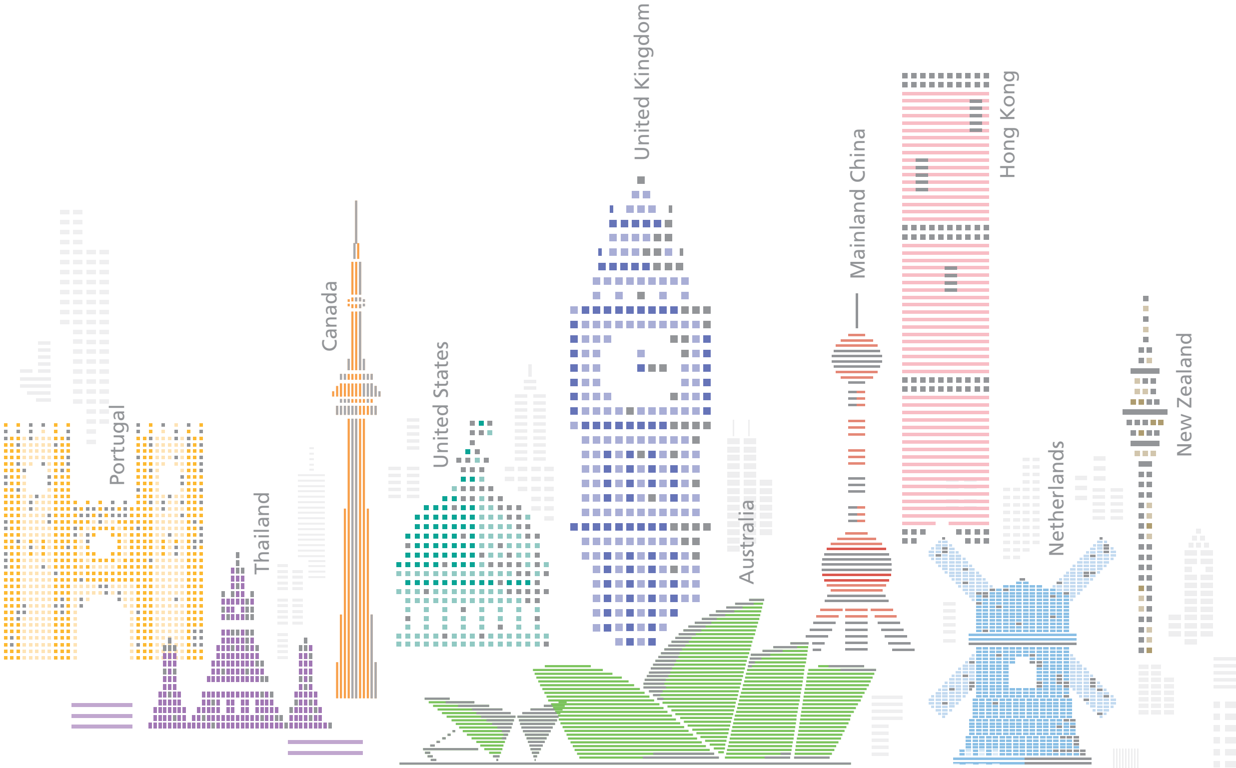
Power Assets Holdings Ltd.
電能實業有限公司
(Stock Code : 6)



Interim Report 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	Change
	HK$	*HK$*	
Profit attributable to shareholders *(million)*	**3,791**	4,120	-8%
Earnings per share	**1.78**	1.93	-8%
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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CONTENTS

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
Ralph Raymond SHEA
WONG Chung Hin
WU Ting Yuk, Anthony

Audit Committee

WONG Chung Hin *(Chairman)*
IP Yuk-keung, Albert
Ralph Raymond SHEA

Remuneration Committee

WONG Chung Hin *(Chairman)*
FOK Kin Ning, Canning
Ralph Raymond SHEA

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
Ralph Raymond SHEA
WONG Chung Hin
WU Ting Yuk, Anthony

Company Secretary

Alex NG

Principal Bankers

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
MUFG Bank, Ltd.

Auditor

KPMG

Website

www.powerassets.com

Registered Office

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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) Depositary

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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:
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Hong Kong

KEY DATES AND SHARE INFORMATION

Key Dates

Interim Results Announcement	31 July 2019
Interim Report Despatch Date	On or before 20 August 2019
Ex-dividend Date	29 August 2019
Record Date for Interim Dividend	30 August 2019
Payment of Interim Dividend (HK$0.77 per share)	10 September 2019
Financial Year End	31 December 2019

Share Information

Board Lot	500 shares
Market Capitalisation as at 30 June 2019	HK$119,946 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

Half year results

The Power Assets Group's low-risk and resilient business model enabled us to deliver stable operating results in line with expectations during the first half of the year.

The Group's unaudited profits for the six months ended 30 June 2019 amounted to HK$3,791 million (2018: HK$4,120 million), a decrease of 8% compared to the same period of last year. The decrease was mainly due to weak exchange rates for various currencies and lower contributions from UK portfolio and HK Electric Investments.

The Group operates a diversified portfolio of companies in generation, transmission and distribution in mature and well-regulated energy markets in Asia, Europe, Australia, New Zealand and North America. This allows us to deliver stable returns for shareholders despite global uncertainty in the macro-economic environment.

Interim dividend

The board of directors has declared an interim dividend of HK$0.77 (2018: HK$0.77) per share, payable on 10 September 2019 to shareholders whose names appear in the Company's Register of Members on 30 August 2019.

Innovation and investment across markets to decarbonise

The Group believes that investment in innovation and technology is essential to achieve decarbonisation and combat climate change, while providing reliable energy to meet increased demand via a more diversified smart network. In pursuit of this goal, our operating companies are pursuing a number of research projects, piloting groundbreaking initiatives, and collaborating with other industry participants.

For example, some of our gas transmission and distribution companies are collaborating with the government and academia to make the gas grid greener and help households cut costs. In the UK, Northern Gas Networks' (NGN) pilot to integrate hydrogen into the natural gas network; Wales & West Utilities' (WWU) Project Freedom on smart hybrid heating systems, and Australian Gas Networks' (AGN) Hydrogen Park project in Australia are all pushing the boundaries of innovation on this front. As a Group, we are proud to have joined the Hydrogen Council, a global CEO-led initiative of 60 leading energy, transport and industry companies with a united vision and long-term ambition for hydrogen to foster the energy transition.

In the Netherlands, Dutch Enviro Holdings' pioneering carbon dioxide (CO_2) capture project will harvest 60 to 90 kT of CO_2 from flue gases at its plants each year and utilise it for greenhouse horticulture.

In both Hong Kong and Australia, customers are increasingly generating renewable electricity and feeding it back into the grid. HK Electric's Feed-in Tariff scheme encourages customers to set up their own renewable installations. United Energy (UE) and Victoria Power Networks (VPN) in Australia facilitate customers' renewable energy connect to their networks.

On the generation front, several of our generation companies are working to cut emissions by switching to gas-fired generation. HK Electric and Canada's Canadian Power are investing to increase gas-fired generation capacity, which will bring emissions down significantly.

Operations

Thanks to a Group-wide philosophy of maintaining operational excellence and delivering value for customers, our companies achieved results in line with expectations during the first half of 2019.

In the UK, UK Power Networks (UKPN), NGN and WWU maintained leading positions in their respective sectors. However, the overall contributions from our UK businesses were lower than last year due to a weak pound sterling and lower reported earnings from UKPN, which ceased to recognise certain non-cash revenue commencing January 2019. This has no impact to the cash earnings and distributions from UKPN.

UKPN upheld its track record of stable and strong operational performance to remain the largest profit contributor to the Group. The company's network and efficiency performance in the first half of 2019 improved over 2018, and enabled it to secure 90% of the maximum incentive payment offered by the regulator, Ofgem. UKPN also has one of the country's strongest track records in health and safety performance with just one Lost Time Injury in the period. NGN and WWU secure the highest rank for efficiency among UK gas distribution networks, achieving all their targets for the 2018/19 regulatory year. Seabank Power Station continued to achieve availability of more than 96%, with output guaranteed by a power offtake contract.

CHAIRMAN'S STATEMENT *(Continued)*

In our home city of Hong Kong, HK Electric has entered into a new regulatory period and embarked on an extensive capital works programme to increase gas-fired generation to about 70% of total output by 2023. With construction almost complete, the first of three new gas-fired units, L10, is on track for commercial operation in early 2020. The company maintained its power supply reliability at more than 99.999% while assisting customers to implement energy saving solutions through various funding schemes and services.

Australia is one of the Group's most significant markets as we continued to expand our presence since 2000. Our diverse portfolio comprises generation, transmission and distribution businesses in electricity, gas and renewable energy. During the period under review, our Australian businesses have performed satisfactorily, but results were affected by unfavourable exchange rates. Our electricity networks, SA Power Networks submitted its 2020-25 Regulatory Proposal to the Australian Energy Regulator while the regulator of VPN and UE released a draft Regulatory Reset framework (2021-2025) for public consultation.

Our gas distribution networks, AGN and Multinet Gas, remained focused on safety, reliability and customer services. Our gas transmission pipeline, Dampier Bunbury Pipeline, completed and commenced operation of the Tanami Gas Pipeline ahead of schedule. Energy Developments Pty Ltd achieved strong operating results and met expectations in the provision of clean energy and remote energy. Australian Energy Operations made progress on connecting the Moorabool and Elaine Wind Farms to the grid and expected to be completed in 2019.

In mainland China, the Zhuhai and Jinwan power plants operated smoothly during the period, while the plan to transfer the Siping Cogeneration plant to the mainland joint venture partner is on track. By the end of 2019, the ownership of both the Zhuhai and Siping power plants will have been transferred to our mainland Chinese joint venture partners under their respective co-operative agreements, thus reducing our total installed coal-fired generation capacity by 1,600MW. The renewable energy generated by the two wind farms in Dali and Laoting has reduced 126,000 tonnes of carbon emission during the first six months of the year.

In the Netherlands, AVR-Afvalverwerking B.V. waste-to-energy incineration plants yielded steady returns and achieved on average over 90% availability. It has processed more than 800 kT of comestible household and commercial waste during the period to generate more than 230 GWh of electricity and 220 kT of steam.

Iberwind in Portugal achieved a strong availability level of 97.9% across its 31 wind farms, offsetting the emission of 348,000 tonnes of CO_2.

Canadian Power delivered earnings in line with expectations. Also in Canada, Husky Midstream's pipeline expansion plan made steady progress. The LLB Direct pipeline project was completed in December 2018 and achieved smooth operations in its first half year. Meanwhile, work continued on the second phase of expansion of the Saskatchewan Gathering System, with commissioning scheduled for the fourth quarter of 2019.

In New Zealand, Wellington Electricity Lines Limited (WELL) stayed focused on delivering high levels of safety, reliability and service to customers, while maintaining a high level of performance from the network assets. WELL is also currently reviewing pricing strategies to ensure consumers are better informed about the cost of delivering electricity across its network at peak demand and low usage periods.

Ratchaburi Power Company Limited, the Group's power generation plant in Thailand, increased availability and delivered steady revenues through guaranteed sales to the Thai government, its long-term sole customer.

Outlook

Globally, the energy sector is undergoing a significant transformation to reduce environmental impact, which necessitates both government and industry support and collaboration. At the same time, engagement with authorities and customers is a key to driving the demand and public acceptance of low-carbon solutions. Our companies are aware of their role in the process, making every effort to help move the industry forward.

In the immediate term we will focus on making appropriate preparations for regulatory resets in the Australian electricity and UK gas networks which will be challenging. The Group is working with the various regulators to achieve acceptable outcomes.

We will continue to seek suitable high-quality investment opportunities that meet our criteria of delivering predictable, stable returns over the long term. We will invest prudently, concentrating on well-regulated and mature energy markets.

I would like to extend my personal gratitude to the board of directors and all my colleagues around the world for their diligence and commitments, and our shareholders and other stakeholders for their long-term support.

Fok Kin Ning, Canning
Chairman

Hong Kong, 31 July 2019

FINANCIAL REVIEW

Financial Performance

The Group's unaudited profit for the six months ended 30 June 2019 amounted to HK$3,791 million (2018: HK$4,120 million), a decrease of 8% compared to the same period of last year. The decrease was mainly due to weak exchange rates for various currencies, and lower contributions from UK portfolio and HK Electric Investments.

Investments in the United Kingdom achieved satisfactory results, contributing earnings of HK$1,825 million (2018: HK$2,205 million). The decrease was mainly due to a weak pound sterling and lower contribution from UK Power Networks.

Our Australian investments contributed profits of HK$742 million (2018: HK$830 million). The decrease was primarily due to unfavourable exchange rates.

Investments in mainland China yielded a profit of HK$254 million (2018: HK$234 million).

Investments in Canada, the Netherlands, Portugal, Thailand and New Zealand continued to contribute stable earnings to the Group.

Our investment in HK Electric Investments recorded earnings of HK$237 million (2018: HK$328 million). The decrease was mainly due to reduction in the rate of permitted return under the current Scheme of Control Agreement which commenced on 1 January 2019.

Secure earnings and a strong financial position allowed us to continue with a stable dividend policy. 2019 interim dividend is HK$0.77 (2018: HK$0.77) per share.

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 2019 were HK$3,401 million (31 December 2018: HK$3,437 million). In addition, the Group had bank deposits and cash of HK$3,880 million (31 December 2018: HK$5,229 million) and no undrawn committed bank facility at 30 June 2019 (31 December 2018: HK$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 15 February 2019, 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 2019, the net cash position of the Group amounted to HK$479 million (31 December 2018: HK$1,792 million).

The profile of the Group's external borrowings as at 30 June 2019, after taking into account interest rate swaps, was as follows:

(1) 2% were in United States dollars and 98% were in Australian dollars;

(2) 100% were bank loans;

(3) 2% were repayable within 1 year and 98% were repayable after 1 year but within 5 years; and

(4) 98% were in fixed rate and 2% were in floating rate.

The Group's policy is to maintain 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 2019 was HK$3,338 million (31 December 2018: HK$3,437 million). The fair value of forward foreign exchange contracts and cross currency swaps at 30 June 2019 was an asset of HK$1,610 million (31 December 2018: asset of HK$1,313 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 2019 amounted to HK$35,454 million (31 December 2018: HK$35,575 million).

Charges on Assets

At 30 June 2019, the Group's interest in an associate of HK$218 million (31 December 2018: HK$232 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 30 June 2019, the Group had given guarantees and indemnities totalling HK$514 million (31 December 2018: HK$529 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 2019, excluding directors' emoluments, amounted to HK$12 million (2018: HK$11 million). As at 30 June 2019, the Group employed 13 (31 December 2018: 11) employees. No share option scheme is in operation.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019
(Expressed in Hong Kong dollars)

	Note	2019 $ million	2018* $ million
Revenue	5	**665**	769
Direct costs		**–**	(1)
		665	768
Other net income		**443**	160
Other operating costs		**(75)**	(76)
Operating profit		**1,033**	852
Finance costs		**(50)**	(100)
Share of profits less losses of joint ventures		**2,314**	2,662
Share of profits less losses of associates		**530**	755
Profit before taxation	6	**3,827**	4,169
Income tax	7	**(36)**	(49)
Profit for the period attributable to equity shareholders of the Company		**3,791**	4,120
Earnings per share			
Basic and diluted	8	**$1.78**	$1.93

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

The notes on pages 16 to 29 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 2019
(Expressed in Hong Kong dollars)

	2019 $ million	2018* $ million
Profit for the period attributable to equity shareholders of the Company	**3,791**	4,120
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	**509**	331
Income tax relating to items that will not be reclassified to profit or loss	**(74)**	(66)
	435	265
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	**(255)**	(1,001)
Net investment hedges	**135**	936
Cost of hedging	**202**	–
Cash flow hedges:		
Net movement of hedging reserve related to hedging instruments recognised during the current period	**(186)**	(3)
Share of other comprehensive income of joint ventures and associates	**(963)**	492
Income tax relating to items that may be reclassified subsequently to profit or loss	**320**	(81)
	(747)	343
	(312)	608
Total comprehensive income for the period attributable to equity shareholders of the Company	**3,479**	4,728

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

The notes on pages 16 to 29 form part of these unaudited interim financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

(Expressed in Hong Kong dollars)

	Note	(Unaudited) 30 June 2019 $ million	(Audited) 31 December 2018* $ million
Non-current assets			
Property, plant and equipment and leasehold land	9	**20**	14
Interest in joint ventures	10	**56,873**	55,697
Interest in associates	11	**23,110**	23,725
Other non-current financial assets		**5,100**	5,100
Derivative financial instruments	16	**1,601**	1,375
Deferred tax assets		**80**	46
Employee retirement benefit assets		**5**	5
		86,789	85,962
Current assets			
Trade and other receivables	12	**204**	246
Current tax recoverable		**28**	–
Bank deposits and cash	13(a)	**3,880**	5,229
		4,112	5,475
Current liabilities			
Trade and other payables	14	**(4,284)**	(4,063)
Current portion of bank loans and other interest-bearing borrowings	15	**(65)**	–
Current tax payable		**–**	(9)
		(4,349)	(4,072)
Net current (liabilities)/assets		**(237)**	1,403
Total assets less current liabilities		**86,552**	87,365
Non-current liabilities			
Bank loans and other interest-bearing borrowings	15	**(3,342)**	(3,437)
Derivative financial instruments	16	**(363)**	(228)
Deferred tax liabilities		**(24)**	–
Employee retirement benefit liabilities		**(144)**	(143)
		(3,873)	(3,808)
Net assets		**82,679**	83,557
Capital and reserves			
Share capital	17	**6,610**	6,610
Reserves		**76,069**	76,947
Total equity attributable to equity shareholders of the Company		**82,679**	83,557

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

The notes on pages 16 to 29 form part of these unaudited interim financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company					
$ million	**Share capital**	**Exchange reserve**	**Hedging reserve**	**Revenue reserve**	**Proposed/ declared dividend**	**Total**
Balance at 31 December 2017	6,610	(5,033)	(1,707)	78,571	17,139	95,580
Impact on initial application of HKFRS 9	–	–	–	236	–	236
Adjusted balance at 1 January 2018	6,610	(5,033)	(1,707)	78,807	17,139	95,816
Changes in equity for the six months ended 30 June 2018:						
Profit for the period	–	–	–	4,120	–	4,120
Other comprehensive income	–	(65)	408	265	–	608
Total comprehensive income	–	(65)	408	4,385	–	4,728
Special interim dividend in respect of the previous year declared and paid	–	–	–	–	(12,806)	(12,806)
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 2018	6,610	(5,098)	(1,299)	81,549	1,643	83,405
Balance at 31 December 2018*	**6,610**	**(6,499)**	**(1,911)**	**81,024**	**4,333**	**83,557**
Impact on initial application of HKFRS 16	**–**	**–**	**–**	**(24)**	**–**	**(24)**
Adjusted 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	**6,610**	**(6,417)**	**(2,740)**	**83,583**	**1,643**	**82,679**

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

The notes on pages 16 to 29 form part of these unaudited interim financial statements.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019
(Expressed in Hong Kong dollars)

	Note	**2019** **$ million**	2018* $ million
Operating activities			
Cash generated from operations	*13(b)*	**496**	579
Interest paid		**(50)**	(128)
Interest received		**614**	777
Tax paid for operations outside Hong Kong		**(21)**	(115)
Net cash generated from operating activities		**1,039**	1,113
Investing activities			
Increase in bank deposits with more than three months to maturity when placed		**(1,812)**	(2,230)
Investments in joint ventures		**(277)**	(369)
New loan to a joint venture		**(29)**	–
Repayment of loan from an associate		**135**	148
Advance to an associate		**(12)**	–
Dividends received from joint ventures		**1,433**	930
Dividends received from associates		**641**	600
Net cash generated from/(used in) investing activities		**79**	(921)
Financing activities			
Proceeds from bank loans		**63**	–
Repayment of bank loans		**–**	(3,703)
Capital element of lease rentals paid		**(1)**	–
Dividends paid to equity shareholders of the Company		**(4,333)**	(17,139)
Net cash used in financing activities		**(4,271)**	(20,842)
Net decrease in cash and cash equivalents		**(3,153)**	(20,650)
Cash and cash equivalents at 1 January		**5,229**	24,557
Effect of foreign exchange rate changes		**(8)**	–
Cash and cash equivalents at 30 June	*13(a)*	**2,068**	3,907

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

The notes on pages 16 to 29 form part of these unaudited interim financial statements.

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 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of 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 2018 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 had delivered the financial statements for the year ended 31 December 2018 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 2018. 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

(a) Overview

The HKICPA has issued a number of new HKFRSs and 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:

- HKFRS 16, *Leases*
- HK(IFRIC) 23, *Uncertainty over income tax treatments*
- Annual Improvements to HKFRSs 2015-2017 Cycle
- Amendments to HKAS 28, *Long-term interests in associates and joint ventures*

The adoption of HKFRS 16, *Leases*, has impact on the Group's results and financial position which is discussed in note 3(b) below. The adoption of the other 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.

(b) HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a Lease*, HK(SIC) 15, *Operating Leases-Incentives and* HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

(i) Changes in accounting policies

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

3. Changes in accounting policies *(Continued)*

(b) HKFRS 16, *Leases* *(Continued)*

(i) Changes in accounting policies *(Continued)*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred.

After initial recognition, the right-of-use asset is stated at cost less accumulated depreciation and impairment loss, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

On the Group's consolidated statement of financial position, right-of-use asset has been included in property, plant and equipment and leasehold land and lease liability has been included in bank loans and other interest-bearing borrowings.

(ii) Transition

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

On transition, the Group recognised right-of-use asset and lease liability for the lease previously classified as operating lease. The Group measures the carrying amount of right-of-use asset for a lease as if HKFRS 16 had always been applied since the commencement date, but using a discount rate based on a relevant incremental borrowing rate at the date of initial application. The weighted average incremental borrowing rate applied to the lease liability recognised under HKFRS 16 was 2.9%.

4. Segment reporting

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

	2019							
		Investments						
$ million	Investment in HKEI	United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
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

	2018							
		Investments						
$ million	Investment in HKEI	United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
For the six months ended 30 June								
Revenue								
Revenue	–	307	339	–	122	768	1	769
Other net income	–	–	–	–	3	3	10	13
Reportable segment revenue	–	307	339	–	125	771	11	782
Results								
Segment earnings	–	307	339	(13)	125	758	(53)	705
Depreciation and amortisation	–	–	–	–	–	–	–	–
Bank deposit interest income	–	–	–	–	–	–	147	147
Operating profit	–	307	339	(13)	125	758	94	852
Finance costs	–	16	(107)	–	(9)	(100)	–	(100)
Share of profits less losses of joint ventures and associates	328	1,890	623	247	297	3,057	32	3,417
Profit before taxation	328	2,213	855	234	413	3,715	126	4,169
Income tax	–	(8)	(25)	–	(16)	(49)	–	(49)
Reportable segment profit	328	2,205	830	234	397	3,666	126	4,120

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	
	2019	2018
	$ million	$ million
Interest income	**665**	768
Others	**–**	1
	665	769
Share of revenue of joint ventures	**8,965**	10,137

6. Profit before taxation

	Six months ended 30 June	
	2019	2018
	$ million	$ million
Profit before taxation is arrived at after charging:		
Finance costs - interest on borrowings and other finance costs	**50**	100
Depreciation	**1**	–

7. Income tax

	Six months ended 30 June	
	2019	2018
	$ million	$ million
Current tax	**(11)**	57
Deferred tax	**47**	(8)
	36	49

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 $3,791 million for the six months ended 30 June 2019 (2018: $4,120 million) and 2,134,261,654 ordinary shares (2018: 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 2019 and 2018.

9. Property, plant and equipment and leasehold land

$ million	Buildings	Plant, machinery and equipment	Sub-total	Interests in leasehold land held for own use under finance leases	Right-of-use asset	Total
Net book value at 31 December 2018	1	1	2	12	–	14
Impact on initial application of HKFRS 16	–	–	–	–	7	7
Adjusted net book value at 1 January 2019	1	1	2	12	7	21
Depreciation and amortisation	–	–	–	–	(1)	(1)
Net book value at 30 June 2019	1	1	2	12	6	20
Cost	1	4	5	13	7	25
Accumulated depreciation and amortisation	–	(3)	(3)	(1)	(1)	(5)
Net book value at 30 June 2019	1	1	2	12	6	20

The above right-of-use asset is related to building.

10. Interest in joint ventures

	30 June 2019 $ million	31 December 2018 $ million
Share of net assets of unlisted joint ventures	**44,036**	42,893
Loans to unlisted joint ventures	**12,665**	12,713
Amounts due from unlisted joint ventures	**172**	91
	56,873	55,697
Share of total assets of unlisted joint ventures	**130,342**	127,200

11. Interest in associates

	30 June 2019 $ million	31 December 2018 $ million
Share of net assets		
— Listed associate	**16,166**	16,493
— Unlisted associates	**3,504**	3,733
	19,670	20,226
Loans to unlisted associates	**3,339**	3,404
Amounts due from associates	**101**	95
	23,110	23,725

12. Trade and other receivables

The ageing analysis of trade debtors based on invoice date and net of loss allowance is as follows:

	30 June 2019 $ million	31 December 2018 $ million
1 to 3 months	**–**	1
Trade debtors	**–**	1
Interest and other receivables	**97**	72
	97	73
Derivative financial instruments (see note 16)	**106**	86
Deposits and prepayments	**1**	87
	204	246

Trade with customers is carried out on credit and invoices are normally due within 1 month after issued.

13. Bank deposits and cash

(a) Bank deposits and cash comprise:

	30 June 2019 $ million	31 December 2018 $ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	**2,040**	4,794
Cash at bank and on hand	**28**	435
Cash and cash equivalents in the consolidated cash flow statement	**2,068**	5,229
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	**1,812**	–
Bank deposits and cash in the consolidated statement of financial position	**3,880**	5,229

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

	Six months ended 30 June	
	2019 $ million	2018 $ million
Profit before taxation	**3,827**	4,169
Adjustments for:		
Share of profits less losses of joint ventures	**(2,314)**	(2,662)
Share of profits less losses of associates	**(530)**	(755)
Interest income	**(733)**	(915)
Finance costs	**50**	100
Depreciation	**1**	–
Exchange losses	**73**	167
Changes in working capital:		
Decrease/(increase) in trade and other receivables	**63**	(77)
Increase in trade and other payables	**54**	546
Decrease in amounts due from joint ventures	**4**	5
Increase in net employee retirement benefit liabilities	**1**	1
Cash generated from operations	**496**	579

14. Trade and other payables

	30 June 2019 $ million	31 December 2018 $ million
Due within 1 month or on demand	**203**	768
Due after 1 month but within 3 months	**3**	19
Due after 3 months but within 12 months	**4,078**	3,276
Creditors measured at amortised cost	**4,284**	4,063

15. Non-current bank loans and other interest-bearing borrowings

	30 June 2019 $ million	31 December 2018 $ million
Bank loans	**3,401**	3,437
Current portion	**(63)**	–
	3,338	3,437
Lease liability	**6**	–
Current portion	**(2)**	–
	4	–
	3,342	3,437

16. Derivative financial instruments

	30 June 2019 Assets $ million	30 June 2019 Liabilities $ million	31 December 2018 Assets $ million	31 December 2018 Liabilities $ million
Derivative financial instruments used for hedging:				
Cash flow hedges				
Interest rate swaps	**–**	**(266)**	–	(80)
Net investment hedges				
Cross currency swaps	**648**	**(48)**	522	(69)
Forward foreign exchange contracts	**1,059**	**(49)**	939	(79)
	1,707	**(363)**	1,461	(228)
Analysed as:				
Current	**106**	**–**	86	–
Non-current	**1,601**	**(363)**	1,375	(228)
	1,707	**(363)**	1,461	(228)

17. Share capital

	Number of shares	30 June 2019 $ million	31 December 2018 $ million
Issued and fully paid:			
Voting ordinary shares	2,134,261,654	**6,610**	6,610

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 2019 categorised into		
	Level 2 $ million	**Level 3 $ million**	**Total $ million**
Financial assets			
Other non-current financial assets	**–**	**5,100**	**5,100**
Derivative financial instruments:			
— Cross currency swaps	**648**	**–**	**648**
— Forward foreign exchange contracts	**1,059**	**–**	**1,059**
	1,707	**5,100**	**6,807**
Financial liabilities			
Derivative financial instruments:			
— Interest rate swaps	**(266)**	**–**	**(266)**
— Cross currency swaps	**(48)**	**–**	**(48)**
— Forward foreign exchange contracts	**(49)**	**–**	**(49)**
	(363)	**–**	**(363)**

	Fair value measurement at 31 December 2018 categorised into		
	Level 2 $ million	Level 3 $ million	Total $ million
Financial assets			
Other non-current financial assets	–	5,100	5,100
Derivative financial instruments:			
— Cross currency swaps	522	–	522
— Forward foreign exchange contracts	939	–	939
	1,461	5,100	6,561
Financial liabilities			
Derivative financial instruments:			
— Interest rate swaps	(80)	–	(80)
— Cross currency swaps	(69)	–	(69)
— Forward foreign exchange contracts	(79)	–	(79)
	(228)	–	(228)

(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% (31 December 2018: 13.65%) and growth rate of 2.5% (31 December 2018: 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 2018: approximately $13 million/$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 2018: approximately $14 million/$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 2019 and 31 December 2018.

19. Interim dividend

The interim dividends declared by the Board of Directors are as follows:

	Six months ended 30 June 2019 $ million	2018 $ million
Interim dividend of $0.77 per ordinary share (2018: $0.77 per ordinary share)	**1,643**	1,643

20. Capital commitments

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

	30 June 2019 $ million	31 December 2018 $ million
Contracted for:		
Investment in a joint venture	**722**	1,012
Authorised but not contracted for:		
Capital expenditure for property, plant and equipment	**1**	1
Investment in a joint venture	**866**	891
	867	892

21. Contingent liabilities

	30 June 2019 $ million	31 December 2018 $ million
Guarantees given in respect of a joint venture	**514**	529

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, $14 million (2018: $16 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 $474 million for the six months ended 30 June 2019 (2018: $544 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 $191 million for the six months ended 30 June 2019 (2018: $224 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 $20 million (2018: $21 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 2019 with the associate was $3 million (31 December 2018: $4 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 2019, except as noted hereunder.

The Nomination Committee of the Company established on 1 January 2019 comprises all Directors of the Company, and accordingly its membership deviates from the requirements in code provision A.5. In discharging its responsibilities, the Nomination Committee is, however, assisted by an ad hoc sub-committee which is chaired by the Chairman of the Board and its membership is compliant with the requirements under the Listing Rules for a nomination committee.

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.

As at 30 June 2019, 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 meeting(s) annually with Independent Non-executive Directors without the presence of Executive Directors and Non-executive 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 2019.

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

Changes of Information of Directors

The changes in the information of Directors since the publication of the annual report 2018 and up to 12 August 2019 (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	
Ip Yuk-keung, Albert	Resigned as an Independent Non-executive Director of Hopewell Holdings Limited (which was delisted on 3 May 2019)

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.

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 and operations review, recurring and unscheduled 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.

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 2019, and considered the systems are effective and adequate.

Nomination Committee

The Company established its Nomination Committee on 1 January 2019 which comprises all Directors of the Company. The Nomination Committee is chaired by Mr. Fok Kin Ning, Canning, the Chairman of the Board. In discharging its responsibilities, the Nomination Committee is assisted by an ad hoc sub-committee which is chaired by the Chairman of the Board and its membership is compliant with the requirements under the Listing Rules for a nomination committee.

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. 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 established on 1 January 2005 comprises three members, two of whom are Independent Non-executive Directors. It is chaired by Mr. Wong Chung Hin and the other members are Mr. Fok Kin Ning, Canning and Mr. Ralph Raymond Shea.

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 the HKEX's website.

Audit Committee

The Audit Committee established on 1 January 1999 comprises three Independent Non-executive Directors. It is chaired by Mr. Wong Chung Hin and the other members are Mr. Ip Yuk-keung, Albert and Mr. Ralph Raymond Shea.

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

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 2019, 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 Lankford Profits Limited, a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOF"). By virtue of the terms of the constituent documents of LKSOF, 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 LKSOF; 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 2019, 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.

Interests and Short Positions of Shareholders

As at 30 June 2019, 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 *(Note 1)*	7.21%
Interman Development Inc.	Beneficial owner	186,736,842 *(Note 1)*	8.75%
Univest Equity S.A.	Beneficial owner	279,011,102 *(Note 1)*	13.07%
Monitor Equities S.A.	Beneficial owner & interest of controlled corporation	287,211,674 *(Note 1)*	13.46%
Hyford Limited	Interest of controlled corporations	767,499,612 *(Note 2)*	35.96%
CK Infrastructure Holdings Limited	Interest of controlled corporations	767,499,612 *(Note 2)*	35.96%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	767,499,612 *(Note 3)*	35.96%
CK Hutchison Global Investments Limited	Interest of controlled corporations	767,499,612 *(Note 3)*	35.96%
CK Hutchison Holdings Limited	Interest of controlled corporations	767,499,612 *(Note 3)*	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 2019, 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 2019 of HK$0.77 per share. The dividend will be payable on Tuesday, 10 September 2019 to shareholders whose names appear in the register of members of the Company at the close of business on Friday, 30 August 2019, 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, 30 August 2019.

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 2019.

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 2019 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 2019*	HK$ million
Non-current assets	409,397
Current assets	24,745
Current liabilities	(42,834)
Non-current liabilities	(277,487)
Net assets	113,821
Share capital	45,897
Reserves	67,924
Capital and reserves	113,821

As at 30 June 2019, the consolidated attributable interest of the Group in these affiliated companies amounted to HK$57,553 million.