



港燈電力投資 HK Electric Investments

HK Electric Investments
and
HK Electric Investments Limited
(Stock Code: 2638)



Interim Report **2020**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2020	2019
Revenue	HK\$4,800 million	HK\$5,003 million
Distribution amount	HK\$1,408 million	HK\$1,408 million
Interim Distribution per Share Stapled Unit	HK15.94 cents	HK15.94 cents

This Interim Report has been posted in both the English and Chinese languages on the Company's website at www.hkei.hk. If, for any reason, Holders of Share Stapled Units 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.

Holders of Share Stapled Units 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 44 Kennedy Road, Hong Kong or to the Share Stapled Units 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@hkei.hk.



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CORPORATE INFORMATION

HK Electric Investments Manager Limited (港燈電力投資管理人有限公司)

(Incorporated in Hong Kong with limited liability, the trustee-manager of HK Electric Investments)

and

HK Electric Investments Limited (港燈電力投資有限公司)

(Incorporated in the Cayman Islands with limited liability)

Board of Directors

Executive Directors

FOK Kin Ning, Canning (*Chairman*)
(WOO Mo Fong, Susan
(alias CHOW WOO Mo Fong, Susan)
as his alternate)
WAN Chi Tin (*Chief Executive Officer*)
CHAN Loi Shun
CHEN Daobiao
CHENG Cho Ying, Francis

Non-executive Directors

LI Tzar Kuoi, Victor (*Deputy Chairman*)
(Frank John SIXT as his alternate)
Fahad Hamad A H AL-MOHANNADI
Ronald Joseph ARCULLI
DUAN Guangming
Deven Arvind KARNIK
ZHU Guangchao

Independent Non-executive Directors

FONG Chi Wai, Alex
KWAN Kai Cheong
LEE Lan Yee, Francis
George Colin MAGNUS
Donald Jeffrey ROBERTS
Ralph Raymond SHEA

Trustee-Manager Audit Committee

Donald Jeffrey ROBERTS (*Chairman*)
Ronald Joseph ARCULLI
LEE Lan Yee, Francis

Company Audit Committee

Donald Jeffrey ROBERTS (*Chairman*)
Ronald Joseph ARCULLI
LEE Lan Yee, Francis

Remuneration Committee

Donald Jeffrey ROBERTS (*Chairman*)
FOK Kin Ning, Canning
FONG Chi Wai, Alex

Nomination Committee

FOK Kin Ning, Canning (*Chairman*)
WAN Chi Tin
CHAN Loi Shun
CHEN Daobiao
CHENG Cho Ying, Francis
LI Tzar Kuoi, Victor
Fahad Hamad A H AL-MOHANNADI
Ronald Joseph ARCULLI
DUAN Guangming
Deven Arvind KARNIK
ZHU Guangchao
FONG Chi Wai, Alex
KWAN Kai Cheong
LEE Lan Yee, Francis
George Colin MAGNUS
Donald Jeffrey ROBERTS
Ralph Raymond SHEA

Company Secretary

Alex NG

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Mizuho Bank, Ltd.
MUFG Bank, Ltd.

Auditor

KPMG

Company Website

www.hkei.hk

Trustee-Manager Registered Office

44 Kennedy Road, Hong Kong

Company Registered Office

Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman, KY1-1111,
Cayman Islands

Company Head Office and Principal Place of Business in Hong Kong

44 Kennedy Road, Hong Kong
Telephone: (852) 2843 3111
Facsimile: (852) 2810 0506
Email: mail@hkei.hk

Share Stapled Units 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

Principal Share Registrar

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman, KY1-1111,
Cayman Islands

Hong Kong Branch 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

Deutsche Bank Trust Company Americas
60 Wall Street, New York, NY 10005
Website: www.adr.db.com
Email: adr@db.com

Investor Relations

For institutional investors, please contact:
CHAN Loi Shun (*Executive Director*) or
WONG Kim Man (*Chief Financial Officer*)

For other investors, please contact:
Alex NG (*Company Secretary*)

Email: mail@hkei.hk
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Facsimile: (852) 2810 0506
Postal Address: G.P.O. Box 915, Hong Kong
Address: 44 Kennedy Road, Hong Kong

KEY DATES AND SHARE STAPLED UNIT INFORMATION

Key Dates

Interim Results Announcement	4 August 2020
Ex-distribution Date	18 August 2020
Interim Report Despatch Date	On or before 19 August 2020
Record Date for Interim Distribution	19 August 2020
Payment of Interim Distribution (HK15.94 cents per Share Stapled Unit)	28 August 2020
Financial Year End	31 December 2020

Share Stapled Unit Information

Board Lot	500 Share Stapled Units
Market Capitalisation as at 30 June 2020	HK\$71,043 million
Share Stapled Unit to American Depository Share Ratio	10:1
Stock Codes	
The Stock Exchange of Hong Kong Limited	2638
Bloomberg	2638 HK
Refinitiv	2638.HK
ADR Ticker Symbol	HKVTY
CUSIP Number	40422B101

CHAIRMAN'S STATEMENT

With COVID-19 raging across the world, Hong Kong and our own operations bore the brunt of the pandemic in the first half of the year. Our priority during this challenging time has been to maintain reliable and affordable power supply for our customers while ensuring the safety and wellbeing of our employees and other stakeholders.

Our most noteworthy milestone during the period was the commissioning of L10, the first of three 380-MW gas-fired generating units to be built within the 2019-2023 Development Plan, at the end of February 2020. The launch has enabled us to make a step-change in our proportion of gas-fired electricity generation – from about 30% in previous years to about 50% in 2020 and a commensurate reduction in our coal-fired electricity generation.

Agile operations underpinned by technology have enabled us to maintain normal operations during the period: despite the social distancing measures in place, we have been able to maintain supply reliability and continue to deliver quality customer service.

At the beginning of the year we rolled out a bank of relief measures designed to benefit SMEs, particularly small caterers, and families in need. These measures are supporting the community to ride out the economic impacts of social unrest and later COVID-19.

Half-year Results

For the six months ended 30 June 2020, HKEI's EBITDA amounted to HK\$3,204 million (2019: HK\$3,287 million) and unaudited profit attributable to holders of Share Stapled Units (SSU) was HK\$811 million (2019: HK\$709 million).

Interim Distribution

Distributable income for the period was HK\$1,408 million (2019: HK\$1,408 million), which will be 100% distributed to SSU holders.

The Board of the Trustee-Manager has declared an interim distribution of HK15.94 cents (2019: HK15.94 cents) per SSU, payable on 28 August 2020 to SSU holders whose names appear on the Share Stapled Units Register on 19 August 2020.

Creating a Green Energy Ecosystem for Hong Kong

Our 2019-2023 Development Plan, under which we are investing HK\$16.2 billion in new gas-fired generating units and other facilities to decarbonise our operations, saw steady progress. Following the commissioning of L10, work is continuing with the remaining two gas-fired generating units, L11 and L12, and the offshore liquefied natural gas terminal. This is despite ongoing travel and social distancing restrictions and occasional disruptions in the supply of machine parts and engineering expertise following the outbreak of the pandemic. While there is a short-term impact on project schedules, we are confident that construction works will be completed on time.

In support of the Government's vision to transform Hong Kong into a Smart City, we started the mass rollout of smart meters in April 2020. The deployment of smart meters and advanced metering infrastructure across our entire customer base is a complex task. Extensive preparations are required in project management, customer engagement, building IT infrastructure, implementing measures to ensure cybersecurity, and setting up a communication network. Work is in full swing with completion planned for 2025.

Maintaining Performance in Challenging Socio-economic Conditions

Electricity sales for the first half of 2020 were 4% lower than the same period last year. April 2020 in particular saw a drop in sales by almost 20% compared with the same month in 2019. The decline was predominantly due to the anti-pandemic measures in place across the city including the suspension of public services and events, and reduced business and commercial activities, as well as continuing energy conservation efforts, though hot weather in May and June has mitigated the decrease.

As we increase gas-fired generation we are incurring significantly higher fuel costs and capital expenditure. This factor, combined with lower special rebates, led to an increase of 5.2% in net tariff for 2020, to 126.4 cents per unit of electricity. The more frequent fuel clause charge adjustment mechanism allows us to reflect changes in actual fuel costs in a timely and transparent manner.

CHAIRMAN'S STATEMENT *(Continued)*

The outbreak of COVID-19 and the need to implement extensive precautionary measures have posed challenges to our operations – not only do we have to adhere to safeguarding guidelines, but as an essential utility we also have to ensure uninterrupted supply for our customers. In addition to preparing business continuity plans to maintain normal operations, we have segregated work teams and implemented social distancing and work-from-home arrangements. Face masks and hand sanitisers were distributed and office premises were cleaned and disinfected regularly. We also carried out drills to test our preparedness in dealing with COVID-19 confirmed cases should they emerge in the company.

Despite these constraints, we were able to maintain our customary high standards in supply reliability rating of over 99.999% for the first half of 2020.

Network expansion and maintenance took place as needed, with major initiatives such as network extension for the MTR's Shatin to Central Link (Hong Kong Island Section) being completed. Our focus on innovation allows us to both enhance supply reliability and ensure employee safety during this challenging time. Dozens of projects utilising technology to innovate were launched including connected home-grown low-voltage fault indicators to improve the performance of low-voltage circuits, and a facial recognition system to improve employee safety in confined spaces such as storage tanks, chambers and pits.

We once again met or surpassed all our pledged customer service standards during the period. Over the years, we have steadily been increasing the number of services we offer online or via mobile. These e-services, such as e-payment, e-forms and e-billing have proved very useful during this period as customers migrated more of their activities online. We have deployed robotic process automation to handle high-volume and repetitive tasks in our call centre in order to improve customer service through technological innovation.

Supporting Stakeholders during this Unprecedented Time

From January 2020, we have rolled out a platform of five relief measures to support SME customers, especially small catering establishments. Tariff increases were waived for a six-month grace period for more than 70,000 non-residential customers and subsidies were provided to commercial customers including SMEs to purchase energy-efficient equipment.

Separately, 180 SME caterers benefitted from a two-month electricity payment deferral scheme to ease any short-term cash flow problems. We have also distributed 40,000 sets of dining coupons worth HK\$20 million in total to families in need, which will help generate additional business for SME caterers. In addition, we have provided a food and beverage subsidy to about 50 NGO-run community centres to organise events for the underprivileged.

In June, we joined other Cheung Kong Group companies in raising funds for The Community Chest by matching public contributions, thus doubling total donations to help the community through the pandemic.

While we had to suspend our routine community outreach activities in line with government guidelines, we continued to reach out through mobile devices. "CAREnJOY Non-stop" saw elders receive weekly messages with information on home electrical safety, tips on energy use, health tips and games while home visits by our volunteers are being replaced by weekly phone calls to care for and support the elderly. The Happy Green Campaign continued to promote environmental messages among younger audiences under the theme "Smart Power for Smart City" via online platforms and social media.

Climate and Emissions Reduction Focus Continues Unchanged

In 2019, we refined and strengthened our approach to achieve three of the United Nations' Sustainable Development Goals (SDGs) most appropriate to our business, namely SDG 7: Affordable and Clean Energy, SDG 9: Industry, Innovation and Infrastructure, and SDG 13: Climate Action. We have since finalised internal targets for the three SDGs with their respective actual implementation. This will provide us with a framework with which to keep track of progress of our decarbonisation and innovation efforts.

Thanks in part to our increased proportion of gas-fired generation and a commensurate reduction in our coal-fired electricity generation, we were able to reduce our emissions of nitrogen oxides, sulphur dioxide and respirable suspended particulates as well as carbon emissions.

CHAIRMAN'S STATEMENT *(Continued)*

Our suite of Smart Power Services plays an important role in promoting energy efficiency in the Hong Kong community, completing more than 100 audits of businesses for energy efficiency during the period. The Smart Power Care Fund approved more than 380 applications for relief measures and subsidies to improve energy efficiency and electrical safety, while the Smart Power Building Fund approved 22 applications for energy efficiency-related building works worth HK\$6.3 million.

We connected another 26 renewable energy installations on customer premises to the grid under the Feed-in Tariff Scheme and sold Renewable Energy Certificates covering 1.7 GWh to help customers manage their own carbon footprints. The total renewable energy generated by all customer-side installations during the period was about 600 MWh.

We have expanded our support of electric vehicles (EVs) to enable electrification of public transportation in Hong Kong. We participated in initiatives relating to the development of charging stations for electric buses, the launch of electric ferries and a trial of electric mini-buses. We upgraded two of our free EV charging stations to Multi-standard Quick Chargers to make them accessible to more drivers. Apart from our 12 free EV charging stations, which recorded 8,300 charging operations during the past six months, we are supporting a pilot subsidy scheme by the Government to install charging facilities at car parks of residential buildings.

Outlook

In spite of the continued impact of the pandemic on all sectors which is expected throughout the second half of 2020, we remain committed to our pledge to deliver reliable, green energy to the residents of Hong Kong while helping the city decarbonise over the long term.

Our priority is to move forward steadfastly with the capital projects under our Development Plan. Construction works will take place under an accelerated timeline in the coming years to ensure all projects are completed on schedule.

Our objective is to serve better by achieving sustainable operations, higher efficiencies and continued progress through innovation.

In closing, my heartfelt thanks go to the board and our dedicated employees who have gone above and beyond during this challenging period.

Fok Kin Ning, Canning

Chairman

Hong Kong, 4 August 2020

FINANCIAL REVIEW

Financial Performance

The Trust Group's revenue and unaudited consolidated profit for the period ended 30 June 2020 were HK\$4,800 million (2019: HK\$5,003 million) and HK\$811 million (2019: HK\$709 million) respectively.

Distribution

The Trustee-Manager Board has declared an interim distribution of HK15.94 cents (2019: HK15.94 cents) per SSU for the six months ended 30 June 2020. In order to enable the Trust to pay that distribution, the Company Board has declared the payment of a first interim dividend in respect of the Company's ordinary shares held by the Trustee-Manager of HK15.94 cents (2019: HK15.94 cents) per ordinary share in respect of the same period.

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
Consolidated profit attributable to SSU holders for the period	811	709
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	2,521	2,750
(ii) adding/(deducting)		
– movement in Fuel Clause Recovery Account	49	(82)
– changes in working capital	(462)	(587)
– adjustment for employee retirement benefit schemes	2	5
– taxes paid	(488)	(107)
	(899)	(771)
(iii) capital expenditure payment	(2,272)	(1,429)
(iv) net finance costs	(543)	(500)
Distributable income for the period	(382)	759
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed	1,790	649
Distributable income for the period after adjustment of the discretionary amount	1,408	1,408
Distribution amount for the period	1,408	1,408
Interim distribution amount per SSU	HK15.94 cents	HK15.94 cents

In determining the distribution amount, the Company Board has taken into account the Group's financial performance achieved during the period under review and its stable cashflow from operations, and consider it appropriate to adjust the distributable income for the six months ended 30 June 2020, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.

Note:

- (a) Pursuant to clause 1.1 of the Trust Deed, "Adjustments" includes, but not limited to (i) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control; (ii) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (iii) impairment of goodwill/recognition of negative goodwill; (iv) material non-cash gains/losses; (v) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (vi) depreciation and amortisation; (vii) tax charges as shown in the consolidated statement of profit or loss; and (viii) net finance income/costs as shown in the consolidated statement of profit or loss.
- (b) The Trustee-Manager Board has confirmed, in accordance with the Trust Deed, that (i) the auditors of the Trust Group have reviewed and verified the Trustee-Manager's calculation of the above distribution entitlement per SSU and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unit holders of the Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the Trust as they fall due.

Capital Expenditure, Liquidity and Financial Resources

Capital expenditure (excluding right-of-use assets but including the Trust Group's capital expenditure in the offshore LNG terminal developed by a joint venture) during the period amounted to HK\$1,571 million (2019: HK\$1,270 million), which was funded by cash from operations and external borrowings. Total external borrowings outstanding at 30 June 2020 were HK\$45,418 million (31 December 2019: HK\$43,045 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 30 June 2020 had undrawn committed bank facilities of HK\$8,250 million (31 December 2019: HK\$5,950 million) and bank deposits and cash of HK\$750 million (31 December 2019: HK\$299 million).

Treasury Policy, Financing Activities, Capital and Debt Structure

The Trust Group manages its financial risks in accordance with guidelines laid down in its treasury policy which is designed to manage the Trust Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from provision for capital expenditure to be incurred and from electricity bill collection, are placed on short-term deposits denominated in Hong Kong dollars. The Trust Group aims to ensure that adequate financial resources are available for refinancing and business growth whilst maintaining a prudent capital structure.

FINANCIAL REVIEW *(Continued)*

During the period, the Trust Group issued US\$500 million 10 year notes in the public bond market as well as a total of HK\$2,119 million notes with tenors ranging from 10 to 30 years in the Hong Kong dollar private placement market under its Medium Term Notes Programme. The proceeds of these issues were either utilised for its general corporate purpose or earmarked for the redemption of notes maturing in December 2020.

As at 30 June 2020, the net debt of the Trust Group was HK\$44,668 million (31 December 2019: HK\$42,746 million) with a net debt-to-net total capital ratio of 48% (31 December 2019: 47%). The Trust Group's financial profile remained strong during the period. On 26 February 2020, Standard & Poor's reaffirmed the "A-" long-term credit rating and "Stable" outlook for the Company which had remained unchanged since September 2015. On 17 June 2020, Standard & Poor's also reaffirmed the "A-" long-term credit rating of HK Electric with a stable outlook, unchanged since January 2014.

The profile of the Trust Group's external borrowings as at 30 June 2020, after taking into account forward foreign exchange contracts, cross currency and interest rate swaps, was as follows:

- (1) 97% were in Hong Kong dollars and 3% were in United States dollars;
- (2) 32% were bank loans and 68% were capital market instruments;
- (3) 44% were repayable within 1 year, 2% were repayable after 1 year but within 5 years and 54% were repayable after 5 years; and
- (4) 81% were in fixed rate and 19% were in floating rate.

The Trust Group's policy is to maintain a portion of its debt at fixed interest rates taking into consideration business and operational needs. 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 Trust 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.

The Trust Group's principal foreign currency transaction exposures arise from the import of fuel and capital equipment. Foreign currency transaction exposure is managed mainly through forward foreign exchange contracts. As at 30 June 2020, over 90% of the Trust Group's transaction exposure from the import of fuel and capital equipment was either denominated in United States dollars or hedged into Hong Kong or United States dollars. The Trust Group is also exposed to foreign currency fluctuation arising from the foreign currency borrowings. Such exposures are, where appropriate, mitigated by the use of either forward foreign exchange contracts or cross currency swaps.

The contractual notional amounts of derivative financial instruments outstanding at 30 June 2020 amounted to HK\$47,023 million (31 December 2019: HK\$43,355 million).

Charge on Assets

As at 30 June 2020, no assets of the Trust Group were pledged to secure its loans and banking facilities (31 December 2019: Nil).

Contingent Liabilities

As at 30 June 2020, the Trust Group had no guarantee or indemnity to external parties (31 December 2019: Nil).

Employees

The Trust Group maintains a policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Trust Group's total remuneration costs for the six months ended 30 June 2020, excluding directors' emoluments, amounted to HK\$594 million (2019: HK\$583 million). As at 30 June 2020, the Trust Group employed 1,739 (31 December 2019: 1,770) permanent employees. No share option scheme is in operation.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE TRUST AND OF THE COMPANY

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

	Note	2020 \$ million	2019 \$ million
Revenue	6	4,800	5,003
Direct costs		<u>(2,539)</u>	<u>(2,676)</u>
		2,261	2,327
Other revenue and other net income		1	17
Other operating costs	8	<u>(509)</u>	<u>(531)</u>
Operating profit		1,753	1,813
Finance costs		<u>(488)</u>	<u>(491)</u>
Profit before taxation	9	1,265	1,322
Income tax:	10		
Current		(162)	(209)
Deferred		(76)	(43)
		<u>(238)</u>	<u>(252)</u>
Profit after taxation		1,027	1,070
Scheme of Control transfers	11	<u>(216)</u>	<u>(361)</u>
Profit for the period attributable to the holders of Share Stapled Units/ shares of the Company		<u><u>811</u></u>	<u><u>709</u></u>
Earnings per Share Stapled Unit/ share of the Company			
Basic and diluted	12	<u><u>9.18 cents</u></u>	<u><u>8.02 cents</u></u>

The notes on pages 19 to 34 form part of these unaudited consolidated interim financial statements.

As explained in note 3, the unaudited consolidated interim financial statements of the Trust and the unaudited consolidated interim financial statements of the Company are presented together.

Details of distributions/dividends payable to holders of Share Stapled Units/shares of the Company attributable to the profit for the period are set out in note 23.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE TRUST AND OF THE COMPANY

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

	2020 \$ million	2019 \$ million
Profit for the period attributable to the holders of Share Stapled Units/shares of the Company	811	709
Other comprehensive income for the period, after tax and reclassification adjustments		
Items that will not be reclassified to profit or loss		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments and cost of hedging recognised during the period	(21)	14
Net deferred tax credited/(charged) to other comprehensive income	3	(2)
	(18)	12
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments and cost of hedging recognised during the period	(197)	140
Reclassification adjustments for amounts transferred to profit or loss	(54)	(45)
Net deferred tax charged to other comprehensive income	(2)	(20)
	(253)	75
Total comprehensive income for the period attributable to the holders of Share Stapled Units/shares of the Company	540	796

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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TRUST AND OF THE COMPANY

At 30 June 2020

(Expressed in Hong Kong dollars)

	(Unaudited) 30 June 2020	(Audited) 31 December 2019
Note	\$ million	\$ million
Non-current assets		
Property, plant and equipment	66,567	66,601
Interests in leasehold land held for own use	5,717	5,815
	<u>72,284</u>	<u>72,416</u>
Goodwill	33,623	33,623
Interest in a joint venture	171	42
Derivative financial instruments	936	649
Employee retirement benefit scheme assets	811	809
	<u>107,825</u>	<u>107,539</u>
Current assets		
Inventories	720	819
Trade and other receivables	1,562	1,060
Bank deposits and cash	750	299
	<u>3,032</u>	<u>2,178</u>
Current liabilities		
Trade and other payables and contract liabilities	(2,033)	(2,980)
Fuel Clause Recovery Account	(696)	(647)
Current portion of bank loans and other interest-bearing borrowings	(20,025)	(6,010)
Bank overdrafts – unsecured	–	(33)
Current tax payable	(251)	(577)
	<u>(23,005)</u>	<u>(10,247)</u>
Net current liabilities	<u>(19,973)</u>	<u>(8,069)</u>
Total assets less current liabilities	<u>87,852</u>	<u>99,470</u>
Non-current liabilities		
Bank loans and other interest-bearing borrowings	(25,393)	(37,002)
Derivative financial instruments	(496)	(14)
Customers' deposits	(2,236)	(2,241)
Deferred tax liabilities	(9,621)	(9,540)
Employee retirement benefit scheme liabilities	(372)	(368)
Other non-current liabilities	(1,035)	(955)
	<u>(39,153)</u>	<u>(50,120)</u>
Scheme of Control Fund and Reserve	<u>(1,079)</u>	<u>(878)</u>
Net assets	<u>47,620</u>	<u>48,472</u>
Capital and reserves		
Share capital	8	8
Reserves	47,612	48,464
Total equity	<u>47,620</u>	<u>48,472</u>

The notes on pages 19 to 34 form part of these unaudited consolidated interim financial statements.

As explained in note 3, the unaudited consolidated interim financial statements of the Trust and the unaudited consolidated interim financial statements of the Company are presented together.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE TRUST AND OF THE COMPANY

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

\$ million	Attributable to holders of Share Stapled Units/shares of the Company					Total
	Share capital	Share premium	Hedging reserve	Revenue reserve	Proposed/ declared distribution/ dividend	
Balance at 1 January 2019	8	47,472	(54)	(461)	1,778	48,743
Changes in equity for the six months ended 30 June 2019:						
Profit for the period	-	-	-	709	-	709
Other comprehensive income	-	-	87	-	-	87
Total comprehensive income	-	-	87	709	-	796
Amounts transferred to the initial carrying amount of hedged items	-	-	2	-	-	2
Final distribution/second interim dividend in respect of previous year approved and paid	-	-	-	-	(1,778)	(1,778)
Interim distribution/first interim dividend (see note 23)	-	-	-	(1,408)	1,408	-
Balance at 30 June 2019	<u>8</u>	<u>47,472</u>	<u>35</u>	<u>(1,160)</u>	<u>1,408</u>	<u>47,763</u>
Balance at 1 January 2020	8	47,472	324	(754)	1,422	48,472
Changes in equity for the six months ended 30 June 2020:						
Profit for the period	-	-	-	811	-	811
Other comprehensive income	-	-	(271)	-	-	(271)
Total comprehensive income	-	-	(271)	811	-	540
Amounts transferred to the initial carrying amount of hedged items	-	-	30	-	-	30
Final distribution/second interim dividend in respect of previous year approved and paid	-	-	-	-	(1,422)	(1,422)
Interim distribution/first interim dividend (see note 23)	-	-	-	(1,408)	1,408	-
Balance at 30 June 2020	<u>8</u>	<u>47,472</u>	<u>83</u>	<u>(1,351)</u>	<u>1,408</u>	<u>47,620</u>

The notes on pages 19 to 34 form part of these unaudited consolidated interim financial statements.

As explained in note 3, the unaudited consolidated interim financial statements of the Trust and the unaudited consolidated interim financial statements of the Company are presented together.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT OF THE TRUST AND OF THE COMPANY

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

	Note	2020 \$ million	2019 \$ million
Operating activities			
Cash generated from operations	16(b)	2,928	2,796
Interest paid		(445)	(410)
Interest received		4	1
Hong Kong Profits Tax paid		(488)	(107)
Net cash generated from operating activities		1,999	2,280
Investing activities			
Payment for the purchase of property, plant and equipment and capital stock		(2,143)	(1,429)
Capitalised interest paid		(102)	(91)
New loan to a joint venture		(129)	–
Increase in bank deposits with more than three months to maturity when placed		–	(70)
Net cash used in investing activities		(2,374)	(1,590)
Financing activities			
Proceeds from bank loans		2,241	1,643
Repayment of bank loans		(5,941)	–
Issuance of medium term notes		5,994	–
Redemption of medium term notes		–	(330)
Payment of lease liabilities		(1)	–
New customers' deposits		127	153
Repayment of customers' deposits		(132)	(134)
Distributions/dividends paid		(1,422)	(1,778)
Net cash generated from/(used in) financing activities		866	(446)
Net increase in cash and cash equivalents		491	244
Cash and cash equivalents at 1 January		266	34
Effect of foreign exchange rate changes		(7)	(1)
Cash and cash equivalents at 30 June		750	277

The notes on pages 19 to 34 form part of these unaudited consolidated interim financial statements.

As explained in note 3, the unaudited consolidated interim financial statements of the Trust and the unaudited consolidated interim financial statements of the Company are presented together.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY

(Expressed in Hong Kong dollars)

1. Review of unaudited interim financial statements

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

2. General information

HK Electric Investments Limited (the "Company") was incorporated in the Cayman Islands on 23 September 2013 as an exempted company with limited liability under the Companies Law 2011 (as consolidated and revised) of the Cayman Islands.

On 1 January 2014, HK Electric Investments (the "Trust") was constituted by a Hong Kong law governed Trust Deed entered into between HK Electric Investments Manager Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the Trust) and the Company. The scope of activity of the Trust as provided in the Trust Deed is limited to investing in the Company.

3. Basis of presentation

Pursuant to the Trust Deed, the Trust and the Company are each required to prepare their own sets of interim financial statements on a consolidated basis. The unaudited consolidated interim financial statements of the Trust for the period ended 30 June 2020 comprise the unaudited consolidated interim financial statements of the Trust, the Company and its subsidiaries (together the "Trust Group") and the Trust Group's interest in a joint venture. The unaudited consolidated interim financial statements of the Company for the period ended 30 June 2020 comprise the unaudited consolidated interim financial statements of the Company and its subsidiaries (together the "Group") and the Group's interest in a joint venture.

The Trust controls the Company and the sole activity of the Trust during the six months period ended 30 June 2020 was investing in the Company. Therefore, the consolidated results and financial position that would be presented in the unaudited consolidated interim financial statements of the Trust are identical to the consolidated financial results and financial position of the Company with the only differences being disclosures of share capital of the Company. The Directors of the Trustee-Manager and Directors of the Company believe that it is clearer to present the unaudited consolidated interim financial statements of the Trust and of the Company together. The unaudited consolidated interim financial statements of the Trust and the unaudited consolidated interim financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as the "unaudited consolidated interim financial statements of the Trust and of the Company".

The Trust Group and the Group are referred as the "Groups".

4. Basis of preparation

The unaudited consolidated interim financial statements of the Trust and of the Company have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting* issued by the HKICPA and comply with the applicable disclosure provisions of the Listing Rules.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in and should be read in conjunction with 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 5.

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 HKFRSs.

5. 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 Groups. Of these, the following developments are relevant to the Trust’s and the Company’s unaudited consolidated interim financial statements:

- Amendments to HKAS 1 and HKAS 8, *Definition of material*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest rate benchmark reform*

The adoption of these amendments to HKFRSs does not have a material impact on the Groups’ results and financial positions for the current or prior periods. The Groups have not applied any new standard or amendment that is not effective for the current accounting period.

6. Revenue

The principal activity of the Groups is the generation and supply of electricity to Hong Kong Island and Lamma Island. Disaggregation of revenue by type of output and services is analysed as follows:

	Six months ended 30 June	
	2020	2019
	\$ million	\$ million
Sales of electricity	4,790	4,983
Less: Concessionary discount on sales of electricity	(2)	(2)
	4,788	4,981
Electricity-related income	12	22
	<u>4,800</u>	<u>5,003</u>

7. Segment reporting

The Groups have one reporting segment which is the generation and supply of electricity to Hong Kong Island and Lamma Island. All segment assets are located in Hong Kong. The Groups' chief operating decision-maker reviews the consolidated results of the Groups for the purposes of resource allocation and performance assessment. Therefore, no additional reportable segment and geographical information has been presented.

8. Other operating costs

	Six months ended 30 June	
	2020	2019
	\$ million	\$ million
Administrative expenses, government rent and rates	182	168
Staff costs in relation to corporate and administrative supports	113	114
Provisions for asset decommissioning obligation	80	107
Portion of depreciation and amortisation of leasehold land included in other operating costs	94	86
Net loss on disposal and written off of property, plant and equipment	40	56
	<u>509</u>	<u>531</u>

9. Profit before taxation

	Six months ended 30 June	
	2020	2019
	\$ million	\$ million
Profit before taxation is arrived at after charging/(crediting):		
Finance costs		
Interest on borrowings and other finance costs	627	617
Less: Interest expense and other finance costs capitalised to assets under construction	(131)	(117)
Interest expense transferred to fuel costs	(8)	(9)
	<u>488</u>	<u>491</u>
Depreciation		
Depreciation charges for the period	1,399	1,417
Less: Depreciation capitalised to assets under construction	(43)	(40)
	<u>1,356</u>	<u>1,377</u>
Amortisation of leasehold land	<u>98</u>	<u>98</u>

10. Income tax

	Six months ended 30 June	
	2020	2019
	\$ million	\$ million
Current tax		
Provision for Hong Kong Profits Tax for the period	162	209
Deferred tax		
Origination and reversal of temporary differences	<u>76</u>	<u>43</u>
	<u>238</u>	<u>252</u>

The provision for Hong Kong Profits Tax for the six months ended 30 June 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits, except for one subsidiary of the Groups which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Groups are exempt from any income tax in these jurisdictions.

11. Scheme of Control transfers

The Scheme of Control transfers are mid-year notional transfers. The actual Scheme of Control transfers can only be determined in accordance with the Scheme of Control at the year end. Notional Scheme of Control transfers during the period represent transfer to the following:

	Six months ended 30 June	
	2020	2019
	\$ million	\$ million
Tariff Stabilisation Fund	211	356
Rate Reduction Reserve	5	5
	<u>216</u>	<u>361</u>

12. Earnings per Share Stapled Unit/share of the Company

The calculation of basic and diluted earnings per Share Stapled Unit/share of the Company are based on the profit attributable to the holders of Share Stapled Units/shares of the Company of \$811 million for the six months ended 30 June 2020 (2019: \$709 million) and the weighted average of 8,836,200,000 Shares Stapled Units/ordinary shares of the Company (2019: 8,836,200,000 Shares Stapled Units/ordinary shares of the Company) in issue throughout the period.

13. Property, plant and equipment and interests in leasehold land

\$ million	Site formation and buildings	Properties leased for own use	Plant, machinery and equipment	Fixtures, fittings and motor vehicles	Assets under construction	Sub-total	Interests in leasehold land held for own use	Total
Net book value at 1 January 2020	13,799	2	42,541	500	9,759	66,601	5,815	72,416
Additions	-	1	27	4	1,385	1,417	-	1,417
Transfers between categories	1,311	-	2,582	8	(3,901)	-	-	-
Disposals	-	-	(52)	-	-	(52)	-	(52)
Depreciation/amortisation	(256)	(1)	(1,090)	(52)	-	(1,399)	(98)	(1,497)
Net book value at 30 June 2020	<u>14,854</u>	<u>2</u>	<u>44,008</u>	<u>460</u>	<u>7,243</u>	<u>66,567</u>	<u>5,717</u>	<u>72,284</u>
Cost	18,122	5	56,932	948	7,243	83,250	6,959	90,209
Accumulated depreciation and amortisation	(3,268)	(3)	(12,924)	(488)	-	(16,683)	(1,242)	(17,925)
Net book value at 30 June 2020	<u>14,854</u>	<u>2</u>	<u>44,008</u>	<u>460</u>	<u>7,243</u>	<u>66,567</u>	<u>5,717</u>	<u>72,284</u>

14. Interest in a joint venture

	30 June 2020 \$ million	31 December 2019 \$ million
Groups' share of net assets	–	–
Loan to joint venture (see note below)	171	42
	<u>171</u>	<u>42</u>
	<u><u>171</u></u>	<u><u>42</u></u>

HK Electric entered into a Shareholder Loan Facility Agreement with its joint venture, Hong Kong LNG Terminal Limited ("HKLTL"), under which two tranches of loan facilities totaling \$699 million are provided by HK Electric to finance HKLTL's obtaining the land lease and construction of the jetty for a liquefied natural gas ("LNG") terminal. Both tranches of loans are unsecured and interest-bearing with the rates benchmarked with market rates.

15. Trade and other receivables

The ageing analysis of trade debtors based on invoice date, which are neither individually nor collectively considered to be impaired, is as follows:

	30 June 2020 \$ million	31 December 2019 \$ million
Current and within 1 month	759	476
1 to 3 months	15	30
More than 3 months but less than 12 months	–	7
	<u>774</u>	<u>513</u>
Trade debtors	774	513
Other receivables	690	414
	<u>1,464</u>	<u>927</u>
Derivative financial instruments (see note 19)	46	86
Deposits and prepayments	52	47
	<u>1,562</u>	<u>1,060</u>
	<u><u>1,562</u></u>	<u><u>1,060</u></u>

Electricity bills issued to residential, small industrial, commercial and miscellaneous customers for electricity supplies are due upon presentation whereas maximum demand customers are allowed a credit period of 16 working days. If settlements by maximum demand customers are received after the credit period, a surcharge of 5% can be added to the electricity bills.

16. Bank deposits and cash and other cash flow information

(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	700	263
Cash at bank and in hand	50	36
Bank overdrafts – unsecured	–	(33)
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated cash flow statement	750	266
Bank overdrafts – unsecured	–	33
	<hr/>	<hr/>
Bank deposits and cash in the consolidated statement of financial position	750	299

16. Bank deposits and cash and other cash flow information

(Continued)

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

		Six months ended 30 June	
		2020	2019
	Note	\$ million	\$ million
Profit before taxation		1,265	1,322
Adjustments for:			
Interest income		(3)	(1)
Finance costs	9	488	491
Interest expense transferred to fuel costs	9	8	9
Depreciation	9	1,356	1,377
Amortisation of leasehold land	9	98	98
Net loss on disposal and written off of property, plant and equipment	8	40	56
Increase in provisions for asset decommissioning obligation	8	80	107
Net financial instrument revaluation and exchange losses		21	1
Smart Power Care Fund disbursement		(15)	–
Changes in working capital:			
Decrease in inventories		113	167
Increase in trade and other receivables		(559)	(404)
Movements in Fuel Clause Recovery Account		49	(82)
Decrease in trade and other payables and contract liabilities		(14)	(350)
Increase/decrease in net employee retirement benefit assets/liabilities		2	5
Payment for asset decommissioning obligation expenditure		(1)	–
Cash generated from operations		<u>2,928</u>	<u>2,796</u>

17. Trade and other payables and contract liabilities

	30 June 2020 \$ million	31 December 2019 \$ million
Due within 1 month or on demand	953	1,778
Due after 1 month but within 3 months	236	270
Due after 3 months but within 12 months	797	873
	<hr/>	<hr/>
Creditors measured at amortised cost	1,986	2,921
Lease liabilities	1	2
Derivative financial instruments (see note 19)	21	39
Contract liabilities	25	18
	<hr/>	<hr/>
	2,033	2,980
	<hr/> <hr/>	<hr/> <hr/>

18. Bank loans and other interest-bearing borrowings

	30 June 2020 \$ million	31 December 2019 \$ million
Bank loans	14,647	18,333
Current portion	(14,147)	(113)
	<hr/>	<hr/>
	500	18,220
	<hr/>	<hr/>
Hong Kong dollar medium term notes		
Fixed rate notes	8,567	6,465
Zero coupon notes	739	727
	<hr/>	<hr/>
	9,306	7,192
	<hr/>	<hr/>
United States dollar medium term notes		
Fixed rate notes	15,545	11,697
Zero coupon notes	5,920	5,790
	<hr/>	<hr/>
	21,465	17,487
Current portion	(5,878)	(5,897)
	<hr/>	<hr/>
	15,587	11,590
	<hr/>	<hr/>
Non-current portion	25,393	37,002
	<hr/> <hr/>	<hr/> <hr/>

19. 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:				
– Cross currency swaps	66	(1)	24	–
– Interest rate swaps	–	(477)	230	–
– Forward foreign exchange contracts	871	(39)	407	(51)
Fair value hedges:				
– Cross currency swaps	45	–	70	–
– Forward foreign exchange contracts	–	–	4	(2)
	<u>982</u>	<u>(517)</u>	<u>735</u>	<u>(53)</u>
Analysed as:				
Current	46	(21)	86	(39)
Non-current	<u>936</u>	<u>(496)</u>	<u>649</u>	<u>(14)</u>
	<u>982</u>	<u>(517)</u>	<u>735</u>	<u>(53)</u>

20. Scheme of Control Fund and Reserve

The Tariff Stabilisation Fund, Rate Reduction Reserve and Smart Power Care Fund of the Groups' major subsidiary, HK Electric, are collectively referred to as Scheme of Control Fund and Reserve. The respective balances at the end of the period/year are:

	30 June 2020 \$ million	31 December 2019 \$ million
Tariff Stabilisation Fund	1,073	848
Rate Reduction Reserve	5	14
Smart Power Care Fund	<u>1</u>	<u>16</u>
	<u>1,079</u>	<u>878</u>

21. Share capital

The Company

		30 June 2020	31 December 2019
	Number of shares	Nominal value \$	Nominal value \$
Authorised:			
Ordinary shares of \$0.0005 each	20,000,000,000	10,000,000	10,000,000
Preference shares of \$0.0005 each	20,000,000,000	10,000,000	10,000,000
Issued and fully paid:			
Ordinary shares of \$0.0005 each	8,836,200,000	4,418,100	4,418,100
Preference shares of \$0.0005 each	8,836,200,000	4,418,100	4,418,100

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

22. Fair value measurement

The following table presents the fair value of the Groups' financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13: *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical financial assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data is not available
- Level 3 valuations: Fair values measured using significant unobservable inputs

22. Fair value measurement *(Continued)*

(a) Recurring fair value measurements

	Level 2	
	30 June 2020 \$ million	31 December 2019 \$ million
Financial assets		
Derivative financial instruments:		
– Cross currency swaps	111	94
– Interest rate swaps	–	230
– Forward foreign exchange contracts	871	411
	<u>982</u>	<u>735</u>
Financial liabilities		
Derivative financial instruments:		
– Cross currency swaps	1	–
– Interest rate swaps	477	–
– Forward foreign exchange contracts	39	53
Medium term notes subject to fair value hedges	4,320	4,341
	<u>4,837</u>	<u>4,394</u>

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

Trade and other receivables, trade and other payables and contract liabilities 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.

(c) Valuation techniques and inputs in Level 2 fair value measurements

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

The fair values of medium term notes are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

23. Interim distribution/dividend

The distributable income for the period was as follows:

	Six months ended 30 June	
	2020	2019
	\$ million	\$ million
Consolidated profit attributable to the holders of Share Stapled Units for the period	811	709
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	2,521	2,750
(ii) adding/(deducting)		
– movement in Fuel Clause Recovery Account	49	(82)
– changes in working capital	(462)	(587)
– adjustment for employee retirement benefit schemes	2	5
– taxes paid	(488)	(107)
	(899)	(771)
(iii) capital expenditure payment	(2,272)	(1,429)
(iv) net finance costs	(543)	(500)
Distributable income for the period	(382)	759
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed (see note (d) below)	1,790	649
Distributable income for the period after adjustment of discretionary amount	1,408	1,408
Distribution amount for the period	1,408	1,408
Number of Share Stapled Units/ordinary shares of the Company	8,836,200,000	8,836,200,000
Interim distribution per Share Stapled Unit/first interim dividend per ordinary share of the Company (see note (e) below)	15.94 cents	15.94 cents

23. Interim distribution/dividend *(Continued)*

- (a) Pursuant to clause 1.1 of the Trust Deed, “Adjustments” includes, but not limited to (i) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control; (ii) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (iii) impairment of goodwill/recognition of negative goodwill; (iv) material non-cash gains/losses; (v) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (vi) depreciation and amortisation; (vii) tax charges as shown in the consolidated statement of profit or loss; and (viii) net finance income/costs as shown in the consolidated statement of profit or loss.
- (b) The Trust Deed requires the Trustee-Manager (on behalf of the Trust) to distribute 100% of the dividends, distributions and other amounts received by the Trustee-Manager in respect of the ordinary shares from the Company, after deduction of all amounts permitted to be deducted or paid under the Trust Deed.
- (c) The distributions received by the Trustee-Manager from the Company will be derived from the Group Distributable Income which is referred as audited consolidated profit attributable to the holders of Share Stapled Units for the relevant financial year or distribution period, after making adjustments in respect of items as set out in the Trust Deed.
- (d) In determining the distribution amount, the Company Board has taken into account the Group’s financial performance achieved during the period under review and its stable cashflow from operations, and consider it appropriate to adjust the distributable income for the six months ended 30 June 2020, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.
- (e) Interim distribution per Share Stapled Unit/first interim dividend per ordinary share of the Company of 15.94 cents (2019: 15.94 cents) is calculated based on the interim distribution of \$1,408 million for the six months ended 30 June 2020 (2019: \$1,408 million) and the number of Shares Stapled Units/ordinary shares of the Company of 8,836,200,000 in issue as at 30 June 2020 (2019: 8,836,200,000).

24. Commitments

- (a) The Groups' outstanding capital commitments not provided for in the financial statements were as follows:

	30 June 2020 \$ million	31 December 2019 \$ million
Capital expenditure for property, plant and equipment authorised and contracted for	<u>7,715</u>	<u>5,465</u>
Capital expenditure for property, plant and equipment authorised but not contracted for	<u>14,430</u>	<u>18,412</u>

- (b) At 30 June 2020, the Groups' share of capital commitments of a joint venture was \$438 million (31 December 2019: \$29 million).

At 30 June 2020, the Groups' share of the lease and other commitments of a joint venture approximated to \$1,170 million (31 December 2019: \$1,170 million).

25. Material related party transactions

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

- (a) **Holder of Share Stapled Units**

Support service charge recovered from Power Assets group

Other operating costs included support service charge recovered from Power Assets group amounting to \$21 million (2019: \$20 million) for provision of the support services and office facilities to Power Assets group. The support service charge was based on the total costs incurred in the provision or procurement of the provision of the services and facilities and allocated to Power Assets group on a fair and equitable basis, taking into account the time spent by the relevant personnel when providing such services.

At 30 June 2020, the total outstanding balance receivable from Power Assets group was \$3 million (31 December 2019: \$3 million).

25. Material related party transactions *(Continued)*

(b) Joint Venture

- (i) The details of Shareholder Loan Facility provided to HKLTL by the Groups and the outstanding loan balance as at 30 June 2020 are disclosed in note 14.
- (ii) Interest income received/receivable from HKLTL in respect of the Shareholder Loan Facility amounted to \$2 million (2019: Nil) for the six months ended 30 June 2020.
- (iii) Under a Joint Development Agreement entered into between HK Electric, Castle Peak Power Company Limited (“CAPCO”) and HKLTL for the development of LNG terminal, HK Electric and CAPCO will perform project management and provide supports to HKLTL in the development and construction of the LNG terminal. During the six months ended 30 June 2020, HKLTL reimbursed related costs of \$2 million (2019: Nil) to HK Electric.

UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF HK ELECTRIC INVESTMENTS MANAGER LIMITED

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

		2020	2019
	Note	\$	\$
Revenue		–	–
Administrative expenses		–	–
		<hr/>	<hr/>
Profit before taxation	6	–	–
Income tax	7	–	–
		<hr/>	<hr/>
Profit and total comprehensive income for the period		–	–
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 39 to 41 form part of these unaudited interim financial statements.

UNAUDITED STATEMENT OF FINANCIAL POSITION OF HK ELECTRIC INVESTMENTS MANAGER LIMITED

At 30 June 2020

(Expressed in Hong Kong dollars)

		(Unaudited) 30 June 2020 \$	(Audited) 31 December 2019 \$
	<i>Note</i>		
Current assets			
Amount due from immediate holding company		1	1
Net assets		1	1
Capital and reserves			
Share capital	8	1	1
Reserves		–	–
Total equity		1	1

The notes on pages 39 to 41 form part of these unaudited interim financial statements.

UNAUDITED STATEMENT OF CHANGES IN EQUITY OF HK ELECTRIC INVESTMENTS MANAGER LIMITED

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

\$	Share capital	Reserves	Total
Balance at 1 January 2019	1	–	1
Changes in equity for the six months ended 30 June 2019:			
Profit and total comprehensive income for the period	–	–	–
Balance at 30 June 2019	<u>1</u>	<u>–</u>	<u>1</u>
Balance at 1 January 2020	1	–	1
Changes in equity for the six months ended 30 June 2020:			
Profit and total comprehensive income for the period	–	–	–
Balance at 30 June 2020	<u>1</u>	<u>–</u>	<u>1</u>

The notes on pages 39 to 41 form part of these unaudited interim financial statements.

UNAUDITED CASH FLOW STATEMENT OF HK ELECTRIC INVESTMENTS MANAGER LIMITED

For the six months ended 30 June 2020

(Expressed in Hong Kong dollars)

	2020	2019
	\$	\$
Operating activities		
Net cash generated from operating activities	—	—
Investing activities		
Net cash used in investing activities	—	—
Financing activities		
Net cash used in financing activities	—	—
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at 1 January	—	—
Cash and cash equivalents at 30 June	—	—

The notes on pages 39 to 41 form part of these unaudited interim financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS OF HK ELECTRIC INVESTMENTS MANAGER LIMITED

(Expressed in Hong Kong dollars)

1. Review of unaudited interim financial statements

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

2. General information

HK Electric Investments Manager Limited (the “Company”) was incorporated in Hong Kong under the Hong Kong Companies Ordinance on 25 September 2013 and is an indirect wholly-owned subsidiary of Power Assets.

The principal activity of the Company is administering HK Electric Investments (the “Trust”), in its capacity as trustee-manager of the Trust. The costs and expenses of administering the Trust may be deducted from all property and rights of any kind whatsoever which are held on trust for the registered holders of units of the Trust but, commensurate with its specific and limited role, the Company will not receive any fee for administering the Trust.

3. Basis of presentation

The Trust Deed requires the Company (on behalf of the Trust) to distribute 100% of the dividends, distributions and other amounts received in respect of the ordinary shares from HK Electric Investments Limited, after deduction of all amounts permitted to be deducted or paid under the Trust Deed.

In accordance with the Trust Deed, a distributions statement shall be included in the financial statements of the Company. As the details of the distribution has already been presented in note 23 to the unaudited consolidated interim financial statements of the Trust and of HK Electric Investments Limited on pages 31 and 32, no distributions statement is therefore presented in these unaudited interim financial statements.

4. Basis of preparation

These unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting* issued by the HKICPA and comply with the applicable disclosure provisions of the Listing Rules.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in and should be read in conjunction with 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 5.

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 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 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’s financial statements together with the consolidated financial statements of the Trust and of HK Electric Investments Limited for the year ended 31 December 2019 will be delivered to the Registrar of Companies in due course.

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.

5. 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 Company. The adoption of these amendments to HKFRSs has no material impact on the Company's result and financial position for the current or prior periods. The Company has not applied any new standard or amendment that is not effective for the current accounting period.

6. Profit before taxation

All expenses of the Company which were incurred for the administering of the Trust of \$170,000 for the six months ended 30 June 2020 (2019: \$186,000) have been borne by HK Electric Investments Limited, which has waived its right of recovery thereof.

Except for the above, the Company did not incur any administrative expenses during the current and prior periods.

7. Income tax

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company did not have any assessable profits during the current and prior periods.

8. Share capital

	30 June 2020		31 December 2019	
	Number of shares	\$	Number of shares	\$
Ordinary shares, issued and fully paid	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

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

9. Material related party transactions

Except for the transactions and balances disclosed elsewhere in the financial statements, the Company did not enter into material related party transactions.

CORPORATE GOVERNANCE

Corporate Governance Practices

The Boards are committed to maintaining high standards of corporate governance, and recognise that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of the Trustee-Manager and the Trust Group, and the ability to attract investment, protect the rights of Holders of Share Stapled Units and other stakeholders, and enhance the value of the Share Stapled Units. The corporate governance policies of the Trustee-Manager and the Trust Group are designed to achieve these objectives and are maintained through a framework of processes, policies and guidelines.

The Trust and the Company are both listed on the Main Board of the Stock Exchange, and are subject to the provisions of the Listing Rules. Pursuant to the Trust Deed, the Trustee-Manager is responsible for compliance by the Trust with the Listing Rules applicable to the Trust and other relevant laws and regulations, the Company is responsible for compliance by the Company with the Listing Rules applicable to the Company and other relevant laws and regulations, and each of the Trustee-Manager and the Company will co-operate with each other to ensure that each party complies with the Listing Rules obligations and to co-ordinate disclosure to the Stock Exchange.

The Trust and the Company have complied with the applicable code provisions in the Corporate Governance Code throughout the six months ended 30 June 2020, except as stated hereunder.

The Trustee-Manager does not have a remuneration committee as provided for in code provision B.1, since under the terms of their letters of appointment the Directors of the Trustee-Manager are not entitled to any remuneration.

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 of the Company is assisted by an ad hoc sub-committee (which is chaired by the Chairman of the Company 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 Trustee-Manager does not have a nomination committee as provided for in code provision A.5, since in accordance with the Trust Deed and the Trustee-Manager's articles of association, the Trustee-Manager Board shall at all times comprise the same individuals who serve as Directors of the Company, and the requirement to establish a nomination committee is hence considered irrelevant to the Trustee-Manager.

The Trust 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 Trustee-Manager Audit Committee and the Company Audit Committee have reviewed the procedures for reporting possible improprieties in financial reporting, internal control or other matters. In addition, the Trustee-Manager and the Company have established a policy relating to inside information and securities dealing for compliance by all employees of the Group.

Boards of Directors

Each of the Trustee-Manager Board and the Company Board, led by the Chairman, is responsible for approval and monitoring of strategies and policies, approval of annual budgets and business plans, evaluation of the performance, and oversight of management of the Trustee-Manager and the Company respectively. Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Boards consider that the senior management of the Trust Group comprises the Executive Directors.

As at 30 June 2020, each of the Boards consisted of a total of seventeen Directors, comprising five Executive Directors, six Non-executive Directors and six 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 at the annual general meeting once every three years pursuant to the Trust Deed and the articles of association of the Company.

The positions of the Chairman and the Chief Executive Officer of the Company are held by separate individuals. The Trustee-Manager does not appoint a Chief Executive Officer due to its specific and limited role to administer the Trust. The Chairman is responsible for providing leadership to, and overseeing the functioning and effective running of, the Boards to ensure that each Board acts in the best interests of the Trust and the Group, as appropriate. 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 Company Board for all Group operations.

CORPORATE GOVERNANCE *(Continued)*

The Trustee-Manager Board and the Company Board hold meetings on a combined basis, and they meet 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 Trustee-Manager and the Company supports the Boards by ensuring good information flow within the Boards and that board policy and procedures are followed. The Company Secretary is responsible for ensuring that the Boards are briefed on all legislative, regulatory and corporate governance developments and that the Boards have regard to them when making decisions. The Company Secretary is also directly responsible for the Trustee-Manager's and the Trust Group's compliance with all obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, SFO and other related laws, rules and regulations.

Model Code for Securities Transactions by Directors

The Boards have adopted the Model Code as their 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 be in possession of inside information regarding the Trust Group 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 11 August 2020 (the latest practicable date prior to the printing of this interim report) is 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 ⁽¹⁾
Wan Chi Tin	Elected as an Honorary Fellow of The Hong Kong Institution of Engineers
Donald Jeffrey Roberts	Ceased to be a Member of the Listing Committee of the Main Board and GEM of the Hong Kong Stock Exchange
	Appointed as an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc. ⁽²⁾
Frank John Sixt (Alternate Director to Victor T K Li)	Act as a Non-executive Director of TPG Telecom Limited ⁽¹⁾
Woo Mo Fong, Susan (alias Chow Woo Mo Fong, Susan) (Alternate Director to Fok Kin Ning, Canning)	Appointed as an Independent Non-executive Director of HKEX ⁽²⁾

Notes:

- (1) A company whose shares of which are listed on the Australian Securities Exchange.
- (2) A company whose shares of which are listed on the Hong Kong Stock Exchange.

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.

CORPORATE GOVERNANCE *(Continued)*

Risk Management and Internal Control

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

The Internal Audit Department, reporting to an Executive Director and the Trustee-Manager Audit Committee and the Company Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and internal controls in business operations. Staff members of the department 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, the Internal Audit Department prepares its yearly audit plan which is reviewed and approved by the Audit Committees. Its internal audit reports on the Group's operations are also reviewed and considered by the Trustee-Manager Audit Committee and the Company Audit Committee. The scope of work performed includes financial, operations and information technology review, recurring and ad hoc audit, fraud investigation, productivity efficiency review and laws and regulations compliance review. The Internal Audit Department follows up audit recommendations on implementation by the operating units and the progress is reported to the Audit Committees regularly.

The Trustee-Manager Audit Committee and the Company Audit Committee have reviewed the effectiveness of the risk management and internal control systems of the Trust, the Company and the Trustee-Manager for the six months ended 30 June 2020, and considered the systems are effective and adequate.

Nomination Committee of the Company

The Company established its Nomination Committee on 1 January 2019. The Nomination Committee of the Company is chaired by Mr. Fok Kin Ning, Canning (the Chairman of the Company Board) 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 of the Company 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 Nomination Committee reports directly to the Company Board. The principal responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills matrix of the Company Board, to facilitate the Company 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 Company 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 of the Company are published on the Company's website and HKEX's website.

Remuneration Committee of the Company

The Remuneration Committee of the Company established on 29 January 2014 comprises three members, two of whom are Independent Non-executive Directors. It is chaired by Mr. Donald Jeffrey Roberts and the other members are Mr. Fok Kin Ning, Canning and Dr. Fong Chi Wai, Alex.

The Remuneration Committee reports directly to the Company Board and its principal responsibilities include the review and consideration of the Company's policy for remuneration of Directors and management team, 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.

Trustee-Manager Audit Committee and Company Audit Committee

Each of the Trustee-Manager Audit Committee and the Company Audit Committee established on 29 January 2014 comprises two Independent Non-executive Directors and one Non-executive Director. It is chaired by Mr. Donald Jeffrey Roberts and the other members are Mr. Ronald Joseph Arculli and Mr. Lee Lan Yee, Francis.

The Trustee-Manager Audit Committee and the Company Audit Committee report directly to the Trustee-Manager Board and the Company Board respectively. The principal responsibilities of the Audit Committees are to assist the Boards in fulfilling their audit duties through the review and supervision of financial reporting, risk management and internal control systems, the review of financial information, and the consideration of issues relating to external auditor and their appointment. The Audit Committees also meet regularly with the external auditor to discuss the audit process and accounting issues.

CORPORATE GOVERNANCE *(Continued)*

The unaudited consolidated financial statements of the Trust and of the Company and the unaudited financial statements of the Trustee-Manager for the six months ended 30 June 2020 have been reviewed by the Audit Committees.

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

Communication with Holders of Share Stapled Units

The Trustee-Manager and the Company have established a range of communication channels between themselves and Holders of Share Stapled Units 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.hkei.hk and meetings with investors and analysts. All Holders of Share Stapled Units have the opportunity to put questions to the Boards at general meetings, and at other times by e-mailing or writing to the Company.

Holders of Share Stapled Units 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 Trustee-Manager and the Company.

The Trustee-Manager and the Company handle registration of Share Stapled Units and related matters for Holders of Share Stapled Units through Computershare Hong Kong Investor Services Limited, the Share Stapled Units Registrar.

The Boards have adopted a communication policy which provides a framework to promote effective communication with Holders of Share Stapled Units.

Directors' Interests and Short Positions in Share Stapled Units, Underlying Share Stapled Units and Debentures

As at 30 June 2020, the interests or short positions of the Directors and chief executives of the Trustee-Manager and the Company in the SSUs, underlying SSUs and debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Trustee-Manager, the Company and the 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 Trustee-Manager and 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 pursuant to section 352 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Share Stapled Units

Name of Director	Capacity	Nature of Interests	Number of SSUs Held	Approximate % of Issued SSUs
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%
Donald Jeffrey Roberts	Interest of controlled corporation	Corporate	1,398,000 (Note 3)	0.02%
Ronald Joseph Arculli	Interest of controlled corporation	Corporate	502	≈0%

Notes:

- (1) Such SSUs comprise:
- (a) 2,700,000 SSUs 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 SSUs 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 SSUs are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.
- (3) Such SSUs are held by a company which is equally owned by Mr. Donald Jeffrey Roberts and his wife.

CORPORATE GOVERNANCE *(Continued)*

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executives of the Trustee-Manager and the Company had any interests or short positions in the SSUs, underlying SSUs or debentures of the Trust and 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 under section 352 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Holders of Share Stapled Units

As at 30 June 2020, Holders of Share Stapled Units (other than Directors or chief executives of the Trustee-Manager and the Company) who had interests or short positions in the SSUs or underlying SSUs of the Trust and the Company which would fall to be disclosed 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 Trustee-Manager, the Company and the Stock Exchange were as follows:

Substantial Holders of Share Stapled Units

Long Positions in Share Stapled Units

Name	Capacity	Number of SSUs Held	Approximate % of Issued SSUs
Power Assets Holdings Limited	Interest of controlled corporation	2,948,966,418 <i>(Note 1)</i>	33.37%
Hyford Limited	Interest of controlled corporations	2,948,966,418 <i>(Notes 1 and 2)</i>	33.37%
Cheung Kong Infrastructure (BVI) Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 2)</i>	33.37%
CK Infrastructure Holdings Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 2)</i>	33.37%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 3)</i>	33.37%
CK Hutchison Global Investments Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 3)</i>	33.37%
CK Hutchison Holdings Limited	Interest of controlled corporations	2,948,966,418 <i>(Note 3)</i>	33.37%
State Grid Corporation of China	Interest of controlled corporations	1,855,602,000 <i>(Note 4)</i>	21.00%
State Grid International Development Co., Limited	Interest of controlled corporation	1,855,602,000 <i>(Note 4)</i>	21.00%
State Grid International Development Limited	Beneficial owner	1,855,602,000 <i>(Note 4)</i>	21.00%
Qatar Investment Authority	Interest of controlled corporation	1,758,403,800	19.90%

Notes:

- (1) *Power Assets is deemed to be interested in 2,948,966,418 SSUs which are beneficially owned by its direct wholly-owned subsidiary, Quickview Limited. Hyford Limited is deemed to be interested in 2,948,966,418 SSUs which interests are duplicated in the 2,948,966,418 SSUs in which Power Assets is interested, as Hyford Limited is entitled to exercise or control the exercise of more than one-third of the issued shares of Power Assets through its direct and indirect wholly-owned subsidiaries.*
- (2) *CKI is deemed to be interested in the 2,948,966,418 SSUs as referred to in Note (1) above as it holds more than one-third of the issued share capital of Cheung Kong Infrastructure (BVI) Limited, which holds more than one-third of the issued share capital of Hyford Limited. Its interests are duplicated in the interest of CK Hutchison in HKEI described in Note (3) below.*
- (3) *CK Hutchison is deemed to be interested in the 2,948,966,418 SSUs 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.*
- (4) *State Grid International Development Limited is a direct wholly-owned subsidiary of State Grid International Development Co., Limited and an indirect wholly-owned subsidiary of State Grid Corporation of China ("State Grid"), and the interests of State Grid International Development Limited and State Grid International Development Co., Limited of 1,855,602,000 SSUs each are duplicated in the 1,855,602,000 SSUs held by State Grid.*

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

OTHER INFORMATION

Interim Distribution

The Trustee-Manager Board has declared an interim distribution by the Trust for 2020 of HK15.94 cents per Share Stapled Unit. The distribution will be payable on Friday, 28 August 2020 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Wednesday, 19 August 2020, being the record date for determination of entitlement to the interim distribution. To qualify for the interim distribution, all transfers accompanied by the relevant Share Stapled Unit certificates should be lodged with the Share Stapled Units 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 Wednesday, 19 August 2020.

Purchase, Sale or Redemption of Share Stapled Units

Pursuant to the Trust Deed, the Holders of Share Stapled Units have no right to demand for repurchase or redemption of their Share Stapled Units. Unless and until expressly permitted to do so by the relevant codes and guidelines issued by the Securities and Futures Commission from time to time, the Trustee-Manager shall not repurchase or redeem any Share Stapled Units on behalf of the Trust.

None of the Trust, the Trustee-Manager, the Company nor any of their subsidiaries purchased, sold or redeemed any of issued Share Stapled Units during the six months ended 30 June 2020.

GLOSSARY

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings:

Term(s)	Definition
"Boards" or "Boards of Directors"	Trustee-Manager Board and Company Board
"CK Hutchison"	CK Hutchison Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1)
"CKI"	CK Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1038)
"Company"	HK Electric Investments Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 23 September 2013
"Company Audit Committee"	Audit committee of the Company
"Company Board"	Board of directors of the Company
"Corporate Governance Code"	Corporate Governance Code set out in Appendix 14 of the Listing Rules
"Government"	HKSAR Government
"Group"	The Company and its subsidiaries
"HK Electric"	The Hongkong Electric Company, Limited, a company incorporated in Hong Kong with limited liability on 24 January 1889 and an indirect wholly-owned subsidiary of the Company

GLOSSARY *(Continued)*

Term(s)	Definition
"HKASs"	Hong Kong Accounting Standards
"HKEI"	The Trust and the Company
"HKEX"	Hong Kong Exchanges and Clearing Limited
"HKFRSs"	A collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Holder(s) of Share Stapled Units" or "SSU holder(s)"	Person(s) who holds Share Stapled Units issued by HKEI
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Power Assets"	Power Assets Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

Term(s)	Definition
“Share Stapled Unit(s)” or “SSU(s)”	<p>Share Stapled Unit(s) jointly issued by the Trust and the Company, with each Share Stapled Unit being the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others:</p> <ul style="list-style-type: none"> (a) a unit in the Trust; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of the Trust); and (c) a specifically identified preference share of the Company stapled to the unit.
“Share Stapled Units Register”	The register of registered Holders of Share Stapled Units
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	HK Electric Investments, as constituted pursuant to the Trust Deed under the Laws of Hong Kong
“Trust Deed”	The trust deed dated 1 January 2014 constituting the Trust, entered into between the Trustee-Manager and the Company and as amended by the deed of amendment dated 13 May 2020
“Trust Group”	The Trust and the Group

GLOSSARY *(Continued)*

Term(s)	Definition
"Trustee-Manager"	HK Electric Investments Manager Limited, a company incorporated in Hong Kong with limited liability on 25 September 2013 and an indirect wholly-owned subsidiary of Power Assets, in its capacity as trustee-manager of the Trust
"Trustee-Manager Audit Committee"	Audit committee of the Trustee-Manager
"Trustee-Manager Board"	Board of directors of the Trustee-Manager