

港燈電力投資

HK Electric Investments

(根據香港法律按日期為二零一四年一月一日的信託契約組成，  
其受託人為港燈電力投資管理人有限公司。)

(As constituted pursuant to a deed of trust on 1 January 2014 under the laws of Hong Kong,  
the trustee of which is HK Electric Investments Manager Limited.)

與 and

港燈電力投資有限公司

HK Electric Investments Limited

(於開曼群島註冊成立的有限公司 Incorporated in the Cayman Islands with limited liability)

(股份代號 Stock Code : 2638)



港燈電力投資

HK Electric Investments

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## **2020 ANNUAL RESULTS**

### **CHAIRMAN'S STATEMENT**

2020 was a year that demonstrated HKEI's resilience and progress on our development programme and the decarbonisation journey despite adverse circumstances arising from the COVID-19 pandemic. At the outset, I would like to acknowledge the dedication and commitment of my colleagues, our contractors and suppliers who have met the operational challenges of the pandemic and transferred seamlessly to new ways of working in order to stay on track for our next milestone.

The commissioning of L10, a 380-MW gas-fired combined-cycle generating unit, in February 2020, marked a major step forward in our coal-to-gas transition to supply Hong Kong with greener energy. With L10 fully operational, we now generate 50% of our electricity from gas, compared to about 30% before.

At the same time, we overcame the travel restrictions and shipping delays prevalent through the year to make satisfactory progress with other key infrastructural projects in line with our 2019-2023 Development Plan: the development of L11 and L12, two more 380-MW gas-fired generating units, supported by an offshore liquefied natural gas terminal.

Alongside this extensive development programme, we maintained normal operations of our generation facilities at Lamma Power Station, while taking due precautions to ensure the health and safety of our employees and contractors. Performance of generation, transmission and distribution, and customer services remained strong. Despite the socio-economic challenges of 2020, the company has set a new supply reliability record, achieving an impeccable rating of over 99.9999% and unplanned power interruption of less than 0.5 minute on average per customer.

To help those sectors of the community that have been particularly hard-hit by the economic downturn, we offered a package of relief measures and energy-saving initiatives with a total of about HK\$34 million. These included provision of dining coupons to underprivileged households, catering subsidies for NGOs and electricity payment relief to tenants of sub-divided units.

## **Financial results and distributions**

For the year ended 31 December 2020, HKEI's EBITDA was HK\$7,140 million (2019: HK\$7,194 million) and profits attributable to holders of Share Stapled Units (SSU) was HK\$2,732 million (2019: HK\$2,327 million).

The Board of the Trustee-Manager has declared a final distribution by the Trust of HK16.09 cents (2019: HK16.09 cents) per SSU, payable on 13 April 2021 to SSU holders whose names appear on the Share Stapled Units Register on 31 March 2021. This, together with the interim distribution of HK15.94 cents (2019: HK15.94 cents) per SSU, amounts to a total distribution of HK32.03 cents (2019: HK32.03 cents) per SSU for the year.

## **On track for decarbonisation**

We are progressing towards decarbonisation along three pathways. The first pathway is reduction of emissions, including carbon dioxide, during electricity generation. This is one of the primary goals of our 2019-2023 Development Plan. Following L10, we are constructing L11 and L12, two more 380-MW gas-fired generating units, for launch in 2022 and 2023 respectively. Despite the disruptions in 2020, construction made satisfactory progress on both units in tandem, including sourcing of equipment from overseas vendors, construction of civil structures and installation of critical plant equipment.

An offshore liquefied natural gas terminal using Floating Storage and Regasification Unit (FSRU) technology is also included in the plan and will be launched in 2022. We commenced the environmental monitoring and audit programme for the terminal during the year and the site work also started in late 2020. When all three new gas-fired generating units are operational in 2023, 70% of our electricity will be generated from natural gas, allowing us to reduce absolute carbon emissions by about 40% compared with the 2005 level.

The second pathway is providing infrastructure to improve energy efficiency within the community. Smart meters and Advanced Metering Infrastructure, which provide customers with real-time information on electricity consumption to optimise their energy use, are an essential part of this. Following a successful pilot project in 2019, we rolled out 40,000 smart meters during the year and are setting up the network infrastructure needed to operate smart meters. Our goal is to migrate our entire customer base to smart meters by 2025.

We are also helping the community improve road-side air quality by providing supporting infrastructure for Hong Kong's growing population of electric vehicles (EVs). In October 2020, in support of a government subsidy scheme, we launched the "Smart Power EV Charging Solution" – a free advisory and technical consultancy service for customers seeking to install EV charging facilities on their premises. The service was well received with over 200 applications from building owners and managers.

The third pathway is encouraging energy conservation and installation of renewable energy generation facilities among our customers. We continued to operate a number of initiatives under the Smart Power Services umbrella during the year. The Smart Power Building Fund approved about HK\$13 million worth of subsidies to help customers improve energy efficiency of their residential buildings and business premises. Our Feed-in Tariff Scheme connected another 72 customer-operated renewable energy generation sites to the grid and the total renewable energy generated by all customer-side renewable installations during the year was about 1.5 GWh. The Renewable Energy Certificates covering the total green electricity of about 3.5 GWh generated in 2020 had been fully subscribed by our customers for reducing their own carbon footprints.

Our achievements were recognised by the Environment Bureau and the Electrical and Mechanical Services Department with the “Hanson Grand Retro-Commissioning (RCx) (Implementation) Award” for the excellent performance in energy efficiency at one of our operational headquarters.

### **Resilience driving continued reliability**

Our ongoing commitment to proactive maintenance, crisis preparedness and business continuity planning have enabled us to pivot our activities quickly during 2020 to maintain high-quality, reliable power supply and excellent customer service.

We served more than 583,000 customers and delivered a total of 10,134 GWh of electricity over the year (2019: 10,519 GWh). The decline due to the impact of the COVID-19 pandemic in the commercial and industrial sectors was partly offset by increased consumption from the residential sector. With a supply reliability rating of over 99.9999%, customers only experienced unplanned power interruption of less than 0.5 minute on average in 2020, a new record for the company.

Network expansion and upgrade progressed over the year. These included enhancement of cable network, submarine cable landing points and network infrastructure to make them more resilient in the event of extreme weather, such as super-typhoons, torrential rain and floods.

Despite social distancing requirements across the city and in the workplace, we achieved all 18 pledged customer service standards in 2020. Our 24-hour Emergency Services and Customer Services hotlines offered high-quality information, advice and support on an ongoing basis.

### **Supporting our stakeholders**

It is our priority to support our stakeholders, the community and our own staff through COVID-19. Throughout the year, we offered a package of five relief measures to SME customers. About 70,000 non-residential customers were granted six-month waivers from tariff increases and equipment subsidies were provided to help our customers save costs and become more energy efficient. Small catering establishments in particular were badly affected by the economic downturn of the year. In response, we offered a two-month electricity payment deferral scheme to 180 SME caterers. We also provided needy customers with dining coupons worth HK\$20 million and NGOs with food subsidies, in turn generating revenues for SME caterers.

In response to the COVID-19 pandemic and to maintain business continuity, we encouraged customers to use our extensive range of online and remote channels for billing, payment and other routine matters. Further initiatives include the roll-out of e-learning tools for students such as an animated series, virtual guided tours of Smart Power Gallery and an interactive drama to help younger audiences understand and experience more about “Smart Power for Smart City”.

We took all possible measures to keep our employees safe while running capital works and maintaining business-as-usual operations at Lamma Power Station and across the network. Sanitisation facilities were set up across all our sites, and personal protective equipment was supplied when needed. Drills were carried out at different workplaces to test our preparedness in the event of confirmed COVID-19 cases. Thanks to the stringent precautionary measures adopted in the company, there had been no secondary infections from the three COVID-19 confirmed cases involving our employees and contractors in 2020.

We also pivoted our community schemes for the new normal. In place of home visits and talks, we supported the elderly and those in need with communications via phone, text or online media.

## **Outlook**

We support the Government’s goal of achieving carbon neutrality for Hong Kong before 2050. As a major utility, no doubt we will have an important role to play on this decarbonisation journey. We will engage with the Government on the best way forward including exploring the wider use of zero-carbon energy and carbon reduction technologies. We look forward to the Government updating of the “Hong Kong’s Climate Action Plan” which we believe will set a clear decarbonisation roadmap for the power sector.

We have frozen tariffs across the board for 2021 and will also extend relief measures to continue our support for customers. The freeze has been made possible, despite tariff pressure caused by an increase in capital expenditure and a decline in electricity sales due to COVID-19, by a reduction in the Fuel Clause Charge which fully offsets upward adjustment of the Basic Tariff.

Sustainability is firmly integrated into our ethos and we have now reorganised our structure with a new Sustainability Committee to steer our efforts on this front. The Committee, reporting to the Board and supported by the Sustainability Management Committee, is vested with the authority and expertise to assess and manage all of our environmental, climate, social and governance-related issues.

We expect the restrictions and economic impact of the pandemic to ease and that Hong Kong will emerge from the shadow of COVID-19 following the worldwide rollout of vaccines. We remain committed to supplying Hong Kong with a safe and reliable power supply to support the sustainable development of the city.

Once again, I extend my heartfelt gratitude to the Board, the management team and every member of our staff whose hard work under challenging conditions during the year is at the heart of our success.

**Fok Kin Ning, Canning**  
Chairman  
Hong Kong, 16 March 2021

## FINANCIAL REVIEW

### Financial performance

The Trust Group's revenue and consolidated profit for the year ended 31 December 2020 were HK\$10,389 million (2019: HK\$10,739 million) and HK\$2,732 million (2019: HK\$2,327 million) respectively.

### Distribution

The Trustee-Manager Board has declared the payment of a final distribution by the Trust of HK16.09 cents (2019: HK16.09 cents) per SSU. In order to enable the Trust to pay that distribution, the Company Board has declared the payment of a second interim dividend in lieu of a final dividend in respect of the Company's ordinary shares held by the Trustee-Manager, of HK16.09 cents (2019: HK16.09 cents) per ordinary share in respect of the same period. This, together with the interim distribution of HK15.94 cents (2019: HK15.94 cents) per SSU, brings the total distribution to HK32.03 cents (2019: HK32.03 cents) per SSU for the year ended 31 December 2020.

	<b>2020</b>	2019
	<b>HK\$ million</b>	HK\$ million
Consolidated profit attributable to SSU holders	<b>2,732</b>	2,327
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	<b>4,693</b>	5,188
(ii) adding/(deducting)		
– movement in Fuel Clause Recovery Account	<b>149</b>	(208)
– changes in working capital	<b>(223)</b>	25
– adjustment for employee retirement benefit schemes	<b>7</b>	11
– taxes paid	<b>(488)</b>	(107)
	<b>(555)</b>	(279)
(iii) capital expenditure payment	<b>(4,850)</b>	(3,585)
(iv) net finance costs	<b>(1,121)</b>	(1,022)
Distributable income	<b>899</b>	2,629
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed	<b>1,931</b>	201
Distributable income after adjustment of the discretionary amount	<b>2,830</b>	2,830

	<b>2020</b>	2019
	<b>HK\$ million</b>	HK\$ million
Interim distribution	<b>1,408</b>	1,408
Final distribution	<b>1,422</b>	1,422
Distribution amount	<b>2,830</b>	2,830
Distributions per SSU (see note (c) below)		
– Interim distribution per SSU	<b>HK15.94 cents</b>	HK15.94 cents
– Final distribution per SSU	<b>HK16.09 cents</b>	HK16.09 cents
Total distributions per SSU	<b>HK32.03 cents</b>	HK32.03 cents

In determining the distribution amount, the Company Board has taken into account the Group's financial performance achieved during the year and its stable cashflow from operations, and consider it appropriate to adjust the distributable income for the year ended 31 December 2020, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.

Notes:

- (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.
- (c) Interim distribution per SSU of HK15.94 cents (2019: HK15.94 cents) was calculated based on the interim distribution amount of HK\$1,408 million (2019: HK\$1,408 million) and 8,836,200,000 SSUs in issue as at 30 June 2020 (30 June 2019: 8,836,200,000 SSUs). Final distribution per SSU of HK16.09 cents (2019: HK16.09 cents) was calculated based on the final distribution amount of HK\$1,422 million (2019: HK\$1,422 million) and 8,836,200,000 SSUs in issue as at 31 December 2020 (31 December 2019: 8,836,200,000 SSUs).

## 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 year amounted to HK\$5,485 million (2019: HK\$4,620 million), which was funded by cash from operations and external borrowings. Total external borrowings outstanding at 31 December 2020 were HK\$44,890 million (2019: HK\$43,045 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 31 December 2020 had undrawn committed bank facilities of HK\$5,150 million (2019: HK\$5,950 million) and bank deposits and cash of HK\$52 million (2019: HK\$299 million).

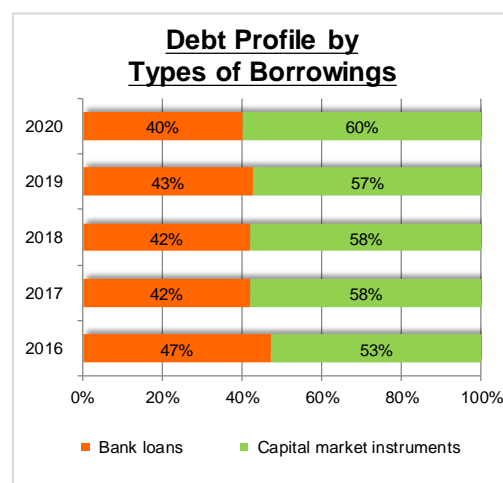
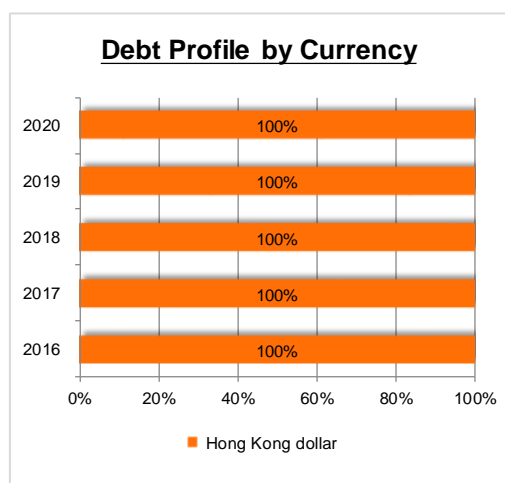
## Treasury policy, financing activities, capital and debt structure

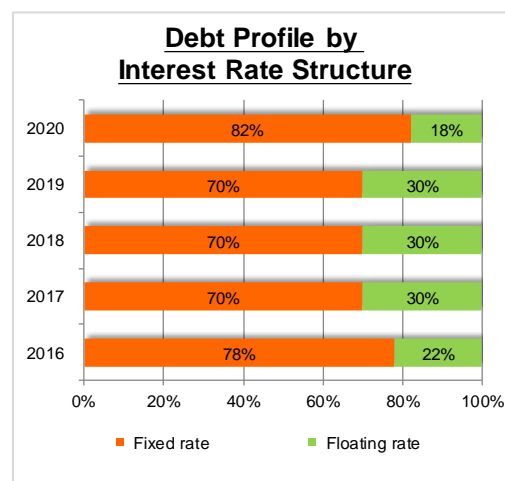
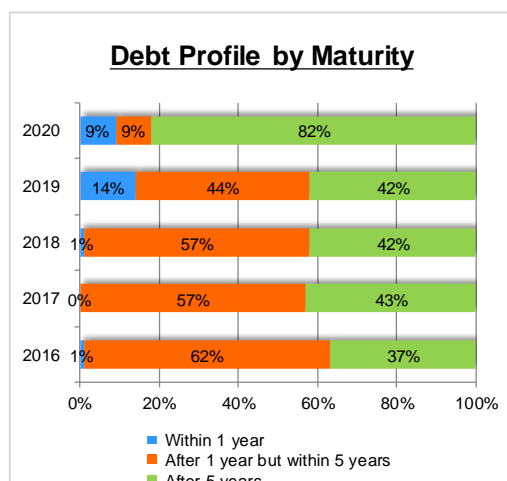
The Trust Group manages its financial risks in accordance with guidelines laid down in its treasury policy which is designed to manage the Trust Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from provision for capital expenditure to be incurred and from electricity 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.

During the year, the Trust Group issued a total of US\$1,000 million 10 years notes in the public bond market as well as a total of HK\$2,499 million notes with tenors ranging from 10 to 30 years in the Hong Kong dollar private placement market under its Medium Term Note Programme. The proceeds of these issues were utilised for its general corporate purpose, the early redemption of US\$250 million Formosa bonds in October 2020 as well as the redemption of US\$750 million notes in December 2020.

As at 31 December 2020, the net debt of the Trust Group was HK\$44,838 million (2019: HK\$42,746 million) with a net debt-to-net total capital ratio of 48% (2019: 47%). The Trust Group's financial profile remained strong during the year. 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 31 December 2020, after taking into account forward foreign exchange contracts, cross currency and interest rate swaps, was as follows:





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 employing 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 31 December 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 31 December 2020 amounted to HK\$39,885 million (2019: HK\$43,355 million).

### **Charge on assets**

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

### **Contingent liabilities**

As at 31 December 2020, the Trust Group had no guarantee or indemnity to external parties (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 year ended 31 December 2020, excluding directors' emoluments, amounted to HK\$1,178 million (2019: HK\$1,165 million). As at 31 December 2020, the Trust Group employed 1,713 (2019: 1,770) permanent employees. No share option scheme is in operation.

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

For the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	2020 \$ million	2019 \$ million
<b>Revenue</b>	5	<b>10,389</b>	10,739
Direct costs		<u>(5,334)</u>	<u>(5,485)</u>
		<b>5,055</b>	5,254
Other revenue and other net income	7	<b>148</b>	37
Other operating costs		<u>(1,063)</u>	<u>(1,078)</u>
<b>Operating profit</b>		<b>4,140</b>	4,213
Finance costs		<u>(971)</u>	<u>(1,004)</u>
<b>Profit before taxation</b>	8	<b>3,169</b>	3,209
Income tax:	9		
Current		<u>(452)</u>	<u>(547)</u>
Deferred		<u>(116)</u>	<u>(67)</u>
		<u>(568)</u>	<u>(614)</u>
<b>Profit after taxation</b>		<b>2,601</b>	2,595
Scheme of Control transfers	10(b)	<u>131</u>	<u>(268)</u>
<b>Profit for the year attributable to the holders of Share Stapled Units/ shares of the Company</b>		<u><b>2,732</b></u>	<u>2,327</u>
<b>Earnings per Share Stapled Unit/ share of the Company</b>			
Basic and diluted	12	<u><b>30.92 cents</b></u>	<u>26.33 cents</u>

As explained in note 3, the consolidated financial statements of the Trust and the consolidated 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 year are set out in note 11.

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

For the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	2020 \$ million	2019 \$ million
<b>Profit for the year attributable to the holders of Share Stapled Units/shares of the Company</b>	<b>2,732</b>	<b>2,327</b>
<b>Other comprehensive income for the year, after tax and reclassification adjustments</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Defined benefit retirement schemes:		
Remeasurement of net defined benefit asset/liability	86	252
Net deferred tax charged to other comprehensive income	(14)	(42)
	72	210
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	8	16
Cost of hedging – changes in fair value	(6)	(27)
Net deferred tax credited to other comprehensive income	-	2
	2	(9)
	74	201
<b>Items that may be reclassified subsequently to profit or loss</b>		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	(173)	(21)
Reclassification adjustments for amounts transferred to profit or loss	17	(51)
Cost of hedging – changes in fair value	(607)	600
Cost of hedging – reclassified to profit or loss	(63)	(63)
Net deferred tax credited/(charged) to other comprehensive income	81	(80)
	(745)	385
<b>Total comprehensive income for the year attributable to the holders of Share Stapled Units/shares of the Company</b>	<b>2,061</b>	<b>2,913</b>

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

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

At 31 December 2020

(Expressed in Hong Kong dollars)

	Note	2020 \$ million	2019 \$ million
<b>Non-current assets</b>			
Property, plant and equipment		68,814	66,601
Interests in leasehold land held for own use		5,620	5,815
	13	<u>74,434</u>	<u>72,416</u>
Goodwill		33,623	33,623
Interest in a joint venture		278	42
Derivative financial instruments		616	649
Employee retirement benefit scheme assets		887	809
		<u>109,838</u>	<u>107,539</u>
<b>Current assets</b>			
Inventories		726	819
Trade and other receivables	14	951	1,060
Bank deposits and cash		52	299
		<u>1,729</u>	<u>2,178</u>
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	15	(2,820)	(2,980)
Fuel Clause Recovery Account	16	(796)	(647)
Current portion of bank loans and other interest-bearing borrowings	17	(4,184)	(6,010)
Bank overdrafts – unsecured		-	(33)
Current tax payable		(541)	(577)
		<u>(8,341)</u>	<u>(10,247)</u>
<b>Net current liabilities</b>		<u>(6,612)</u>	<u>(8,069)</u>
<b>Total assets less current liabilities</b>		<u>103,226</u>	<u>99,470</u>
<b>Non-current liabilities</b>			
Bank loans and other interest-bearing borrowings	17	(40,706)	(37,002)
Derivative financial instruments		(697)	(14)
Customers' deposits		(2,268)	(2,241)
Deferred tax liabilities		(9,597)	(9,540)
Employee retirement benefit scheme liabilities		(367)	(368)
Other non-current liabilities	18	(1,122)	(955)
		<u>(54,757)</u>	<u>(50,120)</u>
<b>Scheme of Control Fund and Reserve</b>	10(c)	(726)	(878)
<b>Net assets</b>		<u>47,743</u>	<u>48,472</u>
<b>Capital and reserves</b>			
Share capital		8	8
Reserves		47,735	48,464
<b>Total equity</b>		<u>47,743</u>	<u>48,472</u>

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

## **NOTES TO THE FINANCIAL STATEMENTS OF THE TRUST AND OF THE COMPANY**

(Expressed in Hong Kong dollars)

### **1. Review of annual results**

The annual results have been reviewed by the Audit Committees.

The figures in respect of the preliminary announcement of the Trust Group's and the Group's results for the year ended 31 December 2020 have been compared by the Trust Group's and the Group's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Trust Group's and the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

### **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. The Company has established a principal place of business in Hong Kong at Hongkong Electric Centre, 44 Kennedy Road, Hong Kong. The principal activity of the Company is investment holding.

On 1 January 2014, HK Electric Investments (the "Trust") was constituted as a trust 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.

The Share Stapled Units structure comprises (1) a unit in the Trust; (2) a beneficial interest in a specifically identified ordinary share in the Company which is linked to the unit and held by Trustee-Manager as legal owner in its capacity as trustee-manager of the Trust; and (3) a specifically identified preference share in the Company which is "stapled" to the unit. The Share Stapled Units are jointly issued by the Trust and the Company and listed on the Main Board of the Stock Exchange.

### 3. **Basis of presentation**

Pursuant to the Trust Deed, the Trust and the Company are each required to prepare their own sets of financial statements on a consolidated basis. The consolidated financial statements of the Trust for the year ended 31 December 2020 comprise the consolidated 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 consolidated financial statements of the Company for the year ended 31 December 2020 comprise the consolidated 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 year ended 31 December 2020 was investing in the Company. Therefore, the consolidated results and financial position that would be presented in the consolidated financial statements of the Trust are identical to the consolidated 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 consolidated financial statements of the Trust and of the Company together. The consolidated financial statements of the Trust and the consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred as the “consolidated financial statements of the Trust and of the Company”.

The consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement, significant accounting policies and the related explanatory information are common to the Trust and the Company. Information specific to the Company are disclosed separately in the relevant explanatory information in notes to the consolidated financial statements.

The Trust Group and the Group are referred as the “Groups”.

### 4. **Changes in accounting policies**

The HKICPA has issued a number of amendments to the *Conceptual Framework for Financial Reporting 2018* and HKFRSs that are first effective for the current accounting period of the Groups. Of these, the following amendments to HKFRSs are relevant to the Trust’s and the Company’s consolidated 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 – Phase 1*

The adoption of these amendments 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, amendment or interpretation that is not yet effective for the current accounting period.

## 5. 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:

	<b>2020</b> <b>\$ million</b>	2019 \$ million
Sales of electricity	<b>10,363</b>	10,694
Less: concessionary discount on sales of electricity	<b>(4)</b>	(4)
	<b>10,359</b>	10,690
Electricity-related income	<b>30</b>	49
	<b>10,389</b>	10,739

## 6. 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.

## 7. Other revenue and other net income

	<b>2020</b> <b>\$ million</b>	2019 \$ million
Interest income on financial assets measured at amortised cost	<b>15</b>	7
Government grants (see note below)	<b>101</b>	-
Sundry income	<b>32</b>	30
	<b>148</b>	37

In 2020, the Groups successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government. The purpose of the funding is to provide financial support to enterprises to retain their employees. Under the terms of the grant, the Groups are required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

## 8. Profit before taxation

	<b>2020</b>	2019
	<b>\$ million</b>	\$ million
Profit before taxation is arrived at after charging:		
Depreciation		
– owned property, plant and equipment	<b>2,817</b>	2,790
– properties leased for own use	<b>2</b>	2
Amortisation of leasehold land	<b>196</b>	196
Expenses of short-term leases with remaining lease term ending on or before the end of reporting period	<b>6</b>	7
Costs of inventories	<b>3,499</b>	3,884
Write down of inventories	<b>12</b>	16
Staff costs	<b>740</b>	734
Net loss on disposal and written off of property, plant and equipment	<b>125</b>	128
Auditor's remuneration		
– audit and audit related services	<b>6</b>	5
– non-audit services (see note below)	<b>-</b>	-

Auditor's remuneration for non-audit services amounted to \$301,000 (2019: \$314,000).

## 9. Income tax in the consolidated statement of profit or loss

	<b>2020</b>	2019
	<b>\$ million</b>	\$ million
<b>Current tax</b>		
Provision for Hong Kong Profits Tax for the year	<b>452</b>	547
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>116</b>	67
	<b>568</b>	614

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, 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.



## 10. Scheme of Control transfers

- (a) The financial operations of HK Electric are governed by the Scheme of Control Agreement (“SoCA”) agreed with the Government which provides for HK Electric to earn a Permitted Return. Any excess or deficiency of the gross tariff revenue over the sum of total operating costs, Scheme of Control Net Return and Scheme of Control taxation charges is transferred to/(from) a Tariff Stabilisation Fund from/(to) the statement of profit or loss of HK Electric. When transfer from the Tariff Stabilisation Fund to the statement of profit or loss is required, the amount transferred shall not exceed the balance of the Tariff Stabilisation Fund. In addition, a charge calculated by applying the average one-month Hong Kong Interbank Offered Rate on the average balance of the Tariff Stabilisation Fund is transferred from the statement of profit or loss of HK Electric to a Rate Reduction Reserve.

Under current SoCA, a Smart Power Care Fund was established on 1 January 2019 with initial funding provided by the net closing balance as at 31 December 2018 of the Smart Power Fund, which was established pursuant to 2013 mid-term review of 2009-2018 SoCA, to promote energy efficiency and conservation, such as accelerating end-use energy efficiency through programmes designed to help residential, industrial and commercial customers, and also disadvantaged customers/groups to replace or upgrade end-use appliances to more energy-efficient electrical models. HK Electric consented to deduct an amount equal to 65% of the Energy Efficiency Incentive Amount of each year during the period from 1 January 2019 to 31 December 2033 for funding the contribution to the Smart Power Care Fund provided that there is an Energy Efficiency Incentive Amount in respect of that year.

- (b) Scheme of Control transfers (to)/from the consolidated statement of profit or loss represents:

	<b>2020</b>	2019
	<b>\$ million</b>	\$ million
Tariff Stabilisation Fund	<b>(164)</b>	222
Rate Reduction Reserve	<b>8</b>	14
Smart Power Care Fund		
– Provisional sum injected in current year	<b>11</b>	-
– Provisional sum to be injected in the following year	<b>14</b>	32
	<b>(131)</b>	268

A provisional sum of \$24,767,000, representing deduction of HK Electric’s 2020 financial incentive (2019: \$32,379,000), was transferred from the consolidated statement of profit or loss, of which \$10,509,000 was injected into the Smart Power Care Fund in 2020 with the remaining \$14,258,000 was included in the trade and other payables and contract liabilities as at 31 December 2020 for injection into the Smart Power Care Fund in the following year.

- (c) Movements in the Tariff Stabilisation Fund, Rate Reduction Reserve and Smart Power Care Fund are as follows:

\$ million	<b>Tariff Stabilisation Fund</b>	<b>Rate Reduction Reserve</b>	<b>Smart Power Care Fund</b>	<b>Total</b>
At 1 January 2019	620	6	22	648
Transfer from Rate Reduction Reserve to Tariff Stabilisation Fund (see note below)	6	(6)	-	-
Transfer from the consolidated statement of profit or loss	222	14	-	236
Disbursement for the year	-	-	(6)	(6)
<b>At 31 December 2019 and 1 January 2020</b>	<b>848</b>	<b>14</b>	<b>16</b>	<b>878</b>
Transfer from Rate Reduction Reserve to Tariff Stabilisation Fund (see note below)	14	(14)	-	-
Transfer (to)/from the consolidated statement of profit or loss	(164)	8	-	(156)
Injection for the year	-	-	43	43
Disbursement for the year	-	-	(39)	(39)
<b>At 31 December 2020</b>	<b>698</b>	<b>8</b>	<b>20</b>	<b>726</b>

Pursuant to SoCA, the year-end balance of the Rate Reduction Reserve of a year has to be transferred to the Tariff Stabilisation Fund in the following year.

## 11. Distributions/dividends

(a) The distributable income for the year was as follows:

	<b>2020</b>	2019
	<b>\$ million</b>	\$ million
Consolidated profit attributable to the holders of Share Stapled Units	<b>2,732</b>	2,327
After:		
(i) eliminating the effects of the Adjustments (see note 1 below)	<b>4,693</b>	5,188
(ii) adding/(deducting)		
– movement in Fuel Clause Recovery Account	<b>149</b>	(208)
– changes in working capital	<b>(223)</b>	25
– adjustment for employee retirement benefit schemes	<b>7</b>	11
– taxes paid	<b>(488)</b>	(107)
	<b>(555)</b>	(279)
(iii) capital expenditure payment	<b>(4,850)</b>	(3,585)
(iv) net finance costs	<b>(1,121)</b>	(1,022)
Distributable income	<b>899</b>	2,629
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed (see note 4 below)	<b>1,931</b>	201
Distributable income after adjustment of the discretionary amount	<b>2,830</b>	2,830

Note 1 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.

Note 2 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.

Note 3 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.

Note 4 In determining the distribution amount, the Company Board has taken into account the Group's financial performance achieved during the year and its stable cashflow from operations, and consider it appropriate to adjust the distributable income for the year ended 31 December 2020, as calculated pursuant to the Trust Deed, by the above discretionary amount, pursuant to clause 14.1(c) of the Trust Deed.

**(b) Distributions/dividends payable to holders of Share Stapled Units/shares of the Company attributable to the year**

	<b>2020</b>	2019
	<b>\$ million</b>	\$ million
Interim distribution/first interim dividend declared and paid of 15.94 cents (2019: 15.94 cents) per Share Stapled Unit/share	<b>1,408</b>	1,408
Final distribution/second interim dividend proposed after the end of the reporting period of 16.09 cents (2019: 16.09 cents) per Share Stapled Unit/share	<b>1,422</b>	1,422
	<b>2,830</b>	2,830

For the year ended 31 December 2020, the Company Board declared the payment of a second interim dividend of 16.09 cents per ordinary share (2019: 16.09 cents per ordinary share), amounting to \$1,422 million (2019: \$1,422 million), in lieu of a final dividend after the end of the reporting period and therefore no final dividend was proposed by the Company Board.

For the year ended 31 December 2020, the Trustee-Manager Board declared a final distribution of 16.09 cents per Share Stapled Unit (2019: 16.09 cents per Share Stapled Unit), amounting to \$1,422 million (2019: \$1,422 million), after the end of the reporting period.

The final distribution/second interim dividend declared after the end of the reporting period is based on the number of Shares Stapled Units/ordinary shares of the Company of 8,836,200,000 as at 31 December 2020 (2019: 8,836,200,000). The final distribution/second interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

**(c) Distributions/dividends payable to holders of Share Stapled Units/shares of the Company attributable to the previous financial year, approved and paid during the year**

	<b>2020</b>	2019
	<b>\$ million</b>	\$ million
Final distribution/second interim dividend in respect of the previous financial year, approved and paid during the year, of 16.09 cents (2019: 20.12 cents) per Share Stapled Unit/share	<b>1,422</b>	1,778

**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/ordinary shares of the Company of \$2,732 million (2019: \$2,327 million) and the weighted average of 8,836,200,000 Share Stapled Units/ordinary shares of the Company (2019: 8,836,200,000 Share Stapled Units/ordinary shares of the Company) in issue during the year.

**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
<b>Cost</b>								
At 1 January 2019	16,673	-	53,241	852	7,025	77,791	6,958	84,749
Additions	3	4	191	48	4,328	4,574	1	4,575
Transfer	152	-	1,366	76	(1,594)	-	-	-
Disposals	(17)	-	(364)	(20)	-	(401)	-	(401)
<b>At 31 December 2019 and 1 January 2020</b>	<b>16,811</b>	<b>4</b>	<b>54,434</b>	<b>956</b>	<b>9,759</b>	<b>81,964</b>	<b>6,959</b>	<b>88,923</b>
Additions	-	2	94	31	5,130	5,257	1	5,258
Transfer	1,436	-	3,804	62	(5,302)	-	-	-
Disposals	(12)	(3)	(447)	(25)	-	(487)	-	(487)
<b>At 31 December 2020</b>	<b>18,235</b>	<b>3</b>	<b>57,885</b>	<b>1,024</b>	<b>9,587</b>	<b>86,734</b>	<b>6,960</b>	<b>93,694</b>
<b>Accumulated depreciation and amortisation</b>								
At 1 January 2019	2,506	-	9,866	370	-	12,742	948	13,690
Written back on disposals	(5)	-	(220)	(19)	-	(244)	-	(244)
Charge for the year	511	2	2,247	105	-	2,865	196	3,061
<b>At 31 December 2019 and 1 January 2020</b>	<b>3,012</b>	<b>2</b>	<b>11,893</b>	<b>456</b>	<b>-</b>	<b>15,363</b>	<b>1,144</b>	<b>16,507</b>
Written back on disposals	(4)	(3)	(307)	(25)	-	(339)	-	(339)
Charge for the year	525	2	2,260	109	-	2,896	196	3,092
<b>At 31 December 2020</b>	<b>3,533</b>	<b>1</b>	<b>13,846</b>	<b>540</b>	<b>-</b>	<b>17,920</b>	<b>1,340</b>	<b>19,260</b>
<b>Net book value</b>								
<b>At 31 December 2020</b>	<b>14,702</b>	<b>2</b>	<b>44,039</b>	<b>484</b>	<b>9,587</b>	<b>68,814</b>	<b>5,620</b>	<b>74,434</b>
At 31 December 2019	13,799	2	42,541	500	9,759	66,601	5,815	72,416

The above are mainly electricity-related property, plant and equipment in respect of which financing costs capitalised during the year amounted to \$250 million (2019: \$261 million).

Depreciation charges for the year included \$77 million (2019: \$73 million), relating to assets utilised in development activities, which have been capitalised.

#### 14. Trade and other receivables

	<b>2020</b>	2019
	<b>\$ million</b>	\$ million
Trade debtors, net of loss allowance (see note (a) below)	<b>470</b>	513
Other receivables (see note below)	<b>358</b>	414
	<b>828</b>	927
Derivative financial instruments	<b>3</b>	86
Deposits and prepayments	<b>120</b>	47
	<b>951</b>	1,060

All of the trade and other receivables are expected to be recovered within one year.

Other receivables of the Groups include unbilled electricity charges of \$312 million (2019: \$341 million) to be received from electricity customers.

##### (a) **Ageing analysis of trade debtors**

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

	<b>2020</b>	2019
	<b>\$ million</b>	\$ million
Current and within 1 month	<b>451</b>	476
1 to 3 months	<b>19</b>	30
More than 3 months but less than 12 months	<b>-</b>	7
	<b>470</b>	513

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.

## 15. Trade and other payables and contract liabilities

	<b>2020</b>	2019
	<b>\$ million</b>	\$ million
<b>Trade and other payables</b>		
Creditors measured at amortised cost (see note (a) below)	<b>2,794</b>	2,921
Lease liabilities (see note 18(b))	<b>1</b>	2
Derivative financial instruments	<b>3</b>	39
	<b>2,798</b>	2,962
<b>Contract liabilities</b> (see note (b) below)	<b>22</b>	18
	<b>2,820</b>	2,980

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

### (a) Creditors' ageing is analysed as follows:

	<b>2020</b>	2019
	<b>\$ million</b>	\$ million
Due within 1 month or on demand	<b>1,189</b>	1,778
Due after 1 month but within 3 months	<b>616</b>	270
Due after 3 months but within 12 months	<b>989</b>	873
	<b>2,794</b>	2,921

### (b) Contract liabilities

The contract liabilities relate to the advance consideration received from customers for electricity-related services, which consists mainly of (1) permanent supply service, primarily associated with the supply of electricity to customer substations for large new developments and to small new developments without customer substation provisions, and (2) site service primarily associated with the temporary supply of electricity to construction sites or special functions, for which revenue is recognised upon completion of the electricity-related services.

## 16. Fuel Clause Recovery Account

HK Electric adjusts Fuel Clause Charge per unit for electricity sales on a monthly basis to reflect actual cost of fuels in a timely manner. No Special Fuel Rebate was offered to customers during the year (2019: Special Fuel Rebate of 2.3 cents per unit for electricity sales).

Movements in the Fuel Clause Recovery Account were as follows:

	<b>2020</b>	2019
	<b>\$ million</b>	\$ million
At 1 January	<b>647</b>	855
Transferred to profit or loss	<b>(1,823)</b>	(2,051)
Fuel Clause Charges during the year	<b>1,972</b>	2,087
Special Fuel Rebates during the year	<b>-</b>	(244)
At 31 December	<b>796</b>	647

This account, inclusive of interest, has been and will continue to be used to stabilise electricity tariffs.

## 17. Bank loans and other interest-bearing borrowings

	<b>2020</b>	2019
	<b>\$ million</b>	\$ million
Bank loans	<b>18,080</b>	18,333
Current portion	<b>(4,184)</b>	(113)
	<b>13,896</b>	18,220
Hong Kong dollar medium term notes		
Fixed rate notes (see note (a) below)	<b>8,946</b>	6,465
Zero coupon notes (see note (b) below)	<b>752</b>	727
	<b>9,698</b>	7,192
United States dollar medium term notes		
Fixed rate notes (see note (a) below)	<b>13,534</b>	11,697
Zero coupon notes (see note (b) below)	<b>3,578</b>	5,790
	<b>17,112</b>	17,487
Current portion	<b>-</b>	(5,897)
	<b>17,112</b>	11,590
Non-current portion	<b>40,706</b>	37,002



- (a) The Hong Kong dollar fixed rate notes bear interest at rates ranging from 2.4% to 4% per annum (2019: 2.55% to 4% per annum).

The United States dollar fixed rate notes bear interest at rates ranging from 1.875% to 2.875% per annum (2019: 2.875% to 4.25% per annum).

- (b) The Hong Kong dollar zero coupon notes which were issued at discount have nominal amount of \$1,056 million (2019: \$1,056 million) and accrual yield of 3.5% per annum (2019: 3.5% per annum).

The United States dollar zero coupon notes embed with issuer call options allowing issuer to early redeem the notes. In 2020, the Groups exercised the issuer call options and redeemed US\$250 million of these notes.

As at 31 December 2020, the United States dollar zero coupon notes have nominal amount of US\$400 million (2019: US\$650 million) and accrual yield of 4.375% per annum (2019: accrual yields ranging from 4.375% to 4.8% per annum). They are callable on 12 October 2022 and annually thereafter until the penultimate year to maturity.

- (c) Some banking facilities of the Groups are subject to the fulfilment of covenants relating to certain of the Groups' statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Groups were to breach the covenants, the drawn down facilities would become payable on demand and any undrawn amount will be cancelled. The Groups regularly monitors its compliance with these covenants. As at 31 December 2020 and 2019, none of the covenants relating to drawn down facilities had been breached.
- (d) None of the non-current interest-bearing borrowings is expected to be settled within one year. All the above borrowings are unsecured.

The non-current interest-bearing borrowings are repayable as follows:

	<b>2020</b>	2019
	<b>\$ million</b>	\$ million
After 1 year but within 2 years	<b>2,500</b>	15,222
After 2 years but within 5 years	<b>1,298</b>	3,596
After 5 years	<b>36,908</b>	18,184
	<b>40,706</b>	37,002

## 18. Other non-current liabilities

	2020 \$ million	2019 \$ million
Provisions (see note (a) below)	1,121	954
Lease liabilities (see note (b) below)	1	1
	<u>1,122</u>	<u>955</u>

### (a) Provisions

	2020 \$ million
Provisions for asset decommissioning obligation	
At 1 January	954
Additional provisions made	170
Provisions utilised	(3)
At 31 December	<u>1,121</u>

Under SoCA, provision which represents the best estimation of expenditure required to settle asset decommissioning obligation has to be made to the extent that HK Electric incurs an obligation for the costs of dismantling and removing property, plant and equipment and restoring the sites on which they are located either when the assets are acquired or as a consequence of having used them during a particular period for electricity-related activities.

### (b) Lease liabilities

The following table shows the remaining contractual maturities of the Groups' lease liabilities at the end of the current and previous reporting periods:

	2020		2019	
	Present value of the minimum lease payments \$ million	Total minimum lease payments \$ million	Present value of the minimum lease payments \$ million	Total minimum lease payments \$ million
Within 1 year	1	1	2	2
After 1 year but within 2 years	1	1	1	1
	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>
Less: total future interest expenses		-		-
Present value of lease liabilities		<u>2</u>		<u>3</u>

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

For the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	2020 \$	2019 \$
<b>Revenue</b>		-	-
Administrative expenses		-	-
<b>Profit before taxation</b>	5	-	-
Income tax	6	-	-
<b>Profit and total comprehensive income for the year</b>		-	-

**STATEMENT OF FINANCIAL POSITION  
OF HK ELECTRIC INVESTMENTS MANAGER LIMITED**

At 31 December 2020

(Expressed in Hong Kong dollars)

	<b>2020</b>	2019
	<u>\$</u>	<u>\$</u>
<b>Current assets</b>		
Amount due from immediate holding company	<u>1</u>	<u>1</u>
<b>Net assets</b>	<u><u>1</u></u>	<u><u>1</u></u>
<b>Capital and reserves</b>		
Share capital	1	1
Reserves	<u>-</u>	<u>-</u>
<b>Total equity</b>	<u><u>1</u></u>	<u><u>1</u></u>

**NOTES TO THE FINANCIAL STATEMENTS  
OF HK ELECTRIC INVESTMENTS MANAGER LIMITED**  
(Expressed in Hong Kong dollars)

**1. Review of annual results**

The annual results have been reviewed by the Audit Committee.

The figures in respect of the preliminary announcement of the HK Electric Investments Manager Limited's (the "Company") results for the year ended 31 December 2020 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Company's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

**2. General information**

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, which is incorporated in Hong Kong with its shares listed on the Stock Exchange and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States. The address of the registered office and the principal place of business of the Company is Hongkong Electric Centre, 44 Kennedy Road, Hong Kong.

The principal activity of the Company is administering HK Electric Investments (the "Trust"), in its capacity as trustee-manager of the Trust. The Trust was constituted as a trust on 1 January 2014 by a Hong Kong law governed Trust Deed entered into between the Company, as the trustee-manager of the Trust, and HK Electric Investments Limited.

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**

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 11 to the consolidated financial statements of the Trust and of HK Electric Investments Limited on page 19, no distributions statement is therefore presented in these financial statements.

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results does not constitute the Company's statutory annual financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the 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 have been delivered to the Registrar of Companies and the Company's financial statements for the year ended 31 December 2020 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 reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance. The financial statements for the year ended 31 December 2020 have yet to be reported on by the Company's auditor.

#### **4. Changes in accounting policies**

The HKICPA has issued a number of amendments to the *Conceptual Framework for Financial Reporting 2018* and 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 financial statements.

The Company has not applied any new standard, amendment or interpretation that is not effective for the current accounting period.

#### **5. Profit before taxation**

Auditor's remuneration of \$57,000 (2019: \$56,000) and all other expenses of the Company which were incurred for the administering of the Trust of \$367,274 (2019: \$370,669) for the year 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 years.

#### **6. Income tax**

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

## **OTHER INFORMATION**

### **Final distribution and closure of Registers**

The Trustee-Manager Board has declared a final distribution by the Trust for 2020 of HK16.09 cents per Share Stapled Unit. The final distribution will be payable on Tuesday, 13 April 2021 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Wednesday, 31 March 2021, being the record date for determination of entitlement to the final distribution. To qualify for the final 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, no later than 4:30 p.m. on Wednesday, 31 March 2021.

For the purpose of ascertaining Holders of Share Stapled Units who are entitled to attend and vote at the Annual General Meeting to be held on Wednesday, 12 May 2021 (or any adjournment thereof), the Registers will be closed from Friday, 7 May 2021 to Wednesday, 12 May 2021, both days inclusive, during which no transfer of Share Stapled Units will be registered. In order to qualify for the right to attend and vote at the meeting (or any adjournment thereof), 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, no later than 4:30 p.m. on Thursday, 6 May 2021.

The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

### **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 the issued Share Stapled Units during the year ended 31 December 2020.

### **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 year ended 31 December 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. Before the change of its composition on 1 December 2020, the membership of the Nomination Committee of the Company comprises all Directors of the Company and in discharging its responsibilities, 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 is compliant with the requirements under the Listing Rules for a nomination committee. With effect from 1 December 2020, to further enhance the efficiency of the nomination process of Directors, the Company Board approved the change of composition of the Nomination Committee by which the committee is chaired by an Independent Non-executive Director and its membership comprises a majority of Independent Non-executive Directors. The new composition of the Nomination Committee of the Company is compliant with the requirements under the Listing Rules for a nomination committee. 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 the Policy on Inside Information and Securities Dealing for compliance by all employees of the Group.

### **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 year ended 31 December 2020.



## **Trustee-Manager Audit Committee and Company Audit Committee**

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Trustee-Manager and the Company have established their respective Audit Committee (the memberships of which are required to be the same pursuant to the Trust Deed), and have formulated their written terms of reference, which have from time to time been modified, in accordance with the provisions of the Corporate Governance Code.

Each of the Trustee-Manager Audit Committee and the Company Audit Committee is chaired by Mr. Donald Jeffrey Roberts (an Independent Non-executive Director) and the other members are Mr. Ronald Joseph Arculli (a Non-executive Director) and Mr. Lee Lan Yee, Francis (an Independent Non-executive Director). 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 corporate governance duties through the review of the governance structure of the Trustee-Manager and the Trust Group and the compliance status of the Corporate Governance Code, and 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.

## **Remuneration Committee of the Company**

In compliance with the Corporate Governance Code, the Company has established its Remuneration Committee with a majority of the members thereof being Independent Non-executive Directors. The Remuneration Committee of the Company is chaired by Mr. Donald Jeffrey Roberts (an Independent Non-executive Director), and the other members are Mr. Fok Kin Ning, Canning (the Chairman of the Company Board) and Dr. Fong Chi Wai, Alex (an Independent Non-executive Director).

## **Nomination Committee of the Company**

The Company has established its Nomination Committee in accordance with the Corporate Governance Code. During the year, the Company Board has changed the composition of the Nomination Committee to further enhance the efficiency of the nomination process of Directors. Prior to 1 December 2020, the committee 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. With effect from 1 December 2020, the committee is chaired by Mr. Lee Lan Yee, Francis (an Independent Non-executive Director), and the other members are Mr. Victor T K Li (a Non-executive Director) and Mr. Ralph Raymond Shea (an Independent Non-executive Director).

## **Sustainability Committee of the Company**

During the year, to further strengthen the Group's sustainability governance structure, the Company Board has established its Sustainability Committee on 1 December 2020 to oversee management and advise the Company Board on the development and implementation of the sustainability initiatives of the Group, including reviewing the related policies and practices, and assessing and making recommendations on matters concerning the Group's sustainability development and risks. The Sustainability Committee is chaired by Mr. Wan Chi Tin (the Chief Executive Officer), and the other members are Mr. Cheng Cho Ying, Francis (an Executive Director) and Dr. Fong Chi Wai, Alex (an Independent Non-executive Director).

## **Annual General Meeting**

The Annual General Meeting (the "AGM") will be held at 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Wednesday, 12 May 2021 at 12:00 noon. Notice of the Annual General Meeting will be published and despatched to Holders of Share Stapled Units in the manner as required by the Listing Rules in due course.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Trustee-Manager and the Company may be required to change the AGM arrangements at short notice. Holders of Share Stapled Units should check the Company's website at [www.hkei.hk](http://www.hkei.hk) for future announcements and updates on the AGM arrangements.

## **Boards composition**

As at the date of this announcement, the Directors are:

Executive Directors : Mr. FOK Kin Ning, Canning (Chairman) (Mrs. CHOW WOO Mo Fong, Susan as his alternate), Mr. WAN Chi Tin (Chief Executive Officer), Mr. CHAN Loi Shun, Mr. CHEN Daobiao and Mr. CHENG Cho Ying, Francis

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

Independent Non-executive Directors : Dr. FONG Chi Wai, Alex, Mr. KWAN Kai Cheong, Mr. LEE Lan Yee, Francis, Mr. George Colin MAGNUS, Mr. Donald Jeffrey ROBERTS and Mr. Ralph Raymond SHEA

## **GLOSSARY**

In this annual results announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

<b>Term(s)</b>	<b>Definition</b>
“Annual General Meeting”	The annual general meeting of unitholders of the Trust and shareholders of the Company, as convened by the Trustee-Manager and the Company held on a combined basis as a single meeting characterised as the annual general meeting of Holders of Share Stapled Units
“Boards” or “Boards of Directors”	Trustee-Manager Board and Company Board
“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
“HKASs”	Hong Kong Accounting Standards
“HKEI”	The Trust and the Company
“HKFRSs”	A collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA

<b>Term(s)</b>	<b>Definition</b>
“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)
“Registers”	The Share Stapled Units Register, the Units Register, the Principal and Hong Kong Branch Registers of Members and the Register of Beneficial Interests
“Share Stapled Unit(s)” or “SSU(s)”	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: <ul style="list-style-type: none"> <li>(a) a unit in the Trust;</li> <li>(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</li> <li>(c) a specifically identified preference share of the Company stapled to the unit.</li> </ul>
“Share Stapled Units Register”	The register of registered Holders of Share Stapled Units

<b>Term(s)</b>	<b>Definition</b>
“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
“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