CK Infrastructure Holdings Limited
長江基建集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1038)

INTERIM RESULTS FOR 2018

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.

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.

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.

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.

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.

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.

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.

Corporate Governance Code

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.

Save as disclosed below, the Company has applied the principles and complied with all code provisions 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 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.

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 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 results for the six months ended 30th June, 2018 have been reviewed by the Audit Committee.

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 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.

CK Infrastructure Holdings Limited
長江基建集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1038)

NOTICE OF PAYMENT OF INTERIM DIVIDEND, 2018

The Board of Directors of CK Infrastructure Holdings Limited announces that the Group's unaudited profit attributable to shareholders for the six months ended 30th June, 2018 amounted to HK$5,942 million which represents earnings of HK$2.36 per share. The Directors have resolved to pay an interim dividend for 2018 of HK$0.68 per share to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 28th August, 2018, being the record date for determination of entitlement to the interim dividend. In order to qualify for the interim dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 28th August, 2018. The dividend will be paid on Thursday, 6th September, 2018.

By Order of the Board
CK INFRASTRUCTURE HOLDINGS LIMITED
Eirene Yeung
Company Secretary

26th July, 2018

As at the date hereof, the Executive Directors of the Company are Mr. LI Tzar Kuoi, Victor (Chairman), Mr. KAM Hing Lam (Group Managing Director), Mr. IP Tak Chuen, Edmond (Deputy Chairman), Mr. FOK Kin Ning, Canning (Deputy Chairman), Mr. Andrew John HUNTER (Deputy Managing Director), Mr. CHAN Loi Shun (Chief Financial Officer), Ms. CHEN Tsien Hua and Mr. Frank John SIXT; the Non-executive Directors are Mr. CHEONG Ying Chew, Henry (Independent Non-executive Director), Mrs. KWOK Eva Lee (Independent Non-executive Director), Mrs. SNG Sow-mei alias POON Sow Mei (Independent Non-executive Director), Mr. Colin Stevens RUSSEL (Independent Non-executive Director), Mr. LAN Hong Tsung, David (Independent Non-executive Director), Mr. Barrie COOK (Independent Non-executive Director), Mr. Paul Joseph TIGHE (Independent Non-executive Director), Mrs. LEE Pui Ling, Angelina and Mr. George Colin MAGNUS; and the Alternate Directors are Mrs. CHOW WOO Mo Fong, Susan (Alternate Director to Mr. FOK Kin Ning, Canning), Mr. MAN Ka Keung, Simon (Alternate Director to Mr. IP Tak Chuen, Edmond) and Ms. Eirene Yeung (Alternate Director to Mr. KAM Hing Lam).

CONSOLIDATED INCOME STATEMENT

for the six months ended 30th June

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

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
Total non-current assets		**146,912**	149,059
Inventories		**159**	170
Derivative financial instruments		**773**	-
Debtors and prepayments	11	**1,365**	804
Bank balances and deposits		**9,620**	9,781
Total current assets		**11,917**	10,755
Bank and other loans		**4,534**	10,896
Derivative financial instruments		**17**	417
Creditors and accruals	12	**4,376**	4,242
Taxation		**107**	114
Total current liabilities		**9,034**	15,669
Net current assets/(liabilities)		**2,883**	(4,914)
Total assets less current liabilities		**149,795**	144,145
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
Total non-current liabilities		**28,300**	25,953
Net assets		**121,495**	118,192
Representing:			
Share capital		**2,651**	2,651
Reserves		**104,113**	100,822
Equity attributable to shareholders of the Company		**106,764**	103,473
Perpetual capital securities		**14,701**	14,701
Non-controlling interests		**30**	18
Total equity		**121,495**	118,192

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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 Hong Kong Institute of Certified Public Accountants 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 years and does not result in any significant change in accounting policies of the Group.

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:

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(a) HKFRS 9 "Financial Instruments" (Cont'd)

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.

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.

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(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.

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.

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)

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**
Financial assets				
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^	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
Total financial assets		**12,432**		**12,432**

Notes:

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

^ 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.

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:

	Six months ended 30th June	
HK$ million	**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
Sales and interest income from infrastructure investments	**3,548**	2,776
Share of turnover of joint ventures	**15,902**	11,201
Turnover	**19,450**	13,977

5. OTHER INCOME

Other income includes the following:

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

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)
Total	**39**	15

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**	
HK$ million	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Turnover	**-**	-	**9,341**	8,468	**3,389**	1,543	**2,874**	837	**156**	181	**1,053**	465	**1,065**	1,050	**1,572**	1,433	**19,450**	13,977	**-**	-	**19,450**	13,977
Sales and interest income from infrastructure investments	**-**	-	**696**	713	**403**	247	**376**	71	**-**	-	**122**	33	**774**	758	**1,177**	954	**3,548**	2,776	**-**	-	**3,548**	2,776
Bank interest income	**-**	-	**-**	-	**-**	-	**-**	-	**1**	-	**-**	-	**-**	-	**17**	20	**18**	20	**63**	45	**81**	65
Other income	**-**	-	**-**	25	**-**	62	**-**	-	**82**	49	**-**	-	**-**	1	**14**	12	**96**	149	**10**	14	**106**	163
Depreciation and amortisation	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(76)**	(72)	**(44)**	(41)	**(120)**	(113)	**-**	-	**(120)**	(113)
Other operating expenses	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(4)	**-**	-	**(594)**	(557)	**(997)**	(855)	**(1,591)**	(1,416)	**(258)**	(89)	**(1,849)**	(1,505)
Finance costs	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(36)**	(35)	**-**	-	**(36)**	(35)	**(242)**	(270)	**(278)**	(305)
Exchange (loss) / gain	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(1)**	(1)	**(1)**	(1)	**(19)**	214	**(20)**	213
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)**	(86)	**6,390**	5,945
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)**	(86)	**6,351**	5,930
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	**(844)**	(361)	**5,942**	5,657
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)**	(86)	**6,351**	5,930

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:

	Six months ended 30th June	
HK$ million	**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.

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)
Total after allowance	**249**	286

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.

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
Total	**226**	211

13. COMPARATIVE FIGURES

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

14. REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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