2031 issued by GKF (with an original principal amount of GBP150,000,000 and listed on the Irish Stock Exchange) for a redemption amount of GBP75,324,000 (excluding accrued interest) and (ii) redeemed in full the principal amount outstanding of the Class A3 secured floating rate notes due 2021 issued by GKF (with an original principal amount of GBP170,000,000 and listed on the Irish Stock Exchange) for a redemption amount of GBP21,363,900 (excluding accrued interest). As at 30 June 2020, GKF had outstanding (i) GBP965 million principal amount of notes which are listed on the Irish Stock Exchange, with fixed rates ranging from 3.59% to 5.32% and final repayment from 2031 – 2035 and (ii) GBP427 million principal amount of notes which are listed on the Irish Stock Exchange, with interest rate of LIBOR plus margin ranging from 1.80% to 2.50% and final repayment from 2033 – 2036. These notes are secured by charges over the future income stream of the pledged properties.

On 30 March 2020, Spirit Issuer plc ("SIP"), an indirect subsidiary of the Company, redeemed in full the GBP186,569,000 principal amount outstanding of the GBP200,000,000 floating rate Class A2 secured debenture bonds due 2031 issued by SIP and listed on the Luxembourg Stock Exchange at par, together with accrued but unpaid interest on the principal amount outstanding on 30 March 2020. As at 30 June 2020, SIP had outstanding GBP97 million principal amount of bonds which are listed on the Luxembourg Stock Exchange, with a fixed rate of 5.47% and final repayment in 2032.

Save as disclosed above, during the six months ended 30 June 2020, 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 2020, 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 2020 is set out below:

HK$ million	
Non-current assets	195,399
Current assets	14,455
Current liabilities	(30,706)
Non-current liabilities	(145,579)
Net assets	33,569
Share capital	22,861
Reserves	11,048
Non-controlling interests	(340)
Total equity	33,569

As at 30 June 2020, the consolidated attributable interest of the Group in these affiliated companies amounted to HK$17,146 million.

RISK FACTORS

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

Global Economy

The ongoing COVID-19 pandemic and associated community shutdowns have a widespread and severe impact on worldwide economic activity. The uncertainties arising from the pandemic, including the length of the pandemic and the extent of production and business disruptions, may significantly worsen the outlook of global economy. Escalating protectionism as reflected in the trade frictions between the United States and certain major nations, Brexit uncertainties, the fluctuation of the US dollar against major currencies, the increasing geopolitical tensions as well as the volatility of oil prices, all have created uncertainties in the world economy and global financial market. A severe slowdown in global economic growth could lead to economic contractions in certain markets, commercial and consumer delinquencies, weakened consumer confidence and increased market volatility. The Group is a leading multinational corporation with businesses in Hong Kong, the Mainland, Singapore, the United Kingdom ("UK"), Continental Europe, Australia, Canada and the United States. Any adverse economic conditions in those countries and places in which the Group operates may potentially impact on the Group's businesses, financial conditions, results of operations or growth prospects.

Outbreak of Highly Contagious Disease

The continuing COVID-19 pandemic in different parts of the world, including the places of businesses at which the Group operates, has a significant adverse impact on most economies due to the community standstill, disruption of business activities, behavioral change, weakened sentiment in consumption and tourism related sectors, restricted labour supply and production, and confidence effects. As the situation of this highly infectious disease is still evolving, the heightened uncertainties surrounding the pandemic may pose a negative impact on the Group's businesses, financial conditions, results of operations or growth prospects. There can be no assurance that there will not be another significant global outbreak of a severe communicable disease, and if such an outbreak were to occur, it may have an adverse impact on the operations of the Group and its results of operations may suffer.

Potential Risks in relation to Brexit

The UK voted in 2016 to leave the European Union ("EU"), resulting in financial market volatility and a fall in the value of the British pound. The UK ceased to be a member state of the EU on 31 January 2020 and entered into a transition period until 31 December 2020. The negotiation outcome between the UK and the EU concerning the trade agreement governing their relationship after the transition period remains uncertain. In any event, Brexit has created significant uncertainty about the future relationship between the UK and the EU, including with respect to the laws and regulations that will apply as the UK will have to determine which EU-derived laws to replace or replicate.

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

Industry Trends and Interest Rates

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

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

Currency Fluctuations

The Group is a leading multinational corporation with businesses in Hong Kong, the Mainland, Singapore, the UK, Continental Europe, Australia, Canada 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.

Impact of Local, National and International Regulations

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

Compliance with Personal Data Protection Legislation

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

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

Cybersecurity

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

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

Impact of New Accounting Standards

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

Social Incidents and Terrorist Threat

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

Climate Change

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

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

Natural Disasters

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

Property Developments

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

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

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

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

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

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

The Aviation Industry

Cyclicality of Supply and Demand for Aircraft

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

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

These factors may produce sharp decreases or increases in aircraft values and lease rates, 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.

Deterioration in the Financial Conditions of the Commercial Airline Industry

The financial conditions of the commercial airline industry generally may have an impact on the Group's businesses, financial conditions, results of operations or growth prospects. Business and leisure travelling has been reduced sharply given the contingent measures including travel restrictions and new border control measures implemented in many countries or places to prevent the spread of COVID-19. Severe fallout has been witnessed in the aviation industry as a large number of airlines have significantly cut flights and grounded planes. If the situation continues, the Group may experience (a) a higher incidence of lessee defaults, lease restructurings, repossessions and airline bankruptcies and restructurings, resulting in lower lease rates and effective margins and/or increased costs due to maintenance, insurance, storage and legal costs associated with the repossession, as well as lost revenue for the time the aircraft are off lease; (b) an inability to lease aircraft on commercially acceptable terms, or at all, upon repossession, resulting in lower lease margins due to aircraft not earning revenue and resulting in maintenance, insurance and storage costs; and (c) downward pressure on demand for the aircraft in the Group's fleet and reduced market lease rates and effective lease margins, as well as reduced aircraft values. Any such factors may adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

Aircraft Repossession Rights and Other Remedies

In the event that an aircraft lessee defaults on its obligations under an aircraft lease, the lessor will be entitled to exercise certain remedies, including the right to terminate the leasing of the aircraft, take possession and control of the aircraft, and procure the de-registration, exportation and physical transfer of the aircraft from the territory in which it is located. The lessor's ability to exercise such remedies in a cost effective and timely manner will vary significantly depending upon the jurisdiction in question and whether the aircraft is returned voluntarily by the lessee through negotiation. If the lessor cannot obtain the lessee's co-operation, enforcement of the lessor's rights under the lease may need to be sought through the courts, which may be difficult, expensive and time-consuming, particularly if the proceedings are contested by the lessee. The global travel restrictions that have resulted from the spread of COVID-19 have also made the process of repossession more difficult and could result in longer repossession times and increased risks to the aircraft's value where its maintenance condition deteriorates while repossession is being pursued.

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

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

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 Fuel Costs

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

Effects of Environmental Regulations

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

The UK Pub Industry

Deterioration in market Conditions and Change of Consumer Demand

Various control measures have been implemented by the UK government to contain the spread of COVID-19, including but not limited to the statutory business closure of all bars and restaurants temporarily and social distancing which, to a great extent, restricts dine-in patronage and social gatherings. This has resulted in a sudden tremendous plunge in consumption of products and services provided by the pubs and restaurants in the UK. In view of the uncertainty over the duration of such control measures, the resulting effect on the industry is unpredictable depending on the development of COVID-19, which may pose significant adverse impact on the Group's business, financial conditions, results of operations or growth prospects. In relation to non-recourse debt financing, the Group has been working with the relevant creditors to obtain waivers in respect of potential covenant breaches as a result of COVID-19. However, there is no assurance that such waivers could always be obtained.

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

Supply Chain and Distribution

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

Mounting Cost Pressures

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

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

Health, Safety, Employment and Data Protection Regulations

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

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

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

Infrastructure Market

Some of the investments owned by the Group (for example, 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. The regulated businesses are exposed to lower allowed pricing in the upcoming price resets. Infrastructure projects are capital intensive, and with only a few major players in the market, there can be no assurance of ready buyers on disposal.

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

Highly Competitive Markets

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

New Business Ventures and Investments

To balance and mitigate the inherent risks associated with the cyclical nature of property development, or generally, the Group is committed to balancing and strengthening its business portfolio through global quality investments to enhance its recurrent income base and quality of earnings. The Group has taken steps to create and will continue to explore ways to create new sources of recurring revenue by investing into new business sectors and geographical regions if appropriate in respect of investments that meet its criteria. However, there can be no assurance that the Group will implement its business expansion strategies successfully or that its strategies will be able to deliver the results as anticipated. In pursuit of new business opportunities, the Group is experiencing more intense competition where competing bidders are more aggressive in the valuation of the assets on the back of abundant market liquidity and lower return requirements. Also, expansion into new sectors and markets may expose the Group to new uncertainties including but not limited to risks relating to insufficient operating experience in certain sectors and markets, changes in governmental policies and regulations and other adverse developments affecting such sectors and markets. There is also no assurance that all investors would favour the new ventures or investments that may be made by the Group.

Acquisitions

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

Strategic Partners

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

Connected Transactions

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

Past Performance and Forward-Looking Statements

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

Interim Financial Statements

Consolidated Income Statement
For the six months ended 30 June 2020

	Note	(Unaudited) 2020 $ Million	2019 $ Million
Group revenue		**29,248**	26,836
Share of revenue of joint ventures		**7,075**	7,172
Total	(2)	**36,323**	34,008
Group revenue		**29,248**	26,836
Interest from joint ventures		**915**	1,007
Investment and other income		**1,596**	2,094
Operating costs			
Property and related costs		**(10,377)**	(11,531)
Pub product and related costs		**(3,700)**	–
Salaries and related expenses		**(2,884)**	(1,817)
Interest and other finance costs		**(921)**	(580)
Depreciation		**(1,651)**	(889)
Other expenses		**(237)**	(246)
		(19,770)	(15,063)
Gain (loss) on financial instruments		**(254)**	1,803
Change in fair value of investment properties		**(809)**	1,002
Share of profit of joint ventures		**571**	447
Share of profit of associates		**99**	166
Profit before taxation	(3)	**11,596**	18,292
Taxation	(4)	**(4,137)**	(2,568)
Profit after taxation		**7,459**	15,724
Profit attributable to			
Non-controlling interests		**(833)**	(326)
Perpetual capital securities		**(266)**	(270)
Profit attributable to shareholders		**6,360**	15,128
Earnings per share	(6)	**$1.72**	$4.10

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	(Unaudited) 2020 $ Million	2019 $ Million
Profit after taxation	**7,459**	15,724
Other comprehensive income to be reclassified to income statement		
Exchange loss on translation of financial statements of operations outside Hong Kong	**(6,471)**	(160)
Exchange gain on translation of bank loans for hedging	**274**	72
Gain (loss) on derivative financial instruments		
Net investment hedges	**3,688**	(300)
Cash flow hedges	**512**	59
Share of other comprehensive loss of joint ventures	**(305)**	(255)
Other comprehensive income not to be reclassified to income statement		
Loss on remeasurement of defined benefit obligations	**(49)**	–
Share of other comprehensive loss of joint ventures	**(49)**	(78)
Other comprehensive income	**(2,400)**	(662)
Total comprehensive income	**5,059**	15,062
Total comprehensive income attributable to		
Non-controlling interests	**(746)**	(318)
Perpetual capital securities	**(266)**	(270)
Total comprehensive income attributable to shareholders	**4,047**	14,474

Consolidated Statement of Financial Position
As at 30 June 2020

	(Unaudited) 30/6/2020 $ Million	(Audited) 31/12/2019 $ Million
Non-current assets		
Fixed assets	**90,682**	97,519
Investment properties	**123,724**	119,832
Joint ventures	**58,127**	59,371
Associates	**6,951**	7,000
Investments	**15,993**	16,924
Goodwill	**5,977**	6,492
Deferred tax assets	**3,361**	2,688
Other non-current assets	**10,364**	7,716
	315,179	317,542
Current assets		
Properties for sale	**119,131**	121,930
Debtors, prepayments and others	**6,825**	6,754
Loan receivables	**2,119**	1,527
Bank balances and deposits	**58,857**	60,304
	186,932	190,515
Current liabilities		
Creditors, accruals and others	**21,916**	21,970
Bank and other loans	**12,836**	6,841
Customers' deposits received	**14,176**	15,459
Provision for taxation	**4,632**	5,488
	53,560	49,758
Net current assets	**133,372**	140,757
Non-current liabilities		
Bank and other loans	**63,892**	73,241
Deferred tax liabilities	**15,312**	13,836
Lease liabilities	**6,512**	6,636
Derivative financial instruments	**2,561**	3,218
Pension liabilities	**140**	136
	88,417	97,067
Net assets	**360,134**	361,232
Representing:		
Share capital and share premium	**245,639**	245,639
Reserves	**96,826**	98,614
Shareholders' funds	**342,465**	344,253
Perpetual capital securities	**11,670**	11,670
Non-controlling interests	**5,999**	5,309
Total equity	**360,134**	361,232

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Shareholders' funds				Perpetual	Non-	(Unaudited)
	Share capital $ Million	Share premium $ Million	Reserves(Note) $ Million	Total $ Million	capital securities $ Million	controlling interests $ Million	Total equity $ Million
Balance at 1 January 2019	3,694	241,945	77,881	323,520	11,670	5,838	341,028
Total comprehensive income	–	–	14,474	14,474	270	318	15,062
Change in non-controlling interests	–	–	–	–	–	(239)	(239)
Distribution of perpetual capital securities	–	–	–	–	(270)	–	(270)
Dividend paid to non-controlling interests	–	–	–	–	–	(106)	(106)
Dividend paid to shareholders							
2018 final dividend $1.43 per share	–	–	(5,282)	(5,282)	–	–	(5,282)
Balance at 30 June 2019	3,694	241,945	87,073	332,712	11,670	5,811	350,193
Balance at 1 January 2020	**3,694**	**241,945**	**98,614**	**344,253**	**11,670**	**5,309**	**361,232**
Total comprehensive income	**–**	**–**	**4,047**	**4,047**	**266**	**746**	**5,059**
Change in non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(8)**	**(8)**
Distribution of perpetual capital securities	**–**	**–**	**–**	**–**	**(266)**	**–**	**(266)**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(48)**	**(48)**
Dividend paid to shareholders							
2019 final dividend $1.58 per share	**–**	**–**	**(5,835)**	**(5,835)**	**–**	**–**	**(5,835)**
Balance at 30 June 2020	**3,694**	**241,945**	**96,826**	**342,465**	**11,670**	**5,999**	**360,134**

Note: Reserves

	Business combination reserve $ Million	Capital redemption reserve $ Million	Exchange reserve $ Million	Hedging reserve $ Million	Revaluation reserve $ Million	Retained profits $ Million	Total $ Million
Balance at 1 January 2019	(69,014)	166	(2,742)	262	(8)	149,217	77,881
Total comprehensive income	–	–	(274)	(302)	–	15,050	14,474
Dividend paid to shareholders							
2018 final dividend $1.43 per share	–	–	–	–	–	(5,282)	(5,282)
Balance at 30 June 2019	(69,014)	166	(3,016)	(40)	(8)	158,985	87,073
Balance at 1 January 2020	**(69,014)**	**166**	**(3,511)**	**70**	**(7)**	**170,910**	**98,614**
Total comprehensive income	**–**	**–**	**(2,440)**	**225**	**–**	**6,262**	**4,047**
Dividend paid to shareholders							
2019 final dividend $1.58 per share	**–**	**–**	**–**	**–**	**–**	**(5,835)**	**(5,835)**
Balance at 30 June 2020	**(69,014)**	**166**	**(5,951)**	**295**	**(7)**	**171,337**	**96,826**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	(Unaudited) 2020 $ Million	2019 $ Million
Net cash from operating activities	**11,344**	10,197
Net cash from (used in) investing activities		
Acquisition of investment properties	**(5,068)**	–
Acquisition of aircraft	**–**	(2,302)
Disposal of aircraft	**758**	–
Decrease in loan receivables	**–**	10,230
Other investing activities	**921**	110
	(3,389)	8,038
Net cash used in financing activities		
Net repayment of bank and other loans	**(1,425)**	(8,336)
Dividend paid to shareholders	**(5,835)**	(5,282)
Other financing activities	**(1,733)**	(1,556)
	(8,993)	(15,174)
Net increase (decrease) in cash and cash equivalents	**(1,038)**	3,061
Translation differences	**(523)**	23
Cash and cash equivalents at 1 January	**59,441**	55,417
Cash and cash equivalents at 30 June	**57,880**	58,501

Note: Cash and cash equivalents

	30/6/2020 $ Million	30/6/2019 $ Million
Bank balances and deposits	**58,857**	59,402
Less: restricted bank balances	**(977)**	(901)
	57,880	58,501

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 2019.

The adoption of new and revised International Financial Reporting Standards ("IFRSs") effective for annual accounting periods beginning on 1 January 2020 has no significant impact on the Group's results and financial position. For the IFRSs which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

2. Revenue and Profit Contribution

Revenue by principal activities is as follows:

	Six months ended 30 June					
	Group		Joint ventures		Total	
	2020 $ Million	2019 $ Million	**2020 $ Million**	2019 $ Million	**2020 $ Million**	2019 $ Million
Property sales	**19,470**	19,226	**14**	6	**19,484**	19,232
Property rental	**3,379**	3,682	**74**	74	**3,453**	3,756
Hotel and serviced suite operation	**987**	2,366	**5**	8	**992**	2,374
Property and project management	**385**	413	**18**	19	**403**	432
Aircraft leasing	**1,165**	1,149	**355**	407	**1,520**	1,556
Pub operation	**3,862**	–	**–**	–	**3,862**	–
Infrastructure and utility asset operation	**–**	–	**6,609**	6,658	**6,609**	6,658
	29,248	26,836	**7,075**	7,172	**36,323**	34,008

and is summarised by location as follows:

	Six months ended 30 June	
	2020 $ Million	2019 $ Million
Hong Kong	**10,114**	21,139
The Mainland	**11,587**	4,252
The United Kingdom	**4,575**	569
Others	**10,047**	8,048
	36,323	34,008

2. Revenue and Profit Contribution *(continued)*

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

	Six months ended 30 June					
	Group		Joint ventures		Total	
	2020 $ Million	2019 $ Million	**2020 $ Million**	2019 $ Million	**2020 $ Million**	2019 $ Million
Property sales	**9,001**	7,534	**3**	(4)	**9,004**	7,530
Property rental	**3,108**	3,501	**61**	66	**3,169**	3,567
Hotel and serviced suite operation	**45**	886	**(12)**	(10)	**33**	876
Property and project management	**161**	170	**12**	13	**173**	183
Aircraft leasing	**505**	487	**228**	230	**733**	717
Pub operation	**(1,938)**	–	**–**	–	**(1,938)**	–
Infrastructure and utility asset operation	**306**	370	**2,150**	2,172	**2,456**	2,542
	11,188	12,948	**2,442**	2,467	**13,630**	15,415
Bank and other loan finance costs	**(814)**	(580)	**(607)**	(624)	**(1,421)**	(1,204)
	10,374	12,368	**1,835**	1,843	**12,209**	14,211
Gain on financial instruments					**1,064**	747
Interests in real estate investment trusts					**256**	322
Change in fair values						
Real estate investment trusts					**(1,318)**	1,056
Investment properties					**(809)**	1,002
Others					**577**	1,322
Taxation						
Group					**(4,137)**	(2,568)
Joint ventures					**(383)**	(368)
Profit attributable to non-controlling interests and perpetual capital securities					**(1,099)**	(596)
Profit attributable to shareholders					**6,360**	15,128

Information on profit contribution by principal activities is set out in management discussion and analysis on pages 8 to 19 of the interim report.

3. Profit before Taxation

	Six months ended 30 June	
	2020	2019
	$ Million	$ Million
Profit before taxation is arrived at after charging:		
Interest and other finance costs		
Bank and other loans	**1,151**	977
Less: amount capitalised	**(337)**	(397)
	814	580
Lease liabilities	**107**	–
Costs of properties sold	**9,401**	10,062
Impairment of fixed assets – pub operation	**910**	–

4. Taxation

	Six months ended 30 June	
	2020	2019
	$ Million	$ Million
Current tax		
Hong Kong	**489**	1,464
Outside Hong Kong	**2,518**	1,148
Deferred tax	**1,130**	(44)
	4,137	2,568

5. Interim Dividend

An interim dividend of $0.34 (2019 – $0.52) per share, amounting to $1,256 million (2019 – $1,921 million), was declared by the Directors on 6 August 2020.

6. Earnings Per Share

The calculation of earnings per share is based on profit attributable to shareholders and on 3,693,400,500 shares (2019 – 3,693,400,500 shares) in issue during the period.

7. Ageing Analysis

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

	30/6/2020 $ Million	31/12/2019 $ Million
Current to one month	**1,032**	1,177
Two to three months	**347**	92
Over three months	**167**	163
	1,546	1,432

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

	30/6/2020 $ Million	31/12/2019 $ Million
Current to one month	**4,246**	5,428
Two to three months	**264**	34
Over three months	**94**	32
	4,604	5,494

8. Fair Value of Financial Assets and Financial Liabilities

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

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

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

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

	Level 1		Level 2		Level 3	
	30/6/2020 $ Million	31/12/2019 $ Million	**30/6/2020 $ Million**	31/12/2019 $ Million	**30/6/2020 $ Million**	31/12/2019 $ Million
Investments						
Listed securities	**4,468**	5,695	**–**	–	**–**	–
Unlisted securities	**–**	–	**–**	–	**1,347**	1,065
Investments in infrastructure businesses	**–**	–	**–**	–	**9,575**	9,575
Investment in a hotel development project	**–**	–	**–**	–	**603**	589
Derivative financial instruments						
– assets	**–**	–	**7,489**	3,483	**–**	–
– liabilities	**–**	–	**(2,570)**	(3,562)	**–**	–

For fair value measurement of investments using level 3 value inputs, change of the value inputs reasonably to possible alternatives would not have material effect on the Group's results and financial position. Fair value movement of these investments during the period is as follows:

	2020 $ Million	2019 $ Million
At 1 January	**11,229**	11,203
Additions	**56**	11
Change in fair value recognised through income statement	**240**	–
At 30 June	**11,525**	11,214

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

9. Commitments

At the period end date, the Group had capital commitments for (i) development of investment properties amounting to $5,377 million; (ii) acquisition of aircraft amounting to $9,426 million; and (iii) addition of other fixed assets amounting to $242 million.

10. Review of Interim Financial Statements

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