



# CKI

## A Leading Player in the Global Infrastructure Arena

CKI is a global infrastructure company that aims to make the world a better place through a variety of infrastructure investments and developments in different parts of the world. The Group has diversified investments in Energy Infrastructure, Transportation Infrastructure, Water Infrastructure, Waste Management, Waste-to-energy, Household Infrastructure and Infrastructure Related Businesses. Its investments and operations span Hong Kong, Mainland China, the United Kingdom, Continental Europe, Australia, New Zealand and North America.

### THE HALF YEAR AT A GLANCE

**Profit attributable  
to shareholders  
(HK\$ million)**

**5,942**

**Earnings  
per share  
(HK\$)**

**2.36**

**Interim dividend  
per share  
(HK\$)**

**0.68**

# CONTENTS

---

**002**

Corporate Information and Key Dates

**004**

Chairman's Letter

**009**

Financial Review

**011**

Directors' Biographical Information

**019**

Consolidated Income Statement

**020**

Consolidated Statement of  
Comprehensive Income

**021**

Consolidated Statement of  
Financial Position

**022**

Consolidated Statement of  
Changes in Equity

**024**

Condensed Consolidated Statement of  
Cash Flows

**025**

Notes to the Consolidated Interim  
Financial Statements

**040**

Directors' Interests and Short Positions  
in Shares, Underlying Shares  
and Debentures

**046**

Interests and Short Positions of  
Shareholders

**048**

Corporate Governance

**052**

Other Information

**053**

Risk Factors



# CORPORATE INFORMATION AND KEY DATES

## BOARD OF DIRECTORS

### Executive Directors

LI Tzar Kuoi, Victor (Chairman)  
FOK Kin Ning, Canning (Deputy Chairman)  
Frank John SIXT  
KAM Hing Lam (Group Managing Director)  
IP Tak Chuen, Edmond (Deputy Chairman)  
Andrew John HUNTER (Deputy Managing Director)  
CHAN Loi Shun (Chief Financial Officer)  
CHEN Tsien Hua

### Independent Non-executive Directors

CHEONG Ying Chew, Henry  
KWOK Eva Lee  
SNG Sow-mei alias POON Sow Mei  
Colin Stevens RUSSEL  
LAN Hong Tsung, David  
Barrie COOK  
Paul Joseph TIGHE

### Alternate Directors

CHOW WOO Mo Fong, Susan  
(alternate to FOK Kin Ning, Canning)  
MAN Ka Keung, Simon  
(alternate to IP Tak Chuen, Edmond)  
Eirene YEUNG  
(alternate to KAM Hing Lam)

### Non-executive Directors

LEE Pui Ling, Angelina  
George Colin MAGNUS

## AUDIT COMMITTEE

Colin Stevens RUSSEL (Chairman)  
CHEONG Ying Chew, Henry  
KWOK Eva Lee  
SNG Sow-mei alias POON Sow Mei  
LAN Hong Tsung, David

## REMUNERATION COMMITTEE

CHEONG Ying Chew, Henry (Chairman)  
LI Tzar Kuoi, Victor  
Colin Stevens RUSSEL

## COMPANY SECRETARY

Eirene YEUNG

## AUTHORISED REPRESENTATIVES

IP Tak Chuen, Edmond  
Eirene YEUNG

## PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited  
Bank of China (Hong Kong) Limited  
Credit Agricole Corporate and Investment Bank  
Mizuho Bank, Ltd.  
The Hongkong and Shanghai Banking Corporation Limited  
MUFG Bank, Ltd.  
Canadian Imperial Bank of Commerce  
National Australia Bank Limited  
BNP Paribas

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISERS

Woo, Kwan, Lee & Lo

## REGISTERED OFFICE

Clarendon House, Church Street,  
Hamilton HM11, Bermuda

## PRINCIPAL PLACE OF BUSINESS

12th Floor, Cheung Kong Center,  
2 Queen's Road Central, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building,  
69 Pitts Bay Road,  
Pembroke HM08, Bermuda

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## STOCK CODES

Stock Exchange of Hong Kong: 1038  
Bloomberg: 1038 HK  
Reuters: 1038.HK

## WEBSITE

[www.cki.com.hk](http://www.cki.com.hk)

# CORPORATE INFORMATION AND KEY DATES

## INVESTOR RELATIONS

For further information about CK Infrastructure Holdings Limited, please contact:

**Ivan CHAN**

CK Infrastructure Holdings Limited

12th Floor, Cheung Kong Center,

2 Queen's Road Central,

Hong Kong

Telephone: (852) 2122 3986

Facsimile: (852) 2501 4550

Email: [contact@cki.com.hk](mailto:contact@cki.com.hk)

## KEY DATES

Interim Results Announcement

26th July, 2018

Record Date for Interim Dividend

28th August, 2018

Payment of Interim Dividend

6th September, 2018

# CHAIRMAN'S LETTER

For the interim period ended 30th June, 2018, CK Infrastructure Holdings Limited (“CKI”, the “Company” or the “Group”) recorded unaudited profit attributable to shareholders of HK\$5,942 million, an increase of 5% against the corresponding period last year. If not for a few one-off items which occurred in UK and Australia in the first half of 2017, the 2018 interim profit contribution of our underlying businesses would have posted a double digit increase over the same period last year.

During the period under review, the Group has made considerable strides in amalgamating and integrating recent acquisitions to maximise synergies and drive growth. Through the acquisitions of DUET, Reliance Home Comfort and ista in 2017, CKI has increased the earnings contribution from the Australian, North American and European markets respectively.

The Board of Directors of CKI (the “Board”) has declared an interim dividend for 2018 of HK\$0.68 per share (2017: HK\$0.67 per share). The interim dividend will be paid on Thursday, 6th September, 2018 to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 28th August, 2018.

## **SATISFACTORY OPERATIONAL PERFORMANCE ACROSS GLOBAL PORTFOLIO**

### **Power Assets**

Profit contribution from Power Assets was HK\$1,566 million, similar to that of the same period last year.

Hong Kong business operations were steady. A new Scheme of Control is scheduled to commence in January 2019, assuring secure returns for the business over the next 15 years.

The international businesses continued to grow, with additional profit contribution coming from DUET.

Growth in profit contribution for the period under review was partially offset by lower net interest income generated as a result of special dividends being paid out in August last year and in April 2018.

# CHAIRMAN'S LETTER

## UK Portfolio

2018 interim profit contribution from the UK portfolio was HK\$2,930 million, a 0.3% increase over the same period last year. During the interim period of 2017, the profit was boosted by one-off prior year adjustments and capital allowance claims. Adjusting for these one-off items in 2017, the 2018 interim profit contribution would have posted a 9% increase.

UK Power Networks (“UKPN”) continued to perform well. The regulator, Ofgem, confirmed during the first half that there would be no mid-term review of the current regulatory control period for electricity distributors. As such, the current regulatory scheme would continue to be in place for the remaining four years of the 8-year control period. Predictable revenues in accordance with the current regulatory plan until March 2023 are expected for UKPN.

Northumbrian Water continued to provide a steady source of income for the Group. Currently, the company is working towards achieving a satisfactory outcome in the upcoming regulatory reset, which is due to commence in April 2020. During the period under review, Northumbrian Water received the “Company of the Year” and “Customer Service Initiative of the Year” accolades at the Water Industry Achievement Awards, as well as the “UK Excellence Award 2018”, a top national honour at the British Quality Foundation UK Excellence Award.

The Group’s gas distribution businesses – Northern Gas Networks and Wales & West Gas Networks – achieved solid operational results. During the period, Wales & West Gas Networks was named “Company of the Year” and received the “Energy Efficiency Award” through its Freedom Project at the Gas Industry Awards 2018.

During the period, steady profit contribution was also generated by UK Rails.

# CHAIRMAN'S LETTER

## Australia Portfolio

Profit contribution from the Group's Australia portfolio was HK\$1,151 million, a 37% increase over the same period in 2017. A higher percentage increase would have been posted if the one-off impact of a liability indemnity release in 2017 had been taken into consideration.

During the period under review, a full half-year of profit contribution was generated by DUET from its businesses comprising electricity distribution, gas transmission and distribution, as well as the provision of electricity generation solutions for remote customers. These businesses have been successfully integrated into the Group's existing portfolio in Australia.

SA Power Networks generated a steady profit contribution, while Victoria Power Networks continued to perform well under the current regulatory period.

Australian Gas Networks' performance for the interim period was in line with expectation. As the regulatory price reset for Victoria and New South Wales commenced in January, stable, predictable revenue streams have been secured for the next 5 years.

## Continental Europe Portfolio

Profit contribution for the portfolio in Continental Europe amounted to HK\$588 million, a 220% increase over the same period last year. This growth is attributed to a full half-year contribution from ista, a fully integrated energy management services provider.

Solid results were also achieved by Dutch Enviro Energy and Portugal Renewable Energy during the period under review.

## North America Portfolio

Profit contribution from CKI's portfolio in North America was HK\$179 million, a 49% growth over the same period last year. The main driver for this increase arose from the newly added contribution from Reliance Home Comfort, a Canadian provider of building equipment and services, acquired in September 2017. Existing businesses in Canada continued to perform in line with expectation during the period under review.



# CHAIRMAN'S LETTER

## Other Infrastructure and Materials Business

For New Zealand, profit contribution was HK\$66 million, a decrease of 24% over last year. Wellington Electricity's results were impacted by adverse weather, and EnviroNZ's waste volume experienced a drop during the period.

Profit contribution from the Mainland China portfolio was HK\$156 million, a 1.3% increase over last year which is in line with expectation.

The materials business reported profit contribution of HK\$150 million, a 0.7% increase over last year. In April, the Group announced the acquisition of a cement grinding plant and three pier berths in Yunfu City, Guangdong. This acquisition further expands CKI's infrastructure business portfolio in the Mainland China.

## STRONG FINANCIAL POSITION

As at 30th June, 2018, the Group had cash on hand of HK\$9.6 billion and a net debt to net total capital ratio of 15.2%. An "A-/Positive" rating from Standard & Poor's was maintained. CKI is committed to maintaining a strong financial position through financial prudence and conservative risk management strategies. Throughout our acquisition activities over recent years, we have maintained our robust financial standing and are ready to capitalise on future acquisition opportunities.

## OUTLOOK

While uncertainties and challenges persist in the wider macro-economic landscape, we are confident about CKI's future outlook.

The acquisitions made in recent years have propelled CKI's growth and contributed to delivering steady returns to our shareholders. We will build on these businesses organically while continuing to study acquisition opportunities.

# CHAIRMAN'S LETTER

In 2017, we have achieved considerable acquisition momentum with the acquisition of DUET, Reliance Home Comfort and ista. A pipeline of potential acquisitions is currently being explored including a large-scale project in Australia.

We have a strong track record of co-investing in quality projects with other members of the CK Group. Our robust financial strength and extensive infrastructure operational experience as well as that of our strategic partners – CK Asset and Power Assets – pose exceptional advantages for us when approaching sizeable potential investments. This unique edge could possibly land us even greater opportunities amidst the challenging economic environment.

While we study potential acquisitions diligently, we will continue to adhere to our usual prudent financial discipline; no investment opportunities will be approached with a “must-win” mentality.

I would like to take this opportunity to thank the Board, management and staff for their valuable commitment, as well as our shareholders for their support.

## LI TZAR KUOI, VICTOR

Chairman

26th July, 2018

# FINANCIAL REVIEW

## FINANCIAL RESOURCES, TREASURY ACTIVITIES AND GEARING RATIO

The Group's capital expenditure and investments were funded from cash on hand, internal cash generation, syndicated loans, notes, bonds, share placement and other project loans.

As at 30th June, 2018, cash and bank deposits on hand amounted to HK\$9,620 million and the total borrowings of the Group amounted to HK\$31,342 million, which included Hong Kong dollar notes of HK\$260 million and foreign currency borrowings of HK\$31,082 million. Of the total borrowings, 10 per cent were repayable in 2018, 58 per cent were repayable between 2019 and 2022 and 32 per cent were repayable beyond 2022. The Group's financing activities continue to be well received and fully supported by its bankers.

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars, Hong Kong dollars, Australian dollars, New Zealand dollars, British pound, Canadian dollars or Euro. The Group's liquidity and financing requirements are reviewed regularly. The Group will continue to maintain a strong capital structure when considering financing for new investments or maturity of bank loans.

As at 30th June, 2018, the Group maintained a net debt position with a net debt to net total capital ratio of 15.2 per cent, which was based on its net debt of HK\$21,722 million and net total capital, which represents the total borrowings plus total equity net of cash and bank deposits, of HK\$143,217 million. This ratio was slightly improved when compared with the net debt to net total capital ratio of 17.6 per cent at the year end of 2017 mainly due to cash inflows from the investment portfolios.

The fluctuations in currencies and in particular, the devaluation of the British pound arising from the United Kingdom referendum vote to leave the European Union had an impact on all businesses in the market that have exposure in the United Kingdom and/or to British pound. While the Group is not immune from such impact, there is no material change beyond market expectation.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with (i) currency swaps and (ii) the appropriate level of borrowings denominated in the local currencies. The Group also entered into certain interest rate swaps to mitigate interest rate risks. As at 30th June, 2018, the notional amounts of these derivative instruments amounted to HK\$64,362 million.

# FINANCIAL REVIEW

## CHARGE ON GROUP ASSETS

As at 30th June, 2018:

- the Group's obligations under finance leases totalling HK\$18 million were secured by charges over the leased assets with carrying value of HK\$15 million; and
- the shares of a subsidiary were pledged to secure bank borrowings totalling HK\$1,274 million granted to the Group.

## CONTINGENT LIABILITIES

As at 30th June, 2018, the Group was subject to the following contingent liabilities:

HK\$ million	
Guarantee in respect of bank loan drawn by affiliated companies	1,253
Other guarantee given in respect of an affiliated company	563
Performance bond indemnities	92
Total	1,908

## EMPLOYEES

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 2,005 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$392 million. The Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

Preferential subscription of 2,978,000 new shares of the Company was given to those employees who had subscribed for shares of HK\$1.00 each in the Company at HK\$12.65 per share on the flotation of the Company in 1996. The Group does not have any share option scheme for employees.

## DIRECTORS' BIOGRAPHICAL INFORMATION

**LI Tzar Kuoi, Victor**, aged 53, has been the Chairman of the Company since its incorporation in May 1996. He has been a member of the Remuneration Committee of the Company since March 2005. Mr. Victor Li is the Chairman and Group Co-Managing Director and Member of the Remuneration Committee of CK Hutchison Holdings Limited, and the Chairman and Managing Director, the Chairman of the Executive Committee and Member of the Remuneration Committee of CK Asset Holdings Limited. He is also the Chairman of 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. Victor Li is also the Deputy Chairman of Li Ka Shing Foundation Limited, Li Ka Shing (Overseas) Foundation and Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region ("HKSAR") and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Victor Li is the Honorary Consul of Barbados in Hong Kong. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), and a director of certain companies controlled by certain substantial shareholders of the Company. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.). Mr. Victor Li is a nephew of Mr. Kam Hing Lam, the Group Managing Director of the Company.

**KAM Hing Lam**, aged 71, has been the Group Managing Director of the Company since its incorporation in May 1996. He is the Deputy Managing Director of CK Hutchison Holdings Limited, and the Deputy Managing Director and Member of the Executive Committee of CK Asset Holdings Limited. He is also 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, which manages Hui Xian Real Estate Investment Trust, a real estate investment trust listed on The Stock Exchange of Hong Kong Limited ("SEHK"). Mr. Kam is 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. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr. Kam is an uncle of Mr. Li Tzar Kuoi, Victor, the Chairman of the Company.

## DIRECTORS' BIOGRAPHICAL INFORMATION

**IP Tak Chuen, Edmond**, aged 66, has been an Executive Director of the Company since its incorporation in May 1996 and Deputy Chairman of the Company since February 2003. He is Deputy Managing Director of CK Hutchison Holdings Limited, and Deputy Managing Director and Member of the Executive Committee of CK Asset Holdings Limited. He is also 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, which manages Hui Xian Real Estate Investment Trust, a real estate investment trust listed on the SEHK. He is 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. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

**FOK Kin Ning, Canning**, aged 66, has been an Executive Director and Deputy Chairman of the Company since March 1997. He is currently the Group Co-Managing Director of CK Hutchison Holdings Limited. Mr. Fok is also the Chairman of Hutchison Telecommunications Hong Kong Holdings Limited, Hutchison Telecommunications (Australia) Limited, Hutchison Port Holdings Management Pte. Limited ("HPPHM") as the trustee-manager of Hutchison Port Holdings Trust, Power Assets Holdings Limited, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited and Co-Chairman of Husky Energy Inc. Except for HPPHM and HKEIM, all the companies/business trust/investment trust mentioned above are listed in Hong Kong or overseas. Mr. Fok is 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. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a fellow of Chartered Accountants Australia and New Zealand.

**Andrew John HUNTER**, aged 59, has been an Executive Director of the Company since December 2006 and Deputy Managing Director of the Company since May 2010. He acted as the Chief Operating Officer of the Company from December 2006 to May 2010. Mr. Hunter is also an Executive Director of Power Assets Holdings Limited, a listed company. He is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. Prior to the appointment to the board of Power Assets Holdings Limited in 1999, Mr. Hunter was the Finance Director of the Hutchison Property Group. He holds a Master of Arts degree and a Master's degree in Business Administration. He is a member of the Institute of Chartered Accountants of Scotland and of the Hong Kong Institute of Certified Public Accountants. He has over 35 years of experience in accounting and financial management.

## DIRECTORS' BIOGRAPHICAL INFORMATION

**CHAN Loi Shun**, aged 55, has been an Executive Director of the Company since January 2011 and Chief Financial Officer of the Company since January 2006. He joined Hutchison Whampoa Limited ("HWL") in January 1992 and has been with the CK Group since May 1994. Mr. Chan is also an Executive Director of Power Assets Holdings Limited, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. Except for HWL and HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong. Mr. Chan is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and also a member of the Institute of Certified Management Accountants (Australia).

**CHEN Tsien Hua**, aged 56, has been an Executive Director of the Company since January 2017 and the Head of Business Development of the Company since 2005. She joined Hutchison Whampoa Limited in August 1992 and has been with the Company since July 1996. Ms. Chen holds a Bachelor's degree in Social Sciences and a Master's degree in Business Administration.

**Frank John SIXT**, aged 66, has been an Executive Director of the Company since its incorporation in May 1996. Mr. Sixt is the Group Finance Director and Deputy Managing Director of CK Hutchison Holdings Limited. He is also the Non-executive Chairman of TOM Group Limited, a Director of Hutchison Telecommunications (Australia) Limited and Husky Energy Inc., and an Alternate Director of Hutchison Telecommunications (Australia) Limited, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. Mr. Sixt is 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. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

## DIRECTORS' BIOGRAPHICAL INFORMATION

**CHEONG Ying Chew, Henry**, aged 70, has been an Independent Non-executive Director of the Company since its incorporation in May 1996. He has been a member of the Audit Committee of the Company since December 1998 and acted as the Chairman of the Audit Committee of the Company from December 1998 to December 2006. Mr. Cheong has been a member of the Remuneration Committee of the Company since January 2005 and the Chairman of the Remuneration Committee of the Company since January 2012. He is also an Independent Non-executive Director of CK Asset Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited, TOM Group Limited, CNNC International Limited, New World Department Store China Limited, Greenland Hong Kong Holdings Limited and Skyworth Digital Holdings Limited, and an Independent Director of BTS Group Holdings Public Company Limited. Mr. Cheong is an Executive Director and Deputy Chairman of Worldsec Limited. He is also an Alternate Director to Dr. Wong Yick Ming, Rosanna, an Independent Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited. All the companies mentioned above are listed companies. He is a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

**KWOK Eva Lee**, aged 76, has been an Independent Non-executive Director of the Company since September 2004. She is also an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc. and a Director of Li Ka Shing (Canada) Foundation ("LKS Canada Foundation"). She currently serves as Chair and Chief Executive Officer of Amara Holdings Inc. ("Amara"). Mrs. Kwok also acts as an Independent Director for Husky Energy Inc. Mrs. Kwok currently acts as the Chairman of the Remuneration Committee of CK Life Sciences Int'l., (Holdings) Inc. Mrs. Kwok also sits on the Compensation Committee and Corporate Governance Committee of Husky Energy Inc., and the Audit Committee of CK Life Sciences Int'l., (Holdings) Inc. and the Company. Except for LKS Canada Foundation and Amara, all the companies mentioned above are listed companies. She is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. In addition, she was an Independent Director of Bank of Montreal, a listed company, and previously sat on the Audit Committee and Pension Fund Society of the Bank of Montreal, the Nominating and Governance Committee of Shoppers Drug Mart Corporation, the Independent Committee of Directors and Human Resources Committee of Telesystems International Wireless (TIW) Inc., the Independent Committee of Directors and the Corporate Governance Committee of Fletcher Challenge Canada Ltd., the Audit and Corporate Governance Committees of Clarica Life Insurance Company, the Corporate Governance Committee of Air Canada, the Innovation Saskatchewan (IS) Board of Directors and the Saskatchewan-Asia Advisory Council of Saskatchewan.



## DIRECTORS' BIOGRAPHICAL INFORMATION

**SNG Sow-mei alias POON Sow Mei**, aged 77, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since September 2004. She is an Independent Non-executive Director and the Lead Independent Director of Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust, a business trust listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"), and an Independent Non-executive Director of ARA Asset Management (Prosperity) Limited, which manages Prosperity Real Estate Investment Trust, a real estate investment trust listed on the SEHK. Mrs. Sng is also a member of the Audit Committee of HPHM and ARA Asset Management (Prosperity) Limited. Mrs. Sng is a director of a company controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mrs. Sng was previously an Independent Director and a member of the Audit Committee of ARA Trust Management (Suntec) Limited, which manages Suntec Real Estate Investment Trust, a real estate investment trust listed on SGX-ST, and an Independent Non-executive Director and a member of the Audit Committee of ARA Asset Management (Fortune) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on the SEHK and SGX-ST. Mrs. Sng was also previously a Director of INFA Systems Ltd. and the Senior Consultant (International Business) of Singapore Technologies Electronics Ltd. Prior to her appointment with Singapore Technologies Pte Ltd. where Mrs. Sng was the Director, Special Projects (North East Asia) in 2000 and a Consultant in 2001, Mrs. Sng was the Managing Director of CapitaLand Hong Kong Ltd. for investments in Hong Kong and the region including Japan and Taiwan. In Hong Kong from 1983 to 1997, Mrs. Sng was the Centre Director and then as Regional Director of the Singapore Economic Development Board and Trade Development Board respectively. Mrs. Sng was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997. Mrs. Sng holds a Bachelor of Arts degree from the Nanyang University in Singapore and has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management. In 1996, Mrs. Sng was conferred the title of PPA(P) – Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver) by the Republic of Singapore.

**Colin Stevens RUSSEL**, aged 77, has been an Independent Non-executive Director and a member of the Remuneration Committee of the Company since January 2005. He has been a member of the Audit Committee of the Company since January 2005 and the Chairman of the Audit Committee of the Company since January 2007. He is also an Independent Non-executive Director of CK Asset Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc. and Husky Energy Inc. All the companies mentioned above are listed companies. Mr. Russel is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. 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.

## DIRECTORS' BIOGRAPHICAL INFORMATION

**LAN Hong Tsung, David**, aged 78, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since February 2005. He is also an Independent Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited, SJM Holdings Limited and Cinda Financial Holdings Co., Limited ("CFHCL"). Except for CFHCL, all the companies mentioned above are listed companies. Dr. Lan is also an Independent Non-executive Director of ARA Asset Management (Prosperity) Limited, which manages Prosperity Real Estate Investment Trust, a real estate investment trust listed on the SEHK. Dr. Lan was previously an Independent Non-executive Director of ARA Asset Management (Fortune) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on the SEHK and SGX-ST. He is currently the Chairman of David H T Lan Consultants Ltd., Supervisor of Nanyang Commercial Bank (China), Limited and holds directorship at Nanyang Commercial Bank Ltd. He is also a Senior Advisor of Mitsui & Company (Hong Kong) Limited and the President of the International Institute of Management. He is a director of a company controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Dr. Lan was the Secretary for Home Affairs of the HKSAR Government till his retirement in July 2000. He had served as civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal on 1st July, 2000. He was appointed as the 10th and 11th National Committee Member of the Chinese People's Political Consultative Conference of the People's Republic of China. Dr. Lan is a Chartered Secretary and a Fellow Member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He received his Bachelor of Arts degree from the University of London and completed the Advanced Management Program of the Harvard Business School, Boston. He was also a Fellow at Queen Elizabeth House, University of Oxford. Dr. Lan was conferred with Doctor of Business Administration, honoris causa by University of the West of England, Bristol, Doctor of Humanities, honoris causa by Don Honorio Ventura Technological State University, and holder of Visiting Professorship Awards of Bulacan State University and Tarlac State University.

**Barrie COOK**, aged 75, acted as an Executive Director of the Company from 2000 to September 2003 and a Non-executive Director of the Company from October 2003 to December 2011, and has been an Independent Non-executive Director of the Company since January 2012. He is the Honorary Chairman of the Hong Kong Construction Materials Association. Mr. Cook is a past Chairman of the East Asian Cement Forum, the Hong Kong Cement Association and the Waste Reduction Committee of the HKSAR Government. He was previously a member of the Advisory Council on the Environment and the Council for Sustainable Development of the HKSAR Government, and was the Convenor of the Hong Kong Business Coalition on the Environment. Mr. Cook was very active in community affairs through his work with the Hong Kong General Chamber of Commerce ("HKGCC") and was a past Chairman of the HKGCC's Environment and Arab/Africa Committees. Mr. Cook holds a Bachelor of Science Degree in Civil Engineering from University of Durham and a Diploma in Traffic Engineering from the Institution of Highway Engineers in the United Kingdom. He is a Chartered Civil Engineer of the United Kingdom and a Fellow of the Chartered Management Institute of the United Kingdom. He was previously a Member of the Institution of Highway Engineers of the United Kingdom and the Hong Kong Institution of Engineers.

## DIRECTORS' BIOGRAPHICAL INFORMATION

**Paul Joseph TIGHE**, aged 62, has been an Independent Non-executive Director of the Company since April 2017. He is a former career diplomat with Australia's Department of Foreign Affairs and Trade. He has around 37 years of experience in government and public policy, including 28 years as a diplomat. He has served as Australian Consul-General to Hong Kong and Macau (from 2011 to 2016), Australian Ambassador to Greece, Bulgaria and Albania (from 2005 to 2008), Deputy Head of Mission and Permanent Representative to the United Nations' Economic and Social Commission for Asia and the Pacific at the Australian Embassy in Bangkok (from 1998 to 2001) and as Counsellor in the Australian Delegation to the Organisation for Economic Co-operation and Development in Paris (from 1991 to 1995). In between overseas assignments, Mr. Tighe has held several positions at the headquarters of the Department of Foreign Affairs and Trade in Canberra, including as head of the Department's Trade and Economic Policy Division, head of the Diplomatic Security, Information Management and Services Division, head of the Agriculture and Resources Branch and Director of the International Economic Analysis Section. Before joining the Department of Foreign Affairs and Trade, Mr. Tighe worked in the Overseas Economic Relations Division of the Australian Treasury (from 1986 to 1988), in the Secretariat of the Organisation for Economic Co-operation and Development in Paris (from 1984 to 1986) and in the Australian Industries Assistance Commission (from 1980 to 1984). He holds a Bachelor of Science degree from the University of New South Wales.

**LEE Pui Ling, Angelina**, aged 69, acted as an Independent Non-executive Director of the Company from May 1996 to September 2004 and has been a Non-executive Director of the Company since September 2004. She is a practising solicitor, has a Bachelor of Laws degree and is a Fellow of the Institute of Chartered Accountants in England and Wales. She is active in public service and is currently a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. During the year, Mrs. Lee ceased to be a member of the Takeovers and Mergers Panel of the Securities and Futures Commission. She is also a Non-executive Director of TOM Group Limited and Henderson Land Development Company Limited, and an Independent Non-executive Director of Great Eagle Holdings Limited. All the companies mentioned above are listed companies. Mrs. Lee is a director of a company controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO.

**George Colin MAGNUS**, aged 82, acted as an Executive Director and Deputy Chairman of the Company from May 1996 to October 2005 and has been a Non-executive Director of the Company since November 2005. He is also a Non-executive Director of CK Hutchison Holdings Limited, a Director of Husky Energy Inc., and an Independent Non-executive Director of HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. He acted as an Executive Director of Cheung Kong (Holdings) Limited ("CKH") since 1980 and Deputy Chairman since 1985 until he retired from these offices in October 2005. He has been a Non-executive Director of CKH since November 2005 until his resignation in June 2015. He has been an Executive Director of Hutchison Whampoa Limited since 1980 and was re-designated as a Non-executive Director since November 2005 until his resignation in June 2015. He served as Deputy Chairman of HWL from 1984 to 1993. Mr. Magnus was previously the Chairman of Power Assets Holdings Limited (formerly known as Hongkong Electric Holdings Limited) from 1993 to 2005, a Non-executive Director from 2005 to 2012 and an Independent Non-executive Director until January 2014. Except for HKEIM, CKH and HWL, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. He is a director of a substantial shareholder of the Company within the meaning of Part XV of the SFO, and a director of a company controlled by a substantial shareholder of the Company. He holds a Master's degree in Economics.

## DIRECTORS' BIOGRAPHICAL INFORMATION

**CHOW WOO Mo Fong, Susan**, aged 64, acted as an Executive Director of the Company from March 1997 to July 2016 and an Alternate Director to Mr. Frank John Sixt, an Executive Director of the Company, from May 2006 to July 2016, and has been an Alternate Director to Mr. Fok Kin Ning, Canning, Deputy Chairman of the Company, since May 2006. Mrs. Chow is a Non-executive Director of CK Hutchison Holdings Limited and an Alternate Director of HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. Except for HKEIM, all the companies/investment trust mentioned above are listed in Hong Kong or overseas. She is a director of a substantial shareholder of the Company within the meaning of Part XV of the SFO. She is a qualified solicitor and holds a Bachelor's degree in Business Administration.

**MAN Ka Keung, Simon**, aged 61, has been an Alternate Director to Mr. Ip Tak Chuen, Edmond, Deputy Chairman of the Company, since February 2008. He joined the CK Group in December 1987. He is a Member of the Executive Committee and the General Manager of Accounts Department of CK Asset Holdings Limited, a listed company. He is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. He has over 37 years of experience in accounting, auditing, tax and finance. He holds a Bachelor's degree in Economics and is a member of Chartered Accountants Australia and New Zealand.

**Eirene YEUNG**, aged 57, Alternate Director to Mr. Kam Hing Lam, the Group Managing Director of the Company, and the Company Secretary of the Company. She is also a Member of the Executive Committee, the Company Secretary and General Manager of Company Secretarial Department of CK Asset Holdings Limited. She is also the Company Secretary of CK Life Sciences Int'l., (Holdings) Inc. All the companies mentioned above are listed companies. Ms. Yeung is a Non-executive Director of ARA Asset Management (Fortune) Limited, the manager of Fortune Real Estate Investment Trust (listed in Hong Kong and Singapore). She is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. Ms. Yeung joined the CK Group in August 1994. She is a solicitor of the High Court of the HKSAR and a non-practising solicitor of the Senior Courts of England and Wales. She is also a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

# CONSOLIDATED INCOME STATEMENT

for the six months ended 30th June

HK\$ million	Notes	Unaudited	
		2018	2017
<b>Turnover</b>	4	<b>19,450</b>	13,977
<b>Sales and interest income from infrastructure investments</b>	4	<b>3,548</b>	2,776
Other income	5	<b>187</b>	228
Operating costs	6	<b>(1,969)</b>	(1,618)
Finance costs		<b>(278)</b>	(305)
Exchange (loss)/gain		<b>(20)</b>	213
Share of results of associates		<b>1,878</b>	1,804
Share of results of joint ventures		<b>3,044</b>	2,847
<b>Profit before taxation</b>		<b>6,390</b>	5,945
Taxation	7	<b>(39)</b>	(15)
<b>Profit for the period</b>	8	<b>6,351</b>	5,930
<b>Attributable to:</b>			
Shareholders of the Company		<b>5,942</b>	5,657
Owners of perpetual capital securities		<b>398</b>	275
Non-controlling interests		<b>11</b>	(2)
		<b>6,351</b>	5,930
<b>Earnings per share</b>	9	<b>HK\$2.36</b>	HK\$2.25

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30th June

HK\$ million	Unaudited	
	2018	2017
<b>Profit for the period</b>	<b>6,351</b>	5,930
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Gain from fair value changes of derivatives designated as effective cash flow hedges	17	3
Gain/(Loss) from fair value changes of derivatives designated as effective net investment hedges	1,585	(1,611)
Exchange differences on translation of financial statements of foreign operations	(1,096)	1,669
Share of other comprehensive income of associates	180	149
Share of other comprehensive income of joint ventures	412	439
Income tax relating to components of other comprehensive income	(95)	(34)
	<b>1,003</b>	615
Items that will not be reclassified to profit or loss:		
Share of other comprehensive income of associates	186	107
Share of other comprehensive income of joint ventures	240	231
Income tax relating to components of other comprehensive income	(71)	(65)
	<b>355</b>	273
Other comprehensive income for the period	<b>1,358</b>	888
<b>Total comprehensive income for the period</b>	<b>7,709</b>	6,818
<b>Attributable to:</b>		
Shareholders of the Company	7,299	6,544
Owners of perpetual capital securities	398	275
Non-controlling interests	12	(1)
	<b>7,709</b>	6,818

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK\$ million	Notes	Unaudited 30/6/2018	Audited 31/12/2017
Property, plant and equipment		2,480	2,462
Investment properties		360	360
Interests in associates		38,568	43,108
Interests in joint ventures		100,409	98,462
Investments in securities		699	702
Derivative financial instruments		1,646	1,253
Goodwill and intangible assets		2,539	2,569
Deferred tax assets		10	7
Other non-current assets		201	136
<b>Total non-current assets</b>		<b>146,912</b>	<b>149,059</b>
Inventories		159	170
Derivative financial instruments		773	–
Debtors and prepayments	11	1,365	804
Bank balances and deposits		9,620	9,781
<b>Total current assets</b>		<b>11,917</b>	<b>10,755</b>
Bank and other loans		4,534	10,896
Derivative financial instruments		17	417
Creditors and accruals	12	4,376	4,242
Taxation		107	114
<b>Total current liabilities</b>		<b>9,034</b>	<b>15,669</b>
<b>Net current assets/(liabilities)</b>		<b>2,883</b>	<b>(4,914)</b>
<b>Total assets less current liabilities</b>		<b>149,795</b>	<b>144,145</b>
Bank and other loans		26,808	24,140
Derivative financial instruments		964	1,287
Deferred tax liabilities		472	468
Other non-current liabilities		56	58
<b>Total non-current liabilities</b>		<b>28,300</b>	<b>25,953</b>
<b>Net assets</b>		<b>121,495</b>	<b>118,192</b>
Representing:			
Share capital	13	2,651	2,651
Reserves		104,113	100,822
<b>Equity attributable to shareholders of the Company</b>		<b>106,764</b>	<b>103,473</b>
Perpetual capital securities		14,701	14,701
Non-controlling interests		30	18
<b>Total equity</b>		<b>121,495</b>	<b>118,192</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30th June, 2018

HK\$ million	Attributable to shareholders of the Company									Perpetual capital securities	Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Contributed surplus	Property revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total			
At 1st January, 2018 (audited)	2,651	25,299	(9,245)	6,062	68	(2,861)	(6,899)	88,398	103,473	14,701	18	118,192
Opening adjustments arising from adoption of HKFRS 9 and HKFRS 15	-	-	-	-	-	-	-	301	301	-	-	301
At 1st January, 2018 (as restated)	2,651	25,299	(9,245)	6,062	68	(2,861)	(6,899)	88,699	103,774	14,701	18	118,493
Profit for the period	-	-	-	-	-	-	-	5,942	5,942	398	11	6,351
Gain from fair value changes of derivatives designated as effective cash flow hedges	-	-	-	-	-	17	-	-	17	-	-	17
Gain from fair value changes of derivatives designated as effective net investment hedges	-	-	-	-	-	-	1,585	-	1,585	-	-	1,585
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(1,097)	-	(1,097)	-	1	(1,096)
Share of other comprehensive income/(expense) of associates	-	-	-	-	-	205	(25)	186	366	-	-	366
Share of other comprehensive income of joint ventures	-	-	-	-	-	412	-	240	652	-	-	652
Income tax relating to components of other comprehensive income	-	-	-	-	-	(95)	-	(71)	(166)	-	-	(166)
Total comprehensive income for the period	-	-	-	-	-	539	463	6,297	7,299	398	12	7,709
Dividend paid	-	-	-	-	-	-	-	(4,309)	(4,309)	-	-	(4,309)
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	(398)	-	(398)
At 30th June, 2018 (unaudited)	2,651	25,299	(9,245)	6,062	68	(2,322)	(6,436)	90,687	106,764	14,701	30	121,495



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

for the six months ended 30th June, 2017

HK\$ million	Attributable to shareholders of the Company										Total	
	Share capital	Share premium	Treasury shares	Contributed surplus	Property revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total	Perpetual capital securities		Non-controlling interests
At 1st January, 2017 (audited)	2,651	25,299	(9,245)	6,062	68	(2,748)	(8,865)	83,383	96,605	9,544	38	106,187
Profit for the period	-	-	-	-	-	-	-	5,657	5,657	275	(2)	5,930
Gain from fair value changes of derivatives designated as effective cash flow hedges	-	-	-	-	-	3	-	-	3	-	-	3
Loss from fair value changes of derivatives designated as effective net investment hedges	-	-	-	-	-	-	(1,611)	-	(1,611)	-	-	(1,611)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	1,668	-	1,668	-	1	1,669
Share of other comprehensive (expense)/income of associates	-	-	-	-	-	(171)	320	107	256	-	-	256
Share of other comprehensive income of joint ventures	-	-	-	-	-	439	-	231	670	-	-	670
Income tax relating to components of other comprehensive income	-	-	-	-	-	(34)	-	(65)	(99)	-	-	(99)
Total comprehensive income/(expense) for the period	-	-	-	-	-	237	377	5,930	6,544	275	(1)	6,818
Dividend paid	-	-	-	-	-	-	-	(4,107)	(4,107)	-	-	(4,107)
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	(275)	-	(275)
At 30th June, 2017 (unaudited)	2,651	25,299	(9,245)	6,062	68	(2,511)	(8,488)	85,206	99,042	9,544	37	108,623

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30th June

HK\$ million	Unaudited	
	2018	2017
Net cash from operating activities	<b>1,026</b>	1,266
Net cash from/(utilised in) investing activities	<b>6,937</b>	(10,286)
Net cash (utilised in)/from financing activities	<b>(8,124)</b>	1,976
<b>Net decrease in cash and cash equivalents</b>	<b>(161)</b>	(7,044)
Cash and cash equivalents at 1st January	<b>9,781</b>	11,790
<b>Cash and cash equivalents at 30th June</b>	<b>9,620</b>	4,746

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”).

The accounting policies adopted for the preparation of the consolidated interim financial statements are consistent with those set out in the Group’s consolidated annual financial statements for the year ended 31st December, 2017, except for adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1st January, 2018. Apart from the changes in accounting policies as set out in Note 2 below, the adoption of those new and revised HKFRSs has no material impact on the Group’s results and financial position for the current or prior periods and does not result in any significant change in accounting policies of the Group.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 2. CHANGES IN ACCOUNTING POLICIES

### (a) HKFRS 9 “Financial Instruments”

In the current period, the Group has adopted HKFRS 9 “Financial Instruments”. HKFRS 9 is effective for the accounting periods beginning on or after 1st January, 2018. The Group applied the transition provisions set out in HKFRS 9 to adjust the retained profits or other reserves as at 1st January, 2018, without restating comparative information retrospectively by applying the classification and measurement requirements (including impairment) to instruments that have not been derecognised as at 1st January, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st January, 2018. In addition, the Group applied the hedge accounting prospectively. Except for the share of impacts on associates and joint ventures as explained in Note 3, the principal effects resulting from the application of HKFRS 9 on the Group’s assets or liabilities are summarised below:

#### *Classification and measurement of financial assets and financial liabilities*

HKFRS 9 “Financial Instruments” introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics, and the new requirements on the accounting for financial liabilities that are designated at fair value through profit or loss.

Prior to 1st January, 2018, the Group’s investments in securities were classified as either “available-for-sale financial assets” or “financial assets at fair value through profit or loss”. From 1st January, 2018 onwards, the equity securities and debt securities previously classified as “available-for-sale financial assets” are classified as “financial assets at fair value through profit or loss” and “financial assets at amortised cost”, respectively, according to the business model. All other financial assets continue to be measured on the same basis as are measured under HKAS 39.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

### (a) HKFRS 9 “Financial Instruments” (Cont'd)

#### *Impairment of financial assets*

HKFRS 9 replaces the “incurred loss” impairment model in HKAS 39 with a forward-looking “expected credit loss” model. The Group applies simplified approach to recognise lifetime expected losses for all debtors and other receivables, and expected credit losses for investments in securities. The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices. Therefore, the Group considered no adjustment is necessary.

#### *Hedge accounting*

The Group has elected to use a more principles-based approach on hedge accounting which is introduced by HKFRS 9. HKFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy. The foreign currency forward contracts, cross currency swaps and interest rate swaps stated as at 31st December, 2017 continue to be qualified as net investment hedges or cash flow hedges under HKFRS 9 and no adjustment is considered necessary.

### (b) HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 “Revenue from Contracts with Customers” establishes a single comprehensive model in accounting for revenue arising from contracts with customers which are recognised when a performance obligation is satisfied. It replaces existing revenue recognition guidance, including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations.

The Group has elected to adopt HKFRS 15 using the modified retrospective approach, with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated. Except for the share of impacts on joint ventures as explained in Note 3, the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognition of the Group.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

### Consolidated Statement of Financial Position Items

HK\$ million	31/12/2017	Effects of adopting HKFRS 9*	Effects of adopting HKFRS 15^	1/1/2018
Interests in associates	43,108	90	–	43,198
Interests in joint ventures	98,462	–	211	98,673
Retained profits	88,398	90	211	88,699

Notes:

- \* The effects are in relation to the changes in classification and measurement of financial assets of an associate.
- ^ The effects are in relation to change in revenue recognition of certain sub-metering, maintenance contracts and construction service contracts of joint ventures.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (CONT'D)

#### Consolidated Income Statement and Consolidated Statement of Comprehensive Income items

For six months ended 30th June 2018

HK\$ million	As reported	Effects of adopting HKFRS 9	Effects of adopting HKFRS 15	Without adoption of HKFRS 9 & 15
Share of results of associates	1,878	(22)	–	1,856
Share of results of joint ventures	3,044	(6)	(55)	2,983
Share of other comprehensive income/(expense) of associates	366	(123)	–	243
Income tax relating to components of other comprehensive income	(166)	37	–	(129)

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (CONT'D)

The following table illustrates the classification of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1st January, 2018.

#### Analysis of financial assets items

HK\$ million	Original classification under HKAS 39	Original carrying amount under HKAS 39	New classification under HKFRS 9	New carrying amount under HKFRS 9
<b>Financial assets</b>				
Investment in securities	Available-for-sale financial assets, at cost	477	Financial assets at fair value through profit or loss*	477
	Available-for-sale financial assets, at fair value	179	Financial assets at amortised cost <sup>^</sup>	179
	Financial assets at fair value through profit or loss	46	Financial assets at fair value through profit or loss	46
Derivatives financial instruments	Hedging instruments at fair value	1,253	Hedging instruments at fair value	1,253
Bank balances and deposits	Loans and receivables	9,781	Financial assets at amortised cost	9,781
Debtors and other receivables	Loans and receivables	696	Financial assets at amortised cost	696
<b>Total financial assets</b>		<b>12,432</b>		<b>12,432</b>

Notes:

\* reclassified at the date of initial application as financial assets measured at fair value through profit or loss.

<sup>^</sup> reclassified at the date of initial application as financial assets measured at amortised cost, according to the Group's business model to hold this investment for collection of contractual cash flows, which represent solely payment of principal and interest on the principal amount outstanding.



# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 4. TURNOVER

Turnover represents net sales of infrastructure materials, interest income from loans granted to associates and joint ventures, sales of waste management services, interest income from investments in securities classified as infrastructure investments and share of turnover of joint ventures.

Turnover comprises both sales and interest income from infrastructure investments and share of turnover of joint ventures as follows:

HK\$ million	Six months ended 30th June	
	2018	2017
Sales of infrastructure materials	1,177	954
Interest income from loans granted to associates	173	184
Interest income from loans granted to joint ventures	1,452	907
Sales of waste management services	746	731
<b>Sales and interest income from infrastructure investments</b>	<b>3,548</b>	<b>2,776</b>
<b>Share of turnover of joint ventures</b>	<b>15,902</b>	<b>11,201</b>
<b>Turnover</b>	<b>19,450</b>	<b>13,977</b>

## 5. OTHER INCOME

Other income includes the following:

HK\$ million	Six months ended 30th June	
	2018	2017
Bank interest income	81	65

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 6. OPERATING COSTS

Operating costs include the following:

HK\$ million	Six months ended 30th June	
	2018	2017
Cost of inventories sold	949	803
Cost of services provided	444	417
Depreciation of property, plant and equipment	104	98
Amortisation of intangible assets	16	15

## 7. TAXATION

Taxation is provided for at the applicable tax rates on the estimated assessable profits less available tax losses. Deferred taxation is provided on temporary differences under the liability method using tax rates applicable to the Group's operations in different countries.

HK\$ million	Six months ended 30th June	
	2018	2017
Current taxation – outside Hong Kong	36	26
Deferred taxation	3	(11)
<b>Total</b>	<b>39</b>	<b>15</b>

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 8. PROFIT FOR THE PERIOD AND SEGMENT INFORMATION

For the six months ended 30th June

	Infrastructure Investments																								
	Investment in Power Assets Holdings Limited				United Kingdom		Australia		Continental Europe		Mainland China		North America		New Zealand		Infrastructure related business		Total before unallocated items		Unallocated items		Consolidated		
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
HK\$ million	-	-	9,341	8,488	3,389	1,543	2,874	837	156	181	1,063	465	1,065	1,050	1,572	1,433	19,450	13,977	-	-	19,450	13,977	-	-	
Turnover	-	-	696	713	403	247	376	71	-	-	122	33	774	758	1,177	954	3,548	2,776	-	-	3,548	2,776	-	-	
Sales and interest income from infrastructure investments <sup>#</sup>	-	-	-	-	-	-	-	-	1	-	-	-	-	-	17	20	18	20	63	45	81	65	-	-	
Bank interest income	-	-	-	-	-	-	-	-	82	49	-	-	-	1	14	12	96	149	10	14	106	163	-	-	
Other income	-	-	-	25	-	-	-	-	-	-	-	-	(76)	(72)	(44)	(41)	(120)	(113)	-	-	(120)	(113)	-	-	
Depreciation and amortisation	-	-	-	-	-	-	-	-	-	(4)	-	-	(594)	(557)	(997)	(855)	(1,591)	(1,416)	(258)	(89)	(1,849)	(1,505)	-	-	
Other operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	(36)	(35)	-	-	(36)	(35)	(242)	(270)	(278)	(305)	-	-	
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)	(1)	(1)	(19)	214	(20)	213	-	-	
Exchange (loss)/gain	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share of results of associates and joint ventures	1,566	1,564	2,234	2,173	748	529	212	113	77	114	63	94	2	4	20	60	4,922	4,651	-	-	4,922	4,651	-	-	
Profit/(Loss) before taxation	1,566	1,564	2,930	2,911	1,151	838	588	184	160	159	185	127	70	99	186	149	6,836	6,031	(446)	(66)	6,390	5,945	(66)	(66)	
Taxation	-	-	-	11	-	-	-	-	(4)	(5)	(6)	(7)	(4)	(12)	(25)	(2)	(39)	(15)	-	-	(39)	(15)	-	-	
Profit/(Loss) for the period	1,566	1,564	2,930	2,922	1,151	838	588	184	156	154	179	120	66	87	161	147	6,797	6,016	(446)	(66)	6,351	5,930	(66)	(66)	
Attributable to:																									
Shareholders of the Company	1,566	1,564	2,930	2,922	1,151	838	588	184	156	154	179	120	66	87	150	149	6,786	6,018	(644)	(61)	5,942	5,657	(61)	(61)	
Owners of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	398	275	398	275	-	-	
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11	(2)	11	(2)	-	-	11	(2)	-	-	
	1,566	1,564	2,930	2,922	1,151	838	588	184	156	154	179	120	66	87	161	147	6,797	6,016	(446)	(66)	6,351	5,930	(66)	(66)	

# Sales of infrastructure materials comprise sales in Hong Kong of HK\$545 million (2017: HK\$556 million), sales in Mainland China of HK\$630 million (2017: HK\$396 million) and sales in other region of HK\$2 million (2017: HK\$2 million).

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 8. PROFIT FOR THE PERIOD AND SEGMENT INFORMATION (CONT'D)

Segment profit attributable to shareholders of the Company represents the profit earned by each segment after the profit attributable to owners of perpetual capital securities and non-controlling interests without allocation of gains or losses from treasury activities, corporate overheads and other expenses of the Group's head office.

## 9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK\$5,942 million (2017: HK\$5,657 million) and on the weighted average of 2,519,610,945 shares (2017: 2,519,610,945 shares) in issue during the interim period.

The 131,065,097 shares issued in connection with the issue of perpetual capital securities in March 2016 were excluded from the calculation of earnings per share since these shares are disregarded for the purpose of determining the number of shares held by the public.

## 10. INTERIM DIVIDEND

The interim dividend declared by the Board of Directors is as follows:

HK\$ million	Six months ended 30th June	
	2018	2017
Interim dividend of HK\$0.68 per share (2017: HK\$0.67 per share)	1,713	1,688

During the six months ended 30th June, 2018, interim dividend declared by the Board of Directors amounted to HK\$1,713 million (2017: HK\$1,688 million), which is after elimination of HK\$89 million (2017: HK\$88 million) for the shares issued in connection with the issue of perpetual capital securities in March 2016.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 11. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK\$249 million (HK\$286 million at 31st December, 2017) and their aging analysis is as follows:

HK\$ million	30/6/2018	31/12/2017
Current	190	178
Less than 1 month past due	36	85
1 to 3 months past due	19	13
More than 3 months but less than 12 months past due	9	14
More than 12 months past due	20	21
Amount past due	84	133
Allowance for doubtful debts	(25)	(25)
<b>Total after allowance</b>	<b>249</b>	<b>286</b>

Trade with customers is carried out largely on credit, except for new customers, residential customers of waste management services and customers with unsatisfactory payment records, where payment in advance is normally required. Invoices are normally due within 1 month of issuance, except for certain well-established customers, where the terms are extended to 2 months, and certain customers with disputed items, where the terms are negotiated individually. Each customer has a maximum credit limit, which was granted and approved by senior management in accordance with the laid-down credit review policy and procedures.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 12. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK\$226 million (HK\$211 million at 31st December, 2017) and their aging analysis is as follows:

HK\$ million	30/6/2018	31/12/2017
Current	158	142
1 month	22	30
2 to 3 months	14	9
Over 3 months	32	30
<b>Total</b>	<b>226</b>	<b>211</b>

## 13. SHARE CAPITAL

There were no movements in the share capital of the Company in the six months ended 30th June, 2018.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Financial assets and liabilities measured at fair value

The following table provides an analysis of the Group's financial instruments that are measured at fair value at the end of the reporting period:

Assets measured at fair value								
	Level 1		Level 2		Level 3		Total	
HK\$ million	30/6/2018	31/12/2017	30/6/2018	31/12/2017	30/6/2018	31/12/2017	30/6/2018	31/12/2017
<b>Investment properties</b>	-	-	360	360	-	-	360	360
<b>Financial assets at fair value through profit or loss</b>								
Equity securities, unlisted	-	-	521	46	-	-	521	46
<b>Available-for-sale financial assets</b>								
Debt securities, unlisted	-	-	-	179	-	-	-	179
<b>Derivative financial instruments</b>								
Forward foreign exchange contracts	-	-	2,316	1,253	-	-	2,316	1,253
Cross currency swaps	-	-	103	-	-	-	103	-

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial assets and liabilities measured at fair value (Cont'd)

Liabilities measured at fair value								
	Level 1		Level 2		Level 3		Total	
HK\$ million	30/6/2018	31/12/2017	30/6/2018	31/12/2017	30/6/2018	31/12/2017	30/6/2018	31/12/2017
<b>Derivative financial instruments</b>								
Forward foreign exchange contracts	-	-	69	1,291	-	-	69	1,291
Cross currency swaps	-	-	517	-	-	-	517	-
Interest rate swaps	-	-	395	413	-	-	395	413

During the six months ended 30th June, 2018, there were no transfers between Level 1 and Level 2 (2017: nil).

### (b) Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of the financial assets and the financial liabilities included in Level 2 category above have been determined in accordance with generally accepted pricing models.



# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 15.COMMITMENTS

The Group's capital commitments outstanding at 30th June, 2018 and not provided for in the consolidated interim financial statements are as follows:

HK\$ million	Contracted but not provided for	
	30/6/2018	31/12/2017
Investment in a joint venture	339	464
Plant and machinery	97	40
<b>Total</b>	<b>436</b>	<b>504</b>

## 16.CONTINGENT LIABILITIES

The contingent liabilities of the Group are as follows:

HK\$ million	30/6/2018	31/12/2017
Guarantee in respect of bank loan drawn by joint ventures	1,253	1,312
Other guarantees given in respect of a joint venture	563	760
Performance bond indemnities	92	92
<b>Total</b>	<b>1,908</b>	<b>2,164</b>

## 17.COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

## 18.REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee.

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

As at 30th June, 2018, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (“Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

## (1) LONG POSITIONS IN SHARES

Name of Company	Name of Director	Capacity	Number of Ordinary Shares / Share Stapled Units				Total	Approximate % of Shareholding
			Personal Interests	Family Interests	Corporate Interests	Other Interests		
Company	Li Tzar Kuoi, Victor	Interest of child or spouse & beneficiary of trusts	-	227,000	-	5,428,000 (Note 1)	5,655,000	0.21%
	Kam Hing Lam	Beneficial owner	100,000	-	-	-	100,000	0.003%
CK Hutchison Holdings Limited	Li Tzar Kuoi, Victor	Beneficial owner, interest of child or spouse, interest of controlled corporations & beneficiary of trusts	220,000	405,200	2,572,350 (Note 3)	1,094,244,254 (Note 2)	1,097,441,804	28.44%
	Kam Hing Lam	Beneficial owner & interest of child or spouse	51,040	57,360	-	-	108,400	0.002%
	Fok Kin Ning, Canning	Interest of controlled corporation	-	-	5,111,438 (Note 7)	-	5,111,438	0.13%
	Frank John Sixt	Beneficial owner	136,800	-	-	-	136,800	0.003%
	Lan Hong Tsung, David	Beneficial owner	13,680	-	-	-	13,680	0.0003%
	Lee Pui Ling, Angelina	Beneficial owner	111,334	-	-	-	111,334	0.002%

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

## (1) LONG POSITIONS IN SHARES (CONT'D)

Name of Company	Name of Director	Capacity	Number of Ordinary Shares / Share Stapled Units				Total	Approximate % of Shareholding
			Personal Interests	Family Interests	Corporate Interests	Other Interests		
	George Colin Magnus	Beneficial owner, interest of child or spouse & founder & beneficiary of a discretionary trust	85,361	16,771	-	833,868 (Note 8)	936,000	0.02%
	Chow Woo Mo Fong, Susan	Beneficial owner	129,960	-	-	-	129,960	0.003%
	Man Ka Keung, Simon	Beneficial owner & interest of child or spouse	9,895 (Note 9)	11,895 (Note 9)	-	-	11,895	0.0003%
Power Assets Holdings Limited	Kam Hing Lam	Interest of child or spouse	-	100,000	-	-	100,000	0.004%
	Lee Pui Ling, Angelina	Beneficial owner	8,800	-	-	-	8,800	0.0004%
HK Electric Investments and HK Electric Investments Limited	Li Tzar Kuoi, Victor	Interest of controlled corporations	-	-	7,870,000 (Note 5)	-	7,870,000	0.08%
	Kam Hing Lam	Interest of child or spouse	-	1,025,000	-	-	1,025,000	0.01%
	Fok Kin Ning, Canning	Interest of controlled corporation	-	-	2,000,000 (Note 7)	-	2,000,000	0.02%
	Lee Pui Ling, Angelina	Beneficial owner	2,000	-	-	-	2,000	0.00002%
Hutchison Telecommunications (Australia) Limited	Fok Kin Ning, Canning	Beneficial owner & interest of controlled corporation	4,100,000	-	1,000,000 (Note 7)	-	5,100,000	0.037%
	Frank John Sixt	Beneficial owner	1,000,000	-	-	-	1,000,000	0.007%
Hutchison Telecommunications Hong Kong Holdings Limited	Li Tzar Kuoi, Victor	Interest of child or spouse, interest of controlled corporations & beneficiary of trusts	-	192,000	2,519,250 (Note 4)	153,280 (Note 6)	2,864,530	0.05%
	Fok Kin Ning, Canning	Interest of controlled corporation	-	-	1,202,380 (Note 7)	-	1,202,380	0.025%
	George Colin Magnus	Beneficial owner & interest of child or spouse	13,201	132	-	-	13,333	0.0003%
	Chow Woo Mo Fong, Susan	Beneficial owner	250,000	-	-	-	250,000	0.005%
Hutchison China MedTech Limited	Fok Kin Ning, Canning	Interest of child or spouse	-	26,740	-	-	26,740	0.04%

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

## (2) LONG POSITIONS IN UNDERLYING SHARES

Name of Company	Name of Director	Capacity	Number of Underlying Shares				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
Hutchison Telecommunications Hong Kong Holdings Limited	Frank John Sixt	Beneficial owner	255,000 (Note 10)	-	-	-	255,000

## (3) LONG POSITIONS IN DEBENTURES

Name of Company	Name of Director	Capacity	Amount of Debentures				Total
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
Hutchison Whampoa International (09) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	-	-	US\$45,792,000 7.625% Notes due 2019 (Note 4)	-	US\$45,792,000 7.625% Notes due 2019
CK Hutchison Capital Securities (17) Limited	Li Tzar Kuoi, Victor	Interest of controlled corporation	-	-	US\$38,000,000 Subordinated Guaranteed Perpetual Capital Securities (Note 4)	-	US\$38,000,000 Subordinated Guaranteed Perpetual Capital Securities

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

Notes:

1. The discretionary beneficiaries of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of the trustees of DT1 and DT2 holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of UT1 holds a total of 5,428,000 shares of the Company.

The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 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 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.

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

2. The 1,094,244,254 shares in CK Hutchison Holdings Limited ("CK Hutchison") comprise:
  - (a) 1,001,953,744 shares held by TUT1 as trustee of UT1 together with certain companies 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"). By virtue of being a director of the Company and a discretionary beneficiary of each of DT1 and DT2 as described in Note 1 above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of CK Hutchison held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO.
  - (b) 7,863,264 shares held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3"). The discretionary beneficiaries of each of the two discretionary trusts ("DT3" and "DT4") are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children, and Mr. Li Tzar Kai, Richard. Each of the trustees of DT3 and 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.

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

Notes (Cont'd):

The entire issued share capital of TUT3 and of the trustees of DT3 and DT4 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 CK Hutchison 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 CK Hutchison 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.

By virtue of the above and as a director of the Company and a discretionary beneficiary of each of DT3 and DT4, Mr. Li Tzar Kuoi, Victor is also taken to have a duty of disclosure in relation to the said 7,863,264 shares of CK Hutchison held by TUT3 as trustee of UT3 under the SFO.

- (c) 84,427,246 shares held by a company controlled by Li Ka-Shing Castle Trustee Corporation Limited as trustee of DT3.
3. The 2,572,350 shares in CK Hutchison comprise:
- (a) 2,272,350 shares held by certain companies in 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) 300,000 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.
4. Such interests are 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.
5. The 7,870,000 share stapled units in HK Electric Investments and HK Electric Investments Limited comprise:
- (a) 2,700,000 share stapled units held by a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOFF"). By virtue of the terms of the constituent documents of LKSOFF, 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 LKSOFF.

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

Notes (Cont'd):

- (b) 5,170,000 share stapled units held by 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.
- 6. 153,280 shares in Hutchison Telecommunications Hong Kong Holdings Limited ("HTHK") are held by TUT3 as trustee of UT3. By virtue of being a director of the Company and discretionary beneficiary of each of DT3 and DT4 as described in Note 2(b) above, Mr. Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said 153,280 shares of HTHK held by TUT3 as trustee of UT3 under the SFO.
- 7. Such interests are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.
- 8. Such interests comprise 184,000 shares held by a company controlled by a trust under which Mr. George Colin Magnus is a discretionary beneficiary and 649,868 shares indirectly held by a trust of which Mr. George Colin Magnus is the settlor and a discretionary beneficiary.
- 9. Such 9,895 shares are jointly held by Mr. Man Ka Keung, Simon and his wife, the remaining 2,000 shares are held by his wife.
- 10. Such underlying shares are derived from the 17,000 American Depositary Shares (each representing 15 ordinary shares) in HTHK beneficially owned by Mr. Frank John Sixt.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30th June, 2018, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30th June, 2018, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### LONG POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES OF THE COMPANY

Name	Capacity	Number of Ordinary Shares	Total	Approximate % of Shareholding
Hutchison Infrastructure Holdings Limited	(1) Beneficial owner	1,906,681,945 ) (Note i) )	2,037,747,042	76.87%
	(2) Interest of controlled corporation	131,065,097 ) (Note iv) )		
CK Hutchison Global Investments Limited	(1) Interest of controlled corporations	1,906,681,945 ) (Note ii) )	2,037,747,042	76.87%
	(2) Interest of controlled corporation	131,065,097 ) (Note iv) )		
CK Hutchison Holdings Limited	(1) Interest of controlled corporations	1,906,681,945 ) (Note iii) )	2,037,747,042	76.87%
	(2) Interest of controlled corporation	131,065,097 ) (Note iv) )		



## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

Notes:

- i. 1,906,681,945 shares of the Company are held by Hutchison Infrastructure Holdings Limited (“HIHL”), an indirect subsidiary of CK Hutchison Global Investments Limited (“CK Global”). Its interests are duplicated in the interests of CK Global in the Company described in Note ii below.
- ii. CK Global is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note i above as certain subsidiaries of CK Global are entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HIHL.
- iii. CK Hutchison Holdings Limited (“CK Hutchison”) is deemed to be interested in the 1,906,681,945 shares of the Company referred to in Note ii above as CK Hutchison is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of CK Global.
- iv. The 131,065,097 shares are held by OVPH Limited (“OVPH”) by virtue of the US\$1,200,000,000 5.875% Guaranteed Perpetual Capital Securities (the “Perpetual Securities”) issued on 2nd March, 2016. The Perpetual Securities were issued by OVPH and guaranteed by the Company. A swap agreement was entered into between the Company and OVPH under which OVPH is obliged to act in accordance with directions from the Company on certain matters. As a result, the Company is deemed by virtue of section 316(2) of the SFO to be interested in such voting shares as OVPH is interested. HIHL, CK Global and CK Hutchison are in turn deemed to be interested in the same 131,065,097 shares of the Company held by OVPH for the reasons set out in Notes ii and iii above.

Save as disclosed above, as at 30th June, 2018, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

# CORPORATE GOVERNANCE

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

The Company has applied the principles and complied with all code provisions (except as stated below) and, where applicable, the recommended best practices of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the six months ended 30th June, 2018. In respect of code provisions A.5.1 to A.5.4 of the CG Code, the Company does not have a nomination committee. At present, the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced and diversified composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the positions of Chairman of the Board (“Chairman”) and Group Managing Director.

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 audit committee of the Company (“Audit Committee”) has established the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters. In addition, the Company has established the Policy on Handling of Confidential Information, Information Disclosure, and Securities Dealing for compliance by the Company’s employees.

## (1) 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 seventeen Directors, comprising eight Executive Directors, two Non-executive Directors and seven Independent Non-executive Directors. Three Alternate Directors were appointed. 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 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 Bye-laws and the CG Code.

# CORPORATE GOVERNANCE

The positions of the Chairman and the Group Managing Director are currently held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Group's business.

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 Non-executive Directors (including Independent Non-executive Directors) without the presence of the Executive Directors at least once every year.

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

## **(2) 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 31st March, 2004, 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 30th June, 2018.

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

# CORPORATE GOVERNANCE

## (3) 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 Group Internal Audit prepares its audit plan using a risk based methodology in consultation with, but independent of, the management for review by the 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 30th June, 2018.

## (4) AUDIT COMMITTEE

The Company established the Audit Committee on 11th December, 1998 and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the CG Code. The Audit Committee now comprises five Independent Non-executive Directors, namely, Mr. Colin Stevens Russel (Chairman of the Audit Committee), Mr. Cheong Ying Chew, Henry, Mrs. Kwok Eva Lee, Mrs. Sng Sow-mei alias Poon Sow Mei and Mr. Lan Hong Tsung, David. 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 30th June, 2018 has been reviewed by the Audit Committee.

# CORPORATE GOVERNANCE

## (5) REMUNERATION COMMITTEE

In compliance with the CG Code, the Company established its remuneration committee (“Remuneration Committee”) on 1st January, 2005 with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee now comprises the Chairman, Mr. Li Tzar Kuoi, Victor, and two Independent Non-executive Directors, namely, Mr. Cheong Ying Chew, Henry (Chairman of the Remuneration Committee) and Mr. Colin Stevens Russel.

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 the management, and reviewing the remuneration packages of all Executive Directors and the management with reference to the corporate goals and objectives of the Board resolved from time to time.

## (6) INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules, and shareholders can choose to receive such documents using electronic means through the Company’s website; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company’s website offers a communication channel between the Company and its shareholders and stakeholders; (v) press conferences and briefing meetings with analysts are arranged from time to time to update on the performance of the Group; (vi) the Company’s Branch 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 in March 2012 which is subject to review on a regular basis to ensure its effectiveness.

## OTHER INFORMATION

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

During the six months ended 30th June, 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

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

As at 30th June, 2018, the Group's financial assistance to certain affiliated companies exceeded the assets ratio of 8 per cent. A combined statement of financial position of the affiliated companies as at 30th June, 2018 is set out below:

HK\$ million	
Non-current assets	545,059
Current assets	95,077
Current liabilities	(64,131)
Non-current liabilities	(442,323)
Net assets	133,682
Share capital	56,064
Reserves	77,542
Non-controlling interest	76
Total equity	133,682

As at 30th June, 2018, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$98,910 million.

## RISK FACTORS

The Group's businesses, financial conditions, results of operations or 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

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

### ECONOMIC CONDITIONS AND INTEREST RATES

The industries in which the Group operates are affected by the economic conditions of the various places where the Group's investments or operations are located, the population growth of these places, mark to market value of securities investments, the currency environment and interest rates cycles. There can be no assurance that the combination of the above factors the Group experiences in the future will not adversely affect its financial conditions or results of operations.

## RISK FACTORS

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 financial conditions or results of operations. The volatility in the financial markets may also adversely affect the income to be derived by the Group from its finance and treasury activities.

### POTENTIAL RISKS IN RELATION TO WITHDRAWAL OF THE UK FROM EU'S MEMBERSHIP ("BREXIT")

On 23rd June, 2016, the UK voted to leave the EU, resulting immediately in financial market volatility and a significant fall in the value of the British pound. Although the UK Government and the EU have reached an agreement on certain aspects in the negotiations of Brexit, various issues are still being further negotiated. Nevertheless, Brexit has created significant uncertainty about the future relationship between the UK and EU, including with respect to the laws and regulations that will apply as the UK determines which EU-derived laws to replace or replicate in the event of a withdrawal. These developments, or the perception that any of them could occur, has had a material adverse effect on global economic conditions and the stability of global financial markets.

While the Group's businesses in the UK are either protected by the respective regulated regimes or under long term payment contracts, and are essential services including electricity, water & sewage, gas and transportation, the continuing uncertainties following Brexit could adversely affect the economy of the UK and the strength of the British pound, although the long term implication of Brexit remains to be seen.

A significant and prolonged depreciation of the British pound may affect the Group's reported profit, and its ability to maintain future growth of dividends for shareholders.

### CONCENTRATION IN GEOGRAPHICAL MARKETS AND BUSINESS TYPES

The business operation of the Group may be viewed as substantially concentrated in one or more geographical markets or in one particular or more types of business. If and when the Group's operations are exposed to any deterioration in the economic, social and/or political conditions as well as any incidence of social unrest, strike, riot, civil disturbance or disobedience or terrorism in such geographical markets and/or business segments, the adverse circumstances may materially disrupt the Group's operations and, in turn, impact the revenue, profitability and financial conditions of the Group.



# RISK FACTORS

## HIGHLY COMPETITIVE MARKETS

The Group's waste management, off-airport car park and household infrastructure businesses 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) possible restrictions on the access by the shuttle buses operated by the Group's off-airport car park businesses as imposed by the airport authorities who operates the on-airport car park businesses; (b) the availability of rail link services from city centre to airport which may reduce the usage of the off-airport car park; and (c) significant competition and pricing pressure from other competitors attempting to capture a higher level of market share. Such risks may adversely affect the financial performance of the Group's operation.

## INFRASTRUCTURE MARKET

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

The distribution and transmission networks of the Group's utilities investments are also exposed to supply interruptions. If a severe earthquake, storm, flood, fire, sabotage, terrorist attack or other unplanned event interrupts service, the loss of cash flow resulting from the interruption and the cost of recovery from network damage could be considerable and potentially cause poor customer perception and may also lead to claims and litigations. Moreover, some losses from events such as terrorist attacks may not be recoverable. Increases in the number or duration of supply interruptions could result in material increases in the costs associated with the operation of the distribution and transmission networks. The capacity factor (load factor) of the Group's wind farms could also be affected by the wind condition, which could result in the fluctuation of revenues. 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.

# RISK FACTORS

## CRUDE OIL MARKETS

The Group's investment in Husky Midstream Limited Partnership ("HMLP") comprises oil pipelines, storage facilities and ancillary assets in Canada. Its results of operation and financial conditions may be dependent on the prices received for Husky Energy Inc. ("Husky")'s refined products and crude oil. Lower prices over a prolonged period of time for crude oil could adversely affect the value and quantity of Husky's oil reserve. HMLP also has other customers apart from Husky and their demand for HMLP's services may depend on prices received for their refined products and crude oil. Prices for refined products and crude oil are based on local and global supply and demand as well as availability and costs of transportation. Supply and demand may be affected by a number of factors including, but not limited to, actions taken by the Organisation of the Petroleum Exporting Countries (OPEC), non-OPEC crude oil supply, social and political conditions in oil producing countries, the occurrence of natural disasters, general and specific economic conditions, technological developments, prevailing weather patterns and the availability of alternate sources of energy. In 2016, Husky had a pipeline release at a river crossing in Saskatchewan, Canada. Husky took full responsibility for the incident and worked closely with downstream communities, First Nations and regulatory authorities on the response. A full and thorough investigation was undertaken and Husky is committed to using what it learned from the incident to further improve its operations. If the above events occurred or further occurred, it may adversely affect the Group's financial conditions and results of operations.

## CAPITAL EXPENDITURE

A significant amount of capital expenditure is required for the Group to acquire new investments and to maintain the assets of its existing businesses. While the relevant asset companies have their own asset management plans, there is a risk that due to unforeseen events, capital expenditure required for the replacement of assets could exceed budgeted amounts and hence affect the businesses, financial conditions, results of operations or growth prospects of the Group.

# RISK FACTORS

## CURRENCY FLUCTUATIONS

The Group is a diversified infrastructure investment company with businesses in Hong Kong, Mainland China, the UK, Continental Europe, Australia, New Zealand and North America, and is exposed to potential currency fluctuations in these countries and places in which the Group operates. The results of the Group are recorded 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 or results of operations, asset values and liabilities. The fluctuations in currencies and in particular, the devaluation of the pound sterling arising from Brexit impact on all businesses in the market that have exposure in the UK and/or to pound sterling. While the Company is not immune from such impact, there is no material change beyond market expectation.

To minimise currency risk exposure in respect of its investments in other countries, the Group generally hedges those investments with (i) currency swaps and (ii) 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 dollar could adversely affect the Group's businesses, financial conditions, results of operations or growth prospects.

## 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 infrastructure projects, 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.

# RISK FACTORS

## 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 fulfill their obligations under the joint ventures, which may affect the Group's businesses, financial conditions, results of operations or growth prospects.

## MERGERS AND ACQUISITIONS

The Group has undertaken merger and acquisition activities in the past and may continue to do so if there are appropriate acquisition opportunities in the market. Although due diligence and detailed analysis are conducted before these activities are undertaken, there can be no assurance that these can fully expose all hidden problems, potential liabilities and unresolved disputes that the target company may have. In addition, valuations and analyses on the target company conducted by the Group and by professionals alike are based on numerous assumptions, and there can be no assurance that those assumptions are correct or appropriate or that they will receive universal recognition. Relevant facts and circumstances used in the analyses could have changed over time, and new facts and circumstances may come to light as to render the previous assumptions and the valuations and analyses based thereon obsolete. Some of these merger and 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 merger and 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.

# RISK FACTORS

## 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.

Political, regulatory and media attention has increased significantly towards privatised companies in countries in which the Group operates. Regulators in some of these countries have warned of increasingly onerous regulatory resets, and some major political parties are promoting policies to bring energy, water and railways back into public ownership, which could potentially have serious and material consequences for the Group if such regulations and policies are enacted. Group companies are responding to these risks by focusing on their core strategies of delivering and outperforming regulatory outputs such as safety, reliability and customer service, at the lowest cost possible; by conveying the positive benefits to customers of the services they provide; and by engaging collaboratively with regulators and politicians to demonstrate the advantages of private ownership.

## IMPACT OF NEW ACCOUNTING STANDARDS

The International Accounting Standards Board has from time to time issued a number of new and revised International Financial Reporting Standards ("IFRS"). The International Accounting Standards Board may in the future issue new and revised standards and interpretations. In addition, interpretations on the application of the IFRS will continue to develop. These factors may require the Group to adopt new accounting policies. The adoption of new accounting policies or new IFRS might or could have a significant impact on the Group's financial position or results of operations.

# RISK FACTORS

## OUTBREAK OF HIGHLY CONTAGIOUS DISEASE

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

## CONNECTED TRANSACTIONS

CK Hutchison Holdings Limited (“CK Hutchison”) is also listed on The Stock Exchange of Hong Kong Limited. 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and accordingly any transactions entered into between the Group and CK Hutchison, its subsidiaries or associates 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.

## THE GROUP’S FINANCIAL CONDITIONS OR RESULTS OF OPERATIONS ARE AFFECTED BY THOSE OF THE POWER ASSETS GROUP

Following the spin-off by Power Assets Group of its Hong Kong electricity business in January 2014, the Group owns approximately 38.01 per cent of Power Assets Holdings Limited (“Power Assets”) which has investments in different countries and places and holds 33.37 per cent of HK Electric Investments, a fixed single investment trust, which in turn holds 100 per cent of The Hongkong Electric Company, Limited whose operations comprise the generation, transmission, distribution and supply of electricity to Hong Kong Island and Lamma Island. Hence the financial conditions and results of operations of Power Assets may be affected by the local market conditions and the economy of Hong Kong as well as the places where its investments are located. The Group’s financial conditions and results of operations are materially affected by the financial conditions and results of operations of Power Assets.

# RISK FACTORS

## NATURAL DISASTERS

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

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

## TERRORIST THREAT

The Group is a diversified infrastructure investment company with businesses in Hong Kong, Mainland China, the UK, Continental Europe, Australia, New Zealand and North America. In recent years, a series of terrorist activities occurred across the globe that resulted in multiple deaths and casualties. There is no assurance that countries in which the Group operates will not have any political unrest or they will be immune from terrorist threat, and if these events occur, it may have an adverse impact on the Group's businesses, financial conditions, results of operations or growth prospects.

## PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

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

*This interim report 2018 (both English and Chinese versions) ("Interim Report") has been posted on the Company's website at [www.cki.com.hk](http://www.cki.com.hk). 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 Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email to [cki.ecom@computershare.com.hk](mailto:cki.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 Branch Share Registrar or by email to [cki.ecom@computershare.com.hk](mailto:cki.ecom@computershare.com.hk) promptly be sent the Interim Report in printed form free of charge.*

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

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

