



Power Assets Holdings Ltd. 電能實業有限公司

(Stock Code : 6)



Interim Report 2020

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
Profit attributable to shareholders (<i>million</i>)	2,262	3,791
Earnings per share	1.06	1.78
Interim dividend per share	0.77	0.77

This Interim Report has been posted in both the English and Chinese languages on the Company's website at www.powerassets.com. If, for any reason, shareholders who have chosen (or are deemed to have consented) to receive corporate communications through the Company's website have difficulty in gaining access to the Interim Report, they may request that a printed copy of this Interim Report be sent to them free of charge by mail.

Shareholders may at any time choose to receive all future corporate communications either in printed form or through the Company's website, by writing to the Company at Unit 2005, 20th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong or to the share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by emailing to the Company's email address at mail@powerassets.com.



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CORPORATE INFORMATION

Board of Directors

Executive Directors

FOK Kin Ning, Canning (*Chairman*)

TSAI Chao Chung, Charles (*Chief Executive Officer*)

CHAN Loi Shun

Andrew John HUNTER

Neil Douglas MCGEE

WAN Chi Tin

Non-executive Director

LI Tzar Kuoi, Victor

Independent Non-executive Directors

IP Yuk-keung, Albert

LUI Wai Yu, Albert

Ralph Raymond SHEA

WU Ting Yuk, Anthony

Audit Committee

IP Yuk-keung, Albert (*Chairman*)

Ralph Raymond SHEA

WU Ting Yuk, Anthony

Remuneration Committee

Ralph Raymond SHEA (*Chairman*)

FOK Kin Ning, Canning

LUI Wai Yu, Albert

Nomination Committee

FOK Kin Ning, Canning (*Chairman*)

TSAI Chao Chung, Charles

CHAN Loi Shun

Andrew John HUNTER

Neil Douglas MCGEE

WAN Chi Tin

LI Tzar Kuoi, Victor

IP Yuk-keung, Albert

LUI Wai Yu, Albert

Ralph Raymond SHEA

WU Ting Yuk, Anthony

Company Secretary

Alex NG

Principal Bankers

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking

Corporation Limited

MUFG Bank, Ltd.

Auditor

KPMG

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www.powerassets.com

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Telephone: (852) 2122 9122

Facsimile: (852) 2180 9708

Email: mail@powerassets.com

Share Registrar

Computershare Hong Kong Investor

Services Limited

Shops 1712–1716,

17th Floor, Hopewell Centre,

183 Queen's Road East, Wanchai, Hong Kong

Website: www.computershare.com

Email: hkinfo@computershare.com.hk

ADR (Level 1 Programme)

Depository

Citibank, N.A.

Shareholder Services

P.O. Box 43077, Providence,

Rhode Island 02940-3077, U.S.A.

Website: www.citi.com/dr

Email: citibank@shareholders-online.com

Investor Relations

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Ivan CHAN (*Chief Financial Officer*)

For other investors, please contact:

Alex NG (*Company Secretary*)

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2 Queen's Road Central,

Hong Kong

KEY DATES AND SHARE INFORMATION

Key Dates

Interim Results Announcement	5 August 2020
Interim Report Despatch Date	On or before 25 August 2020
Ex-dividend Date	3 September 2020
Record Date for Interim Dividend	4 September 2020
Payment of Interim Dividend (HK\$0.77 per share)	15 September 2020
Financial Year End	31 December 2020

Share Information

Board Lot	500 shares
Market Capitalisation as at 30 June 2020	HK\$89,959 million
Ordinary Share to ADR Ratio	1:1

Stock Codes

The Stock Exchange of Hong Kong Limited	6
Bloomberg	6 HK
Refinitiv	0006.HK
ADR Ticker Symbol	HGKGY
CUSIP Number	739197200

CHAIRMAN'S STATEMENT

Though the Power Assets Group is not immune to the social and economic impact of the COVID-19 pandemic, the impact on our Group has been far less severe than those experienced by many other industries. This is because most of our operating companies are either regulated businesses or have their revenue protected by long-term contracts. I deeply appreciate the selfless service of our team during these challenging times.

Half Year Results

The Group's unaudited profits for the six months ended 30 June 2020 amounted to HK\$2,262 million (2019: HK\$3,791 million). This decline is attributable to the following factors: (i) the corporate tax rate in the UK remained at 19% instead of reducing to 17% as previously enacted under UK law, which necessitated a one-off non-cash adjustment to the deferred tax balances of our operating companies there and negatively impacted the Group's share of the results of our joint ventures and associates of approximately HK\$780 million; (ii) a lower contribution from our mainland China portfolio following the expiry of our operating rights in two coal-fired power plants in 2019; (iii) the adverse impact of the COVID-19 pandemic.

The Group operates a diversified portfolio of operating companies in the generation of thermal and renewable power, the transmission of electricity, gas and oil, and the distribution of electricity and gas across Asia, Europe, Australia, New Zealand and North America.

Interim Dividend

The board of directors has declared an interim dividend of HK\$0.77 (2019: HK\$0.77) per share, payable on 15 September 2020 to shareholders whose names appear in the Company's Register of Members on 4 September 2020.

Delivering Resilient and Reliable Operating Results

Under the pandemic, as providers of essential services, all our operating companies moved swiftly to implement appropriate measures to ensure staff safety and maintain business continuity as we continued to supply our customers with power and heating especially during the lockdown periods. These included technologies to support work-from-home measures, guidelines to field workers, the provision of protective clothing, and sanitisers. With these safeguarding measures in place, we maintained our customary high standards with respect to efficiency, customer service and emissions. A review of the performances by respective markets follows.

United Kingdom Portfolio

The operating companies in the UK, our largest market, once again met all their key targets and several led their respective sectors for reliability and customer service, recording a total profit contribution of HK\$842 million (2019: HK\$1,825 million). The results for the first half of the year were affected by a one-off non-cash adjustment resulting from the UK corporate tax rate remaining at 19% instead of reducing to 17%, as previously enacted under UK law. A weaker pounds sterling exchange rate compared to the same period last year also affected the contributions of our UK investments.

Both Northern Gas Networks and Wales & West Utilities received the draft determinations for their next regulatory period starting April 2021, though with significantly lower rates of return and reduced potential for outperformance when compared to the current period. The two gas distribution networks will be responding to the draft determination consultation and will continue to assist the regulator with its enquiries in advance of the final determination expected by December 2020.

Hong Kong Portfolio

In Hong Kong, HK Electric Investments made a profit contribution of HK\$271 million (2019: HK\$237 million) as it continues to yield stable income to the Group.

HK Electric, our flagship operating company based in Hong Kong, maintained its world-leading reliability rating of over 99.999%. It has increased the proportion of gas-fired electricity to approximately 50% following the commissioning of a new gas-fired generating unit, L10, in February 2020. Two other generating units are currently under construction that will together increase gas-fired generation to approximately 70% of total output by the end of 2023. Progress was also made on the development of an offshore liquefied natural gas terminal scheduled for commercial operation in 2022. These capital works are essential to HK Electric's decarbonisation strategy in support of the Hong Kong government's policy and efforts in this area.

HK Electric launched a series of plans and schemes to improve energy efficiency and conservation in the community, while providing support to customers and businesses adversely impacted by the economic downturn during the period under review. A total of HK\$23 million has been distributed to the community in the form of dining coupons and subsidies to help the underprivileged while generating business income for the catering industry.

CHAIRMAN'S STATEMENT *(Continued)*

Australian Portfolio

The Australian portfolio delivered a profit contribution of HK\$663 million (2019: HK\$742 million). Our operating companies in the market achieved strong underlying performance, which partly offset the impact of unfavourable exchange rates and the adverse effects of the COVID-19 pandemic on consumption.

Our electricity distribution network in South Australia, SA Power Networks, commenced a new regulatory reset period. Though the allowed return was lower compared to the previous period, the new regime offers predictability to the earnings of the company for the next five years. Two other electricity distribution networks - Victoria Power Networks and United Energy - are working with the regulator for a new five-year regulatory reset period starting July 2021. Under the current low-interest rate regime and tough stances by the regulator, the exercise is expected to be challenging.

Our gas networks in Australia continued to outperform regulatory targets in public safety, reliability and customer services. Australia Gas Networks submitted a draft South Australian Access Arrangement proposal to the regulator to determine targets and income for the next regulatory period commencing July 2021. Multinet Gas moved ahead with a major asset relocation project while Dampier Bunbury Pipeline achieved 99.6% reliability performance for compressor stations.

Energy Developments Ltd completed the installation of an 18MW wind farm and a 13MW battery as part of a renewable hybrid project in Western Australia, which commenced commercial operations in April 2020. Australian Energy Operations, our electricity transmission network, delivered steady income and met targets, connecting four wind farms to the grid.

Mainland China Portfolio

Our mainland China portfolio presently comprises two wind farms and a coal-fired power plant after our handover of the operating rights of two coal-fired plants to the respective joint-venture partners in accordance with the terms of the respective co-operative agreements. Consequently, the profit contribution from our Chinese assets declined to HK\$28 million (2019: HK\$254 million) in the first half of 2020.

While the early part of the year saw electricity consumption in the mainland decline due to the COVID-19 pandemic, Jinwan Power Plant increased the amount of heat sold in the first half of 2020 year-on-year. The renewable energy generated by the two wind farms in Dali and Laoting reduced 111,000 tonnes of carbon emissions within the respective provinces.

Other Portfolios

In Canada, Canadian Power continued to migrate to gas-fired generation according to schedule. Husky Midstream moved forward on the second phase of expansion of the Saskatchewan Gathering System and the construction of long-term contracted crude oil storage tanks. The storage tanks will be put into service in the 4th quarter of 2020. The Ansell Corser gas processing plant maintained smooth operations in the first half of 2020, following commissioning in late 2019.

AVR-Afvalverwerking B.V. (AVR) in the Netherlands operates two waste-to-energy incineration plants in Rozenburg and Duiven. These plants met their operating targets, processing 831 kT of household and commercial waste. AVR was able to maintain more than 89% availability during the period under review.

In Portugal, Iberwind experienced a weaker-than-expected wind resource which impacted its contribution to the Group during the period under review.

In New Zealand, Wellington Electricity Lines met expectations in safety, reliability and customer service. It ran a campaign to support the use of electric vehicles to optimise network use and deliver both cost and environmental benefits.

Ratchaburi Power Company Limited, which operates generating facilities in Thailand, achieved all its operating parameters in line with its production plan.

Outlook

As countries across the world come out of lockdown gradually, improvements may be seen in many of our markets of operation even though socio-economic uncertainties are expected to persist in the second half of 2020. Regulatory resets, imminent in many key global markets, will pose a challenge in terms of negotiating favourable outcomes. We are engaged in extensive preparation work to position ourselves for this.

CHAIRMAN'S STATEMENT *(Continued)*

Leveraging our financial strength and strong cash position, we will continue to seek appropriate opportunities that meet our criteria to expand our portfolio to deliver long-term value appreciation. All expansion will be undertaken with a prudent mindset, concentrating on high quality investments in a diversified range of stable and well-regulated energy markets.

I would like to pay tribute to all my colleagues in the Power Assets Group whose tireless efforts and dedication through this challenging time have made it possible to maintain normal services.

I would also like to take this opportunity to extend my gratitude to the board of directors, our shareholders and other stakeholders for their continuous support.

Fok Kin Ning, Canning
Chairman

Hong Kong, 5 August 2020

FINANCIAL REVIEW

Capital Expenditure, Liquidity and Financial Resources

The Group's capital expenditure and investments were primarily funded by cash from operations, dividends and other repatriation from investments. Total unsecured bank loans outstanding at 30 June 2020 were HK\$3,313 million (31 December 2019: HK\$3,319 million). In addition, the Group had bank deposits and cash of HK\$3,361 million (31 December 2019: HK\$4,876 million) and no undrawn committed bank facility at 30 June 2020 (31 December 2019: HK\$Nil).

Treasury Policy, Financing Activities and Debt Structure

The Group manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The treasury policy is designed to manage the Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from dividends and other repatriation from investments, are generally placed in short-term deposits denominated primarily in Australian dollars, Hong Kong dollars, pounds sterling and United States dollars. The Group aims to ensure that adequate financial resources are available for refinancing and business growth, whilst maintaining a prudent capital structure.

The Group's financial profile remained strong during the period. On 28 January 2020, Standard & Poor's reaffirmed the "A" long-term issuer credit rating of the Company. The outlook remained "Stable", unchanged since September 2018. As at 30 June 2020, the net cash position of the Group amounted to HK\$48 million (31 December 2019: HK\$1,557 million).

The profile of the Group's external borrowings as at 30 June 2020, after taking into account interest rate swaps, was as follows:

- (1) 100% were in Australian dollars;
- (2) 100% were bank loans;
- (3) 100% were repayable within 1 year; and
- (4) 100% were in fixed rate.

The Group's policy is to maintain at least a significant portion of its debt at fixed interest rates. Interest rate risk is managed by either securing fixed rate borrowings or by using interest rate derivatives.

Currency and interest rate risks are actively managed in accordance with the Group's treasury policy. Derivative financial instruments are used primarily for managing interest rate and foreign currency risks and not for speculative purposes. Treasury transactions are only executed with counterparties with acceptable credit ratings to control counterparty risk exposure.

FINANCIAL REVIEW *(Continued)*

The Group's principal foreign currency exposures arise from its investments outside Hong Kong. Foreign currency transaction exposure also arises from settlement to vendors which is not material and is managed mainly through purchases in the spot market or utilisation of foreign currency receipts of the Group. Currency exposures arising from investments outside Hong Kong are, where considered appropriate, mitigated by financing those investments in local currency borrowings or by entering into forward foreign exchange contracts or cross currency swaps. The fair value of such borrowings at 30 June 2020 was HK\$3,313 million (31 December 2019: HK\$3,319 million). The fair value of forward foreign exchange contracts and cross currency swaps at 30 June 2020 was an asset of HK\$3,055 million (31 December 2019: asset of HK\$1,061 million). Foreign currency fluctuations will affect the translated value of the net assets of investments outside Hong Kong and the resultant translation difference is included in the Group's reserve account. Income received from the Group's investments outside Hong Kong which is not denominated in Hong Kong dollars is, unless otherwise determined, converted into United States dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 30 June 2020 amounted to HK\$35,321 million (31 December 2019: HK\$35,502 million).

Charges on Assets

At 30 June 2020, the Group's interest in an associate of HK\$177 million (31 December 2019: HK\$182 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 30 June 2020, the Group had given guarantees and indemnities totalling HK\$443 million (31 December 2019: HK\$493 million).

Employees

The Group continues its policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Group's total remuneration costs for the six months ended 30 June 2020, excluding directors' emoluments, amounted to HK\$12 million (2019: HK\$12 million). As at 30 June 2020, the Group employed 13 (31 December 2019: 13) employees. No share option scheme is in operation.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

	Note	2020 \$ million	2019 \$ million
Revenue	5	601	665
Other net income		176	443
Other operating costs		(76)	(75)
Operating profit		701	1,033
Finance costs		(32)	(50)
Share of profits less losses of joint ventures		1,068	2,314
Share of profits less losses of associates		584	530
Profit before taxation	6	2,321	3,827
Income tax	7	(59)	(36)
Profit for the period attributable to equity shareholders of the Company		2,262	3,791
Earnings per share			
Basic and diluted	8	\$1.06	\$1.78

The notes on pages 16 to 28 form part of these unaudited interim financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in note 19.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

	2020 \$ million	2019 \$ million
Profit for the period attributable to equity shareholders of the Company	2,262	3,791
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss		
Share of other comprehensive income of joint ventures and associates	87	509
Income tax relating to items that will not be reclassified to profit or loss	(14)	(74)
	73	435
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	(1,916)	(255)
Net investment hedges	1,919	135
Cost of hedging	120	202
Cash flow hedges: Net movement of hedging reserve related to hedging instruments recognised during the current period	(96)	(186)
Share of other comprehensive income of joint ventures and associates	(991)	(963)
Income tax relating to items that may be reclassified subsequently to profit or loss	260	320
	(704)	(747)
	(631)	(312)
Total comprehensive income for the period attributable to equity shareholders of the Company	1,631	3,479

The notes on pages 16 to 28 form part of these unaudited interim financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

(Expressed in Hong Kong dollars)

	Note	(Unaudited) 30 June 2020 \$ million	(Audited) 31 December 2019 \$ million
Non-current assets			
Property, plant and equipment and leasehold land	9	18	19
Interest in joint ventures	10	57,635	59,728
Interest in associates	11	26,127	26,414
Other non-current financial assets		1,100	1,100
Derivative financial instruments	16	2,718	1,212
Deferred tax assets		105	77
Employee retirement benefit assets		6	6
		<u>87,709</u>	<u>88,556</u>
Current assets			
Trade and other receivables	12	504	139
Bank deposits and cash	13(a)	3,361	4,876
		<u>3,865</u>	<u>5,015</u>
Current liabilities			
Trade and other payables	14	(4,891)	(4,276)
Current portion of bank loans and other interest-bearing borrowings	15	(3,316)	(3)
Current tax payable		(50)	(45)
		<u>(8,257)</u>	<u>(4,324)</u>
Net current (liabilities)/assets		<u>(4,392)</u>	<u>691</u>
Total assets less current liabilities		<u>83,317</u>	<u>89,247</u>
Non-current liabilities			
Bank loans and other interest-bearing borrowings	15	-	(3,321)
Derivative financial instruments	16	(366)	(298)
Deferred tax liabilities		(24)	-
Employee retirement benefit liabilities		(137)	(136)
		<u>(527)</u>	<u>(3,755)</u>
Net assets		<u>82,790</u>	<u>85,492</u>
Capital and reserves			
Share capital	17	6,610	6,610
Reserves		76,180	78,882
Total equity attributable to equity shareholders of the Company		<u>82,790</u>	<u>85,492</u>

The notes on pages 16 to 28 form part of these unaudited interim financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

\$ million	Attributable to equity shareholders of the Company					Total
	Share capital	Exchange reserve	Hedging reserve	Revenue reserve	Proposed/ declared dividend	
Balance at 1 January 2019	6,610	(6,499)	(1,911)	81,000	4,333	83,533
Changes in equity for the six months ended 30 June 2019:						
Profit for the period	–	–	–	3,791	–	3,791
Other comprehensive income	–	82	(829)	435	–	(312)
Total comprehensive income	–	82	(829)	4,226	–	3,479
Final dividend in respect of the previous year approved and paid	–	–	–	–	(4,333)	(4,333)
Interim dividend (see note 19)	–	–	–	(1,643)	1,643	–
Balance at 30 June 2019	<u>6,610</u>	<u>(6,417)</u>	<u>(2,740)</u>	<u>83,583</u>	<u>1,643</u>	<u>82,679</u>
Balance at 1 January 2020	6,610	(6,118)	(2,114)	82,781	4,333	85,492
Changes in equity for the six months ended 30 June 2020:						
Profit for the period	–	–	–	2,262	–	2,262
Other comprehensive income	–	123	(827)	73	–	(631)
Total comprehensive income	–	123	(827)	2,335	–	1,631
Final dividend in respect of the previous year approved and paid	–	–	–	–	(4,333)	(4,333)
Interim dividend (see note 19)	–	–	–	(1,643)	1,643	–
Balance at 30 June 2020	<u>6,610</u>	<u>(5,995)</u>	<u>(2,941)</u>	<u>83,473</u>	<u>1,643</u>	<u>82,790</u>

The notes on pages 16 to 28 form part of these unaudited interim financial statements.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

	Note	2020 \$ million	2019 \$ million
Operating activities			
Cash generated from operations	13(b)	837	496
Interest paid		(38)	(50)
Interest received		490	614
Tax paid for operations outside Hong Kong		(27)	(21)
Net cash generated from operating activities		1,262	1,039
Investing activities			
Payment for the purchase of property, plant and equipment		(1)	–
Decrease/(increase) in bank deposits with more than three months to maturity when placed		578	(1,812)
Investments in joint ventures		(636)	(277)
New loan to a joint venture		–	(29)
Repayment of loan from an associate		–	135
Advance to an associate		–	(12)
Dividends received from joint ventures		1,634	1,433
Dividends received from associates		547	641
Net cash generated from investing activities		2,122	79
Financing activities			
Proceeds from bank loans		–	63
Capital element of lease rentals paid		(2)	(1)
Dividends paid to equity shareholders of the Company		(4,333)	(4,333)
Net cash used in financing activities		(4,335)	(4,271)
Net decrease in cash and cash equivalents		(951)	(3,153)
Cash and cash equivalents at 1 January		3,239	5,229
Effect of foreign exchange rate changes		14	(8)
Cash and cash equivalents at 30 June	13(a)	2,302	2,068

The notes on pages 16 to 28 form part of these unaudited interim financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. Review of unaudited interim financial statements

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

2. Basis of preparation

These unaudited consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial statements and selected explanatory notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on the financial statements of the Company for the year ended 31 December 2019. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

3. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 3, *Definition of a business*
- Amendments to HKAS 1 and HKAS 8, *Definition of material*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest rate benchmark reform*
- Amendments to HKFRS 16, *COVID-19-Related Rent Concessions*

The adoption of the amendments above has no material impact on the Group's results and financial position for the current or prior periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. Segment reporting

The analyses of the principal activities of the operations of the Group during the period are as follows:

\$ million	2020							All other activities	Total
	Investment in HKEI	Investments				Sub-total			
		United Kingdom	Australia	Mainland China	Others				
For the six months ended 30 June									
Revenue									
Revenue	-	268	247	-	86	601	-	601	
Other net income	-	-	-	-	3	3	126	129	
Reportable segment revenue	-	268	247	-	89	604	126	730	
Results									
Segment earnings	-	268	247	(8)	89	596	60	656	
Depreciation and amortisation	-	-	-	-	-	-	(2)	(2)	
Bank deposit interest income	-	-	-	-	-	-	47	47	
Operating profit	-	268	247	(8)	89	596	105	701	
Finance costs	-	38	(83)	-	13	(32)	-	(32)	
Share of profits less losses of joint ventures and associates	271	537	510	36	296	1,379	2	1,652	
Profit before taxation	271	843	674	28	398	1,943	107	2,321	
Income tax	-	(1)	(11)	-	(47)	(59)	-	(59)	
Reportable segment profit	271	842	663	28	351	1,884	107	2,262	
2019									
\$ million	Investment in HKEI	Investments				Sub-total	All other activities	Total	
		United Kingdom	Australia	Mainland China	Others				
For the six months ended 30 June									
Revenue									
Revenue	-	279	298	-	88	665	-	665	
Other net income	-	-	-	-	3	3	372	375	
Reportable segment revenue	-	279	298	-	91	668	372	1,040	
Results									
Segment earnings	-	279	298	(10)	91	658	308	966	
Depreciation and amortisation	-	-	-	-	-	-	(1)	(1)	
Bank deposit interest income	-	-	-	-	-	-	68	68	
Operating profit	-	279	298	(10)	91	658	375	1,033	
Finance costs	-	37	(100)	-	13	(50)	-	(50)	
Share of profits less losses of joint ventures and associates	237	1,516	555	264	270	2,605	2	2,844	
Profit before taxation	237	1,832	753	254	374	3,213	377	3,827	
Income tax	-	(7)	(11)	-	(18)	(36)	-	(36)	
Reportable segment profit	237	1,825	742	254	356	3,177	377	3,791	

5. Revenue

Group revenue represents interest income from loans granted to joint ventures and associates, dividends from other financial assets and engineering and consulting services fees.

	Six months ended 30 June	
	2020	2019
	\$ million	\$ million
Interest income	<u>601</u>	<u>665</u>
Share of revenue of joint ventures	<u>7,956</u>	<u>8,965</u>

6. Profit before taxation

	Six months ended 30 June	
	2020	2019
	\$ million	\$ million
Profit before taxation is arrived at after charging:		
Finance costs – interest on borrowings and other finance costs	32	50
Depreciation	<u>2</u>	<u>1</u>

7. Income tax

	Six months ended 30 June	
	2020	2019
	\$ million	\$ million
Current tax	34	(11)
Deferred tax	<u>25</u>	<u>47</u>
	<u>59</u>	<u>36</u>

Taxation is provided for at the applicable tax rate 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.

8. Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$2,262 million for the six months ended 30 June 2020 (2019: \$3,791 million) and 2,134,261,654 ordinary shares (2019: 2,134,261,654 ordinary shares) in issue throughout the period.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2020 and 2019.

9. Property, plant and equipment and leasehold land

\$ million	Ownership interests in buildings held for own use	Plant, machinery and equipment	Sub-total	Ownership interests in leasehold land held for own use	Other properties leased for own use	Total
Net book value at 1 January 2020	1	1	2	12	5	19
Additions	-	1	1	-	-	1
Depreciation and amortisation	-	-	-	-	(2)	(2)
Net book value at 30 June 2020	1	2	3	12	3	18
Cost	1	5	6	13	7	26
Accumulated depreciation and amortisation	-	(3)	(3)	(1)	(4)	(8)
Net book value at 30 June 2020	1	2	3	12	3	18

10. Interest in joint ventures

	30 June 2020 \$ million	31 December 2019 \$ million
Share of net assets of unlisted joint ventures	44,949	46,910
Loans to unlisted joint ventures	12,459	12,722
Amounts due from unlisted joint ventures	227	96
	57,635	59,728
Share of total assets of unlisted joint ventures	135,622	137,701

11. Interest in associates

	30 June 2020 \$ million	31 December 2019 \$ million
Share of net assets		
— Listed associate	16,118	16,403
— Unlisted associates	6,594	6,590
	22,712	22,993
Loans to unlisted associates	3,315	3,320
Amounts due from associates	100	101
	26,127	26,414

12. Trade and other receivables

	30 June 2020 \$ million	31 December 2019 \$ million
Trade debtors	—	—
Interest and other receivables	128	137
	128	137
Derivative financial instruments (see note 16)	374	—
Deposits and prepayments	2	2
	504	139

Trade with customers is carried out on credit and invoices are normally due within one month after issued. The ageing of trade debtors is based on invoice date and net of loss allowance.

13. Bank deposits and cash

(a) Bank deposits and cash comprise:

	30 June 2020 \$ million	31 December 2019 \$ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	2,228	3,127
Cash at bank and on hand	74	112
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated cash flow statement	2,302	3,239
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	1,059	1,637
	<hr/>	<hr/>
Bank deposits and cash in the consolidated statement of financial position	<u>3,361</u>	<u>4,876</u>

(b) Reconciliation of profit before taxation to cash generated from operations:

	Six months ended 30 June 2020 \$ million	2019 \$ million
Profit before taxation	2,321	3,827
Adjustments for:		
Share of profits less losses of joint ventures	(1,068)	(2,314)
Share of profits less losses of associates	(584)	(530)
Interest income	(648)	(733)
Finance costs	32	50
Depreciation	2	1
Exchange losses	67	73
Changes in working capital:		
Decrease in trade and other receivables	2	63
Increase in trade and other payables	710	54
Decrease in amounts due from joint ventures	2	4
Increase in net employee retirement benefit liabilities	1	1
	<hr/>	<hr/>
Cash generated from operations	<u>837</u>	<u>496</u>

14. Trade and other payables

	30 June 2020 \$ million	31 December 2019 \$ million
Due within 1 month or on demand	662	752
Due after 1 month but within 3 months	24	72
Due after 3 months but within 12 months	4,186	3,341
	<hr/>	<hr/>
Creditors measured at amortised cost	4,872	4,165
Derivative financial instruments (see note 16)	19	111
	<hr/>	<hr/>
	4,891	4,276
	<hr/> <hr/>	<hr/> <hr/>

15. Bank loans and other interest-bearing borrowings

	30 June 2020 \$ million	31 December 2019 \$ million
Bank loans		
— current	3,313	—
— non-current	—	3,319
	<hr/>	<hr/>
	3,313	3,319
	<hr/>	<hr/>
Lease liabilities		
— current	3	3
— non-current	—	2
	<hr/>	<hr/>
	3	5
	<hr/>	<hr/>
	3,316	3,324
	<hr/> <hr/>	<hr/> <hr/>

16. Derivative financial instruments

	30 June 2020		31 December 2019	
	Assets \$ million	Liabilities \$ million	Assets \$ million	Liabilities \$ million
Derivative financial instruments used for hedging:				
Cash flow hedges				
Interest rate swaps	–	(350)	–	(254)
Forward foreign exchange contracts	2	–	–	(4)
Net investment hedges				
Cross currency swaps	1,359	–	473	(34)
Forward foreign exchange contracts	1,731	(35)	739	(117)
	<u>3,092</u>	<u>(385)</u>	<u>1,212</u>	<u>(409)</u>
Analysed as:				
Current	374	(19)	–	(111)
Non-current	2,718	(366)	1,212	(298)
	<u>3,092</u>	<u>(385)</u>	<u>1,212</u>	<u>(409)</u>

17. Share capital

	Number of Shares	30 June 2020 \$ million	31 December 2019 \$ million
<i>Issued and fully paid:</i>			
Voting ordinary shares	<u>2,134,261,654</u>	<u>6,610</u>	<u>6,610</u>

There were no movements in the share capital of the Company during the period.

18. Fair value measurement

(a) Recurring fair value measurements

	Fair value measurement at 30 June 2020 categorised into		
	Level 2 \$ million	Level 3 \$ million	Total \$ million
Financial assets			
Other non-current financial assets	–	1,100	1,100
Derivative financial instruments:			
— Cross currency swaps	1,359	–	1,359
— Forward foreign exchange contracts	1,733	–	1,733
	<u>3,092</u>	<u>1,100</u>	<u>4,192</u>
Financial liabilities			
Derivative financial instruments:			
— Interest rate swaps	(350)	–	(350)
— Forward foreign exchange contracts	(35)	–	(35)
	<u>(385)</u>	<u>–</u>	<u>(385)</u>
	Fair value measurement at 31 December 2019 categorised into		
	Level 2 \$ million	Level 3 \$ million	Total \$ million
Financial assets			
Other non-current financial assets	–	1,100	1,100
Derivative financial instruments:			
— Cross currency swaps	473	–	473
— Forward foreign exchange contracts	739	–	739
	<u>1,212</u>	<u>1,100</u>	<u>2,312</u>
Financial liabilities			
Derivative financial instruments:			
— Interest rate swaps	(254)	–	(254)
— Cross currency swaps	(34)	–	(34)
— Forward foreign exchange contracts	(121)	–	(121)
	<u>(409)</u>	<u>–</u>	<u>(409)</u>

18. Fair value measurement *(Continued)*

(b) Valuation techniques and inputs in fair value measurements

Level 2: The fair value of forward foreign exchange contracts is measured using forward exchange market rates at the end of the reporting period. The fair values of interest rate swaps and cross currency swaps are measured by discounting the future cash flows of the contracts at the current market interest rates.

Level 3: Other non-current financial assets consist of investments in unlisted equity securities and other investments.

The unlisted equity securities are not traded in an active market. Their fair values have been determined using dividend discounted model. The significant unobservable inputs include cost of equity of 13.65% and growth rate of 2.5%. It is estimated that a 0.5% increase/decrease in cost of equity, with other variable held constant, would have decreased/increased the Group's profit for the period and revenue reserve by approximately \$13 million/\$14 million (31 December 2019: decreased \$13 million/increased \$14 million). A 0.5% increase/decrease in growth rate, with other variable held constant, would have increased/decreased the Group's profit for the period and revenue reserve by approximately \$14 million/\$13 million (31 December 2019: increased \$14 million/decreased \$13 million).

Other investments were measured at fair value based on value inputs that are not observable market data but change of these inputs to reasonable alternative assumptions would not have material effect on the Group's results and financial position.

(c) Fair values of financial assets and liabilities carried at other than fair value

Amounts due from joint ventures and associates, trade and other receivables, trade and other payables and external borrowings are carried at cost or amortised cost which are not materially different from their fair values as at 30 June 2020 and 31 December 2019.

19. Interim dividend

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

	Six months ended 30 June 2020 \$ million	2019 \$ million
Interim dividend of \$0.77 per ordinary share (2019: \$0.77 per ordinary share)	<u>1,643</u>	<u>1,643</u>

20. Capital commitments

The Group's outstanding capital commitments not provided for in the financial statements were as follows:

	30 June 2020 \$ million	31 December 2019 \$ million
Contracted for:		
Capital expenditure for property, plant and equipment	–	2
Investment in a joint venture	<u>34</u>	<u>726</u>
	<u>34</u>	<u>728</u>
Authorised but not contracted for:		
Capital expenditure for property, plant and equipment	1	–
Investment in a joint venture	<u>–</u>	<u>861</u>
	<u>1</u>	<u>861</u>

21. Contingent liabilities

	30 June 2020 \$ million	31 December 2019 \$ million
Guarantees given in respect of a joint venture	<u>443</u>	<u>493</u>

22. Material related party transactions

The Group had the following material transactions with related parties during the period:

(a) Shareholder

Outram Limited (“Outram”), a subsidiary of the Company, reimbursed a wholly-owned subsidiary of CK Infrastructure Holdings Limited, a substantial shareholder of the Company, \$9 million (2019: \$14 million) being the actual costs incurred for providing the operation and management services to Outram and its subsidiaries for the period. The transaction constitutes a continuing connected transaction under the Listing Rules for the Company.

(b) Joint ventures

Interest income received/receivable from joint ventures in respect of the loans to joint ventures amounted to \$429 million for the six months ended 30 June 2020 (2019: \$474 million). The outstanding balances with joint ventures are disclosed in note 10.

(c) Associates

- (i) Interest income received/receivable from associates in respect of the loans to associates amounted to \$172 million for the six months ended 30 June 2020 (2019: \$191 million). The outstanding balances with associates are disclosed in note 11.
- (ii) Other operating costs included support service charge recovered by an associate amounted to \$21 million (2019: \$20 million) for the total costs incurred in the provision or procurement of the general office administration and other support services and office facilities. The outstanding balance at 30 June 2020 with the associate was \$3 million (31 December 2019: \$3 million).

CORPORATE GOVERNANCE

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. The Company recognises that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value. The Group's corporate governance policy is designed to achieve these objectives and is maintained through a framework of processes, policies and guidelines.

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2020, except as stated hereunder.

In accordance with code provision A.5.1, the Company established a Nomination Committee. While its membership comprises all Directors of the Company, the Nomination Committee is assisted by an ad hoc sub-committee (which is chaired by the Chairman of the Board and its membership, comprising a majority of Independent Non-executive Directors, is compliant with the requirements under the Listing Rules for a nomination committee) when discharging its responsibilities.

The Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the Corporate Governance Code, the Audit Committee has reviewed the procedures for reporting possible improprieties in financial reporting, internal control or other matters. In addition, the Company has established the policy on handling of inside information and securities dealing for compliance by the Company's employees.

Board of Directors

The Board, led by the Chairman, is responsible for the approval and monitoring of Group-wide strategies and policies, approval of annual budgets and business plans, evaluation of the performance of the Group, and oversight of management. Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

CORPORATE GOVERNANCE *(Continued)*

As at 30 June 2020, the Board consists of a total of eleven Directors, comprising six Executive Directors, one Non-executive Director and four Independent Non-executive Directors. More than one-third of the Board are Independent Non-executive Directors, among which more than one of them have appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. All Directors are required to retire from office by rotation and are subject to re-election by shareholders at the annual general meeting once every three years pursuant to the articles of association of the Company.

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. The Chairman is responsible for providing leadership to, and overseeing the functioning and effective running of, the Board to ensure that the Board acts in the best interests of the Group. In addition to board meetings, the Chairman schedules meetings annually with Independent Non-executive Directors without the presence of other Directors. The Chief Executive Officer, working with the executive management team, is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations.

The Board meets at least four times a year. Additional board meetings will be held when warranted. Directors also participate in the consideration and approval of matters by way of written resolutions, which are circulated to Directors together with supporting explanatory write-up and coupled with briefings from the Chief Executive Officer or the Company Secretary as required.

The Company Secretary of the Company supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is responsible 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 all obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, Securities and Futures Ordinance and other related laws, rules and regulations.

Model Code for Securities Transactions by Directors

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors (“Model Code”) set out in Appendix 10 of the Listing Rules as the Group’s code of conduct regulating directors’ securities transactions. All Directors have confirmed following specific enquiry that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2020.

Senior managers, and other nominated managers and staff who, because of their respective positions in the Company, are likely to possess inside information regarding the Company and its securities are also required to comply with the Model Code.

Changes in Information of Directors

The changes in the information of Directors since the publication of the annual report 2019 and up to 17 August 2020 (the latest practicable date prior to the printing of this interim report) are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Director

Fok Kin Ning, Canning	Act as a Non-executive Director and appointed as a Member of the Governance, Remuneration and Nomination Committee of TPG Telecom Limited (the shares of which are listed on the Australian Securities Exchange)
Wan Chi Tin	Elected as an Honorary Fellow of The Hong Kong Institution of Engineers

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Risk Management and Internal Control

The Board has overall responsibility for evaluating and determining the nature and extent of the risks they are willing to take in achieving the Group’s strategic objectives, overseeing the risk management and internal control systems including reviewing their effectiveness through the Audit Committee to ensure appropriate and effective risk management and internal control systems are in place.

CORPORATE GOVERNANCE *(Continued)*

The Group's internal audit function, which is shared with that of HK Electric Investments Limited, an associate of the Company, reports to an Executive Director and the Audit Committee, and provides independent assurance as to the existence and effectiveness of the risk management activities and internal controls in the operations of the Group's business units. Staff members are from a wide range of disciplines including accounting, engineering and information technology. Using risk assessment methodology and taking into account the scope and nature of the Group's activities and changes in operating environment, Internal Audit prepares its yearly audit plan which is reviewed and approved by the Audit Committee. Internal Audit's reports on the Group's operations are also reviewed and considered by the Audit Committee. The scope of work on the Group's business units performed by Internal Audit includes financial, operations and information technology review, recurring and ad hoc audits, fraud investigation, productivity efficiency review and laws and regulations compliance review. Internal Audit follows up audit recommendations on implementation by the business units and the progress is reported to the Audit Committee regularly.

The Audit Committee has reviewed the effectiveness of the risk management and internal control systems of the Group for the six months ended 30 June 2020, and considered the systems are effective and adequate.

Nomination Committee

The Company established its Nomination Committee on 1 January 2019. The committee is chaired by Mr. Fok Kin Ning, Canning (the Chairman) and, while its membership comprises all Directors of the Company, it is assisted by an ad hoc sub-committee (which is chaired by the Chairman and its membership, comprising a majority of Independent Non-executive Directors, is compliant with the requirements under the Listing Rules for a nomination committee) when discharging its responsibilities.

The Nomination Committee reports directly to the Board of Directors. The principal responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills matrix of the Board, to facilitate the Board in conduct of the selection and nomination process, to assess the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules, and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in accordance with the Group's board diversity policy which sets out the approach in achieving a diversified Board. The terms of reference of the Nomination Committee are published on the Company's website and the website of Hong Kong Exchanges and Clearing Limited ("HKEX").

Remuneration Committee

The Remuneration Committee was established on 1 January 2005. It was chaired by Mr. Wong Chung Hin (an Independent Non-executive Director retired on 19 March 2020), and the other members were Mr. Fok Kin Ning, Canning (the Chairman) and Mr. Ralph Raymond Shea (an Independent Non-executive Director). Following the retirement of Mr. Wong as an Independent Non-executive Director of the Company, Mr. Shea acts as the Chairman of the Remuneration Committee, and the other members are Mr. Fok and Mr. Lui Wai Yu, Albert (an Independent Non-executive Director appointed on 19 March 2020).

The Remuneration Committee reports directly to the Board of Directors and its principal responsibilities include the review and consideration of the Company's policy for remuneration of Directors and senior management, and the determination of their individual remuneration packages. The terms of reference of the Remuneration Committee are published on the Company's website and HKEX's website.

Audit Committee

The Audit Committee was established on 1 January 1999. It was chaired by Mr. Wong Chung Hin and the other members were Mr. Ip Yuk-keung, Albert and Mr. Ralph Raymond Shea. Following the retirement of Mr. Wong as an Independent Non-executive Director of the Company as mentioned above, Mr. Ip acts as the Chairman of the Audit Committee, and the other members are Mr. Shea and Mr. Wu Ting Yuk, Anthony. All the abovementioned past or existing Committee members are Independent Non-executive Directors.

The Audit Committee reports directly to the Board of Directors and its principal responsibilities include the review of the Group's financial reporting, risk management and internal control systems, the interim and annual financial statements, and corporate and compliance issues. The Audit Committee also meets regularly with the Company's external auditor to discuss the audit process and accounting issues.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee.

The terms of reference of the Audit Committee are published on the Company's website and HKEX's website.

CORPORATE GOVERNANCE *(Continued)*

Communication with Shareholders

The Company has established a range of communication channels between itself and its shareholders and investors. These include the annual general meeting, the annual and interim reports, notices, letters, announcements and circulars, news releases, the Company's website at www.powerassets.com and meetings with investors and analysts. All shareholders have the opportunity to put questions to the Board at general meetings, and at other times by e-mailing or writing to the Company.

Shareholders may at any time notify the Company by mail or email of any change in their choice of language (English or Chinese or both) or means of receiving (printed copies or through the Company's website) corporate communications from the Company.

The Company handles share registration and related matters for shareholders through Computershare Hong Kong Investor Services Limited, the Company's share registrar.

The Board has adopted a communication policy which provides a framework to promote effective communication with shareholders.

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

As at 30 June 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Shares of the Company

Name of Director	Capacity	Nature of Interests	Number of Shares Held	Approximate % of Shareholding
Tsai Chao Chung, Charles	Beneficial owner	Personal	4,022	≈0%

**Long Positions in Shares of Associated Corporation
HK Electric Investments and HK Electric Investments Limited**

Name of Director	Capacity	Nature of Interests	Number of Share Stapled Units Held	Approximate % of Issued Share Stapled Units
Li Tzar Kuoi, Victor	Interest of controlled corporations	Corporate	7,870,000 (Note 1)	0.08%
Fok Kin Ning, Canning	Interest of controlled corporation	Corporate	2,000,000 (Note 2)	0.02%
Tsai Chao Chung, Charles	Beneficial owner	Personal	880	≈0%

Notes:

- (1) Such share stapled units of HK Electric Investments and HK Electric Investments Limited ("HKEI") comprise:
- (a) 2,700,000 share stapled units of HKEI held by a wholly-owned subsidiary of Li Ka Shing (Global) Foundation ("LKSGF"). By virtue of the terms of the constituent documents of LKSGF, Mr. Victor T K Li may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSGF; and
- (b) 5,170,000 share stapled units of HKEI held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Victor T K Li may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.
- (2) Such share stapled units of HKEI are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE *(Continued)*

Interests and Short Positions of Shareholders

As at 30 June 2020, 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 under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Substantial Shareholders

Long Positions in Shares of the Company

Name	Capacity	Number of Shares Held	Approximate % of Shareholding
Venniton Development Inc.	Beneficial owner	153,797,511 <i>(Note 1)</i>	7.21%
Interman Development Inc.	Beneficial owner	186,736,842 <i>(Note 1)</i>	8.75%
Univest Equity S.A.	Beneficial owner	279,011,102 <i>(Note 1)</i>	13.07%
Monitor Equities S.A.	Beneficial owner & interest of controlled corporation	287,211,674 <i>(Note 1)</i>	13.46%
Hyford Limited	Interest of controlled corporations	767,499,612 <i>(Note 2)</i>	35.96%
CK Infrastructure Holdings Limited	Interest of controlled corporations	767,499,612 <i>(Note 2)</i>	35.96%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	767,499,612 <i>(Note 3)</i>	35.96%
CK Hutchison Global Investments Limited	Interest of controlled corporations	767,499,612 <i>(Note 3)</i>	35.96%
CK Hutchison Holdings Limited	Interest of controlled corporations	767,499,612 <i>(Note 3)</i>	35.96%

Notes:

- (1) *These are direct or indirect wholly-owned subsidiaries of Hyford Limited ("Hyford") and their interests are duplicated in the same 767,499,612 shares of the Company held by Hyford described in Note (2) below.*
- (2) *CK Infrastructure Holdings Limited ("CKI") is deemed to be interested in the 767,499,612 shares of the Company as referred to in Note (1) above as it holds more than one-third of the issued share capital of Hyford indirectly. Its interests are duplicated in the interest of CK Hutchison Holdings Limited ("CK Hutchison") in the Company described in Note (3) below.*
- (3) *CK Hutchison is deemed to be interested in the 767,499,612 shares of the Company as referred to in Note (2) above as it holds more than one-third of the issued voting shares of CK Hutchison Global Investments Limited ("CKHGI"). Certain subsidiaries of CKHGI hold more than one-third of the issued voting shares of Hutchison Infrastructure Holdings Limited which in turn holds more than one-third of the issued share capital of CKI.*

Save as disclosed above, as at 30 June 2020, there was no other person (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

OTHER INFORMATION

Interim Dividend

The Board of Directors has declared an interim dividend for 2020 of HK\$0.77 per share. The dividend will be payable on Tuesday, 15 September 2020 to shareholders whose names appear in the register of members of the Company at the close of business on Friday, 4 September 2020, being the record date for determination of entitlement to the interim dividend. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates should be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 4 September 2020.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the six months ended 30 June 2020.

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the provision of financial assistance by the Group to certain affiliated companies, a combined statement of financial position of the affiliated companies as at 30 June 2020 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

Combined statement of financial position of the affiliated companies as at 30 June 2020	HK\$ million
Non-current assets	417,561
Current assets	27,443
Current liabilities	(38,289)
Non-current liabilities	<u>(292,815)</u>
Net assets	<u><u>113,900</u></u>
Share capital	45,000
Reserves	<u>68,900</u>
Capital and reserves	<u><u>113,900</u></u>

As at 30 June 2020, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$58,453 million.