

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.)

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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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2021 INTERIM RESULTS

CHAIRMAN'S STATEMENT

During the first half of 2021, HKEI and its wholly-owned subsidiary HK Electric remained focused on enhancing business sustainability through delivering on its twin priorities: upkeeping high standards in reliability and customer services, and continuing with capital works to decarbonise electricity generation.

The infrastructural projects under our 2019-2023 Development Plan moved forward at a satisfactory pace through the period. Construction of L11 and L12, two new 380-MW gas-fired combined-cycle generating units, remained on schedule and commissioning is on track for 2022 and 2023 respectively. An offshore liquefied natural gas (LNG) terminal which allows us to import LNG directly from the international markets also pressed ahead for scheduled commissioning in 2022.

2021 saw the beginning of Hong Kong's economic recovery following the disruptions associated with the COVID-19 pandemic. To support this process, HK Electric continued to provide relief measures for those customers and businesses most in need.

Half-year results

For the six months ended 30 June 2021, HKEI's EBITDA amounted to HK\$3,640 million (2020: HK\$3,204 million) and unaudited profit attributable to holders of Share Stapled Units (SSU) was HK\$880 million (2020: HK\$811 million).

Interim distribution

Distributable income for the period was HK\$1,408 million (2020: 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 (2020: HK15.94 cents) per SSU, payable on 27 August 2021 to SSU holders whose names appear on the Share Stapled Units Register on 18 August 2021.

Staying on course with Hong Kong's sustainability journey

Decarbonisation of our generation infrastructure is essential to support Hong Kong's goal to combat climate change. Our 2019-2023 Development Plan is geared towards migrating our generation infrastructure to a regime where approximately 70% of the electricity we produce will be from natural gas in 2023 compared with about 50% now. The six months under review saw us move forward consistently with the strategic projects under the Development Plan.

Following the successful commissioning in 2020 of L10 – the first of the three new gas-fired combined-cycle generating units – we progressed with the construction of L11 and L12 in tandem. All major plant erection work and hydrostatic testing of the heat recovery steam generator was completed for L11, and power received at the plant. Civil construction work continues and structural steel erection for the L12 main station building commenced in June 2021.

The offshore LNG terminal using Floating Storage and Regasification Unit (FSRU) technology – also part of the Development Plan – will provide us with the flexibility and security of having a diversified supply of natural gas. During the six months under review, the terminal reached the next phase of development, with design of the jetty and laying of the pipeline to Lamma Power Station substantially completed. A design upgrade for the FSRU vessel was carried out in Singapore by the vessel owner in July 2021.

A Marine Conservation Enhancement Fund and a Fisheries Enhancement Fund were jointly established by HK Electric and CLP in September 2020 to support marine conservation and sustainable fisheries in the vicinity of the offshore LNG terminal, as well as western and southern Hong Kong waters. So far, 10 applications totalling about HK\$14 million have been approved.

Apart from these capital works, we continued to build the foundation for a smart grid and enable customers to optimise their energy use by deploying smart meters across our customer base. We are on track to achieve our target with more than 80,000 smart meters installed so far. The setup of the IT systems that connect smart meters is in progress and we have also started to develop a new mobile app that will enable customers to access their electricity usage in 30-minute blocks for better energy management.

Power generation aside, the electrification of private and public transportation is also crucial to achieving carbon neutrality. As a long-term facilitator of electric vehicle (EV) charging in Hong Kong, we supported the Government's EV-charging at Home Subsidy Scheme (EHSS) and assisted more than 350 private residential buildings and estates to apply for the EHSS to install EV charging-enabling infrastructure. During the period, we also offered technical advice to the commercial sector and provided support to public transport companies and the Government on EV charging.

Our Smart Power Services helped underprivileged families and SME businesses improve energy efficiency with smart infrastructure and equipment. A new service – Smart Power for Construction Site – was launched to help construction sites attain zero emissions and reduce pollution to the surrounding areas while construction is under way.

The Feed-in Tariff Scheme, which purchases electricity generated from grid-connected customer renewable energy systems, remained popular in the community with 50 new systems successfully connected to the HK Electric grid during the period. Renewable Energy Certificates (RECs), which enable customers to support locally-generated renewable energy to offset their own carbon footprint, also saw encouraging uptake. Altogether, 146 RECs amounting to approximately 1.37 GWh were sold.

To support the generation of cleaner electricity in the future, we also completed a review with the Government and agreed on a new regime for tighter emission allowances from 2026 onwards as set out in the Ninth Technical Memorandum under the Air Pollution Control Ordinance.

Maintaining standards in operations and customer services

In the six months under review, HK Electric continued to maintain its high operating standards and deliver superior customer service across the customer base. Due to the warmer weather in April and May 2021 and as the economy was slowly emerging out of the doldrums caused by the COVID-19 pandemic, electricity sales were 1.9% higher than that in the corresponding period in 2020.

We also maintained our world-leading reliability rating for electricity supply of over 99.999% and all customer service standards were either met or surpassed. We have resumed all customer-facing services to pre-COVID levels though activities involving large groups were still avoided as we adhered to strict social distancing measures to safeguard all our stakeholders.

Proactive maintenance and upgrade of our transmission and distribution network took place systematically to ensure efficient and continuous supply.

Digital innovation taking our capabilities forward

Innovation through technology is fundamental to our ethos, to enable us to better serve our customers, improve efficiencies, make work safer, and reduce emissions and waste. During the period under review, 69 innovation projects and 75 mobile apps across all business divisions were at various stages of development. Our end-user computing mobile development platform is used for app development and is instrumental in digitalising our operations. To foster a culture of innovation within the company, the HK Electric Innovation Award was launched in March 2021 to encourage creativity in managing and improving all aspects of our operation.

We also implemented a pilot involving the deployment of process automation robots to alleviate repetitive manual tasks. The robots can be configured to mimic a user's interactions with digital systems to automate business processes.

As we digitalise our operations, robust cybersecurity is more important than ever before and we rank it as one of our top corporate risks. Recognising that employees are our first line of defence against cyber-attacks, we continue to work on improving the awareness of cybersecurity risks among our employees through talks, training workshops, online tips, publications and training videos. We also continue to conduct regular phishing drills to educate and help our employees identify and stay vigilant against evolving phishing attacks. Furthermore, a number of cybersecurity upgrades were implemented to ensure stronger protection for our critical data and operating systems.

Supporting the Hong Kong community

While face-to-face meetings, training and events did not resume, we continued to organise and participate in various community-based projects to assist those in need. For example, we joined the other companies of the CK Group to donate to the Hong Kong Community Chest, while sponsoring 26 projects organised by other NGOs, community and green groups as well as institutes.

To alleviate the impact of the pandemic on SMEs and underprivileged families, we expanded the scope of our relief measures and energy-saving programmes in 2021. The Smart Power Care Fund now includes more sectors and premises which will be provided with subsidies to replace or install energy-efficient electrical appliances. Alongside the distribution of dining coupons, these relief measures are expected to benefit around 500 SMEs and more than 40,000 underprivileged families in 2021, totalling HK\$24 million.

Our ongoing outreach to the elderly took on a new look with the launch of a new service "CAREnJOY Go-Go-Go", which features a specially decorated EV that helps our volunteers deliver giftbags to single elders via NGO partners. Elsewhere, we continued to rely on social media and online channels to engage with the community and our stakeholders to promote energy efficiency and sustainable living.

Outlook

The corporate sector will continue to play a key role in helping Hong Kong recover from the long-term socio-economic impact of COVID-19. As a member of the Hong Kong community for more than a century, we are committed to supporting residents, businesses and the community as a whole through this period. We continue to extend relief measures and roll out energy saving programmes as needed to aid SMEs and underprivileged families.

HK Electric believes vaccination is the most effective means to contain the pandemic and has been encouraging employees to receive the COVID-19 vaccine through a package of incentives including group vaccination booking, vaccination leave and gift coupons.

The present challenges have not diverted us from playing our role in achieving the Government's goal of carbon neutrality by 2050. Apart from progressing with our Development Plan, we are exploring the viability of increasing the capacity of a proposed offshore wind farm in the Southwest Lamma Channel, and planning for installation of more solar power systems on substation roofs as appropriate.

To close, my sincerest thanks and gratitude to the Board and our devoted employees who continue to go above and beyond during this challenging period.

Fok Kin Ning, Canning

Chairman

Hong Kong, 3 August 2021

FINANCIAL REVIEW

Financial performance

The Trust Group's revenue and unaudited consolidated profit for the period ended 30 June 2021 were HK\$5,249 million (2020: HK\$4,800 million) and HK\$880 million (2020: HK\$811 million) respectively.

Distribution

The Trustee-Manager Board has declared an interim distribution of HK15.94 cents (2020: HK15.94 cents) per SSU for the six months ended 30 June 2021. 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 (2020: HK15.94 cents) per ordinary share in respect of the same period.

	Six months ended 30 June	
	2021	2020
	HK\$ million	HK\$ million
Consolidated profit attributable to SSU holders for the period	880	811
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	2,915	2,521
(ii) adding/(deducting)		
– movement in Fuel Clause Recovery Account	(281)	49
– changes in working capital	(404)	(462)
– adjustment for employee retirement benefit schemes	10	2
– taxes paid	(448)	(488)
	(1,123)	(899)
(iii) capital expenditure payment	(2,312)	(2,272)
(iv) net finance costs	(440)	(543)
Distributable income for the period	(80)	(382)
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed	1,488	1,790
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 2021, 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\$1,812 million (2020: HK\$1,571 million), which was funded by cash from operations and external borrowings. Total external borrowings outstanding at 30 June 2021 were HK\$46,407 million (31 December 2020: HK\$44,890 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 30 June 2021 had undrawn committed bank facilities of HK\$4,740 million (31 December 2020: HK\$5,150 million) and bank deposits and cash of HK\$49 million (31 December 2020: HK\$52 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 period, the Trust Group concluded three five-year credit facilities totalling HK\$3,000 million with its relationship banks to refinance bank loans maturing in the year as well as for general corporate purposes.

As at 30 June 2021, the net debt of the Trust Group was HK\$46,358 million (31 December 2020: HK\$44,838 million) with a net debt-to-net total capital ratio of 50% (31 December 2020: 48%). The Trust Group's financial profile remained strong during the period. On 25 May 2021, Standard & Poor's reaffirmed the "A-" long-term credit rating and "Stable" outlook for the Company and HK Electric which had remained unchanged since September 2015 and since January 2014, respectively.

The profile of the Trust Group's external borrowings as at 30 June 2021, after taking into account forward foreign exchange contracts, cross currency and interest rate swaps, was as follows:

- (1) 100% were in Hong Kong dollars;
- (2) 42% were bank loans and 58% were capital market instruments;
- (3) 8% were repayable within 1 year, 48% were repayable after 1 year but within 5 years and 44% were repayable after 5 years; and
- (4) 80% were in fixed rate and 20% 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 2021, 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 2021 amounted to HK\$47,564 million (31 December 2020: HK\$39,885 million).

Charge on assets

As at 30 June 2021, no assets of the Trust Group were pledged to secure its loans and banking facilities (31 December 2020: Nil).

Contingent liabilities

As at 30 June 2021, the Trust Group had no guarantee or indemnity to external parties (31 December 2020: 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 2021, excluding directors' emoluments, amounted to HK\$589 million (2020: HK\$594 million). As at 30 June 2021, the Trust Group employed 1,689 (31 December 2020: 1,713) 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 2021

(Expressed in Hong Kong dollars)

	Note	2021 \$ million	2020 \$ million
Revenue	6	5,249	4,800
Direct costs		<u>(2,606)</u>	<u>(2,539)</u>
		2,643	2,261
Other revenue and other net income		25	1
Other operating costs	8	<u>(520)</u>	<u>(509)</u>
Operating profit		2,148	1,753
Finance costs		<u>(400)</u>	<u>(488)</u>
Profit before taxation	9	1,748	1,265
Income tax:	10		
Current		<u>(193)</u>	<u>(162)</u>
Deferred		<u>(122)</u>	<u>(76)</u>
		<u>(315)</u>	<u>(238)</u>
Profit after taxation		1,433	1,027
Scheme of Control transfers	11	<u>(553)</u>	<u>(216)</u>
Profit for the period attributable to the holders of Share Stapled Units/ shares of the Company		<u>880</u>	<u>811</u>
Earnings per Share Stapled Unit/ share of the Company			
Basic and diluted	12	<u>9.96 cents</u>	<u>9.18 cents</u>

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 18.

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

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

	2021	2020
	\$ million	\$ million
Profit for the period attributable to the holders of Share Stapled Units/shares of the Company	880	811
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	(33)	(21)
Net deferred tax credited to other comprehensive income	5	3
	(28)	(18)
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	30	(197)
Reclassification adjustments for amounts transferred to profit or loss	39	(54)
Net deferred tax credited/(charged) to other comprehensive income	8	(2)
	77	(253)
Total comprehensive income for the period attributable to the holders of Share Stapled Units/ shares of the Company	929	540

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 FINANCIAL POSITION
OF THE TRUST AND OF THE COMPANY**

At 30 June 2021

(Expressed in Hong Kong dollars)

		(Unaudited) 30 June 2021 \$ million	(Audited) 31 December 2020 \$ million
Non-current assets			
Property, plant and equipment		69,071	68,814
Interests in leasehold land held for own use		5,522	5,620
	13	<u>74,593</u>	74,434
Goodwill		33,623	33,623
Interest in a joint venture		315	278
Derivative financial instruments		499	616
Employee retirement benefit scheme assets		879	887
		<u>109,909</u>	<u>109,838</u>
Current assets			
Inventories		739	726
Trade and other receivables	14	1,496	951
Bank deposits and cash		49	52
		<u>2,284</u>	<u>1,729</u>
Current liabilities			
Trade and other payables and contract liabilities	15	(2,410)	(2,820)
Fuel Clause Recovery Account		(515)	(796)
Current portion of bank loans and other interest-bearing borrowings	16	(3,862)	(4,184)
Current tax payable		(286)	(541)
		<u>(7,073)</u>	<u>(8,341)</u>
Net current liabilities		<u>(4,789)</u>	<u>(6,612)</u>
Total assets less current liabilities		<u>105,120</u>	<u>103,226</u>
Non-current liabilities			
Bank loans and other interest-bearing borrowings	16	(42,545)	(40,706)
Derivative financial instruments		(477)	(697)
Customers' deposits		(2,293)	(2,268)
Deferred tax liabilities		(9,706)	(9,597)
Employee retirement benefit scheme liabilities		(369)	(367)
Other non-current liabilities		(1,213)	(1,122)
		<u>(56,603)</u>	<u>(54,757)</u>
Scheme of Control Fund and Reserve	17	<u>(1,266)</u>	<u>(726)</u>
Net assets		<u>47,251</u>	<u>47,743</u>
Capital and reserves			
Share capital		8	8
Reserves		47,243	47,735
Total equity		<u>47,251</u>	<u>47,743</u>

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 2021 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 2021 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 2021 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 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 development is relevant to the Trust’s and the Company’s unaudited consolidated interim financial statements:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest Rate Benchmark Reform – Phase 2*

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 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	
	2021	2020
	\$ million	\$ million
Sales of electricity	5,236	4,790
Less: Concessionary discount on sales of electricity	(2)	(2)
	5,234	4,788
Electricity-related income	15	12
	5,249	4,800

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	
	2021	2020
	\$ million	\$ million
Administrative expenses, government rent and rates	156	182
Staff costs in relation to corporate and administrative supports	120	113
Provisions for asset decommissioning obligation	92	80
Portion of depreciation and amortisation of leasehold land included in other operating costs	96	94
Net loss on disposal and written off of property, plant and equipment	56	40
	520	509

9. Profit before taxation

	Six months ended 30 June	
	2021	2020
	\$ million	\$ million
Profit before taxation is arrived at after charging/(crediting):		
Finance costs		
Interest on borrowings and other finance costs	535	627
Less: Interest expense and other finance costs capitalised to assets under construction	(128)	(131)
Interest expense transferred to fuel costs	(7)	(8)
	400	488
Depreciation		
Depreciation charges for the period	1,444	1,399
Less: Depreciation capitalised to assets under construction	(44)	(43)
	1,400	1,356
Amortisation of leasehold land	98	98

10. Income tax

	Six months ended 30 June	
	2021	2020
	\$ million	\$ million
Current tax		
Provision for Hong Kong Profits Tax for the period	193	162
Deferred tax		
Origination and reversal of temporary differences	122	76
	315	238

The provision for Hong Kong Profits Tax for the six months ended 30 June 2021 is calculated at 16.5% (2020: 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 2020.

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	
	2021	2020
	\$ million	\$ million
Tariff Stabilisation Fund	552	211
Rate Reduction Reserve	1	5
	553	216

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 \$880 million for the six months ended 30 June 2021 (2020: \$811 million) and the weighted average of 8,836,200,000 Shares Stapled Units/ordinary shares of the Company (2020: 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 2021	14,702	2	44,039	484	9,587	68,814	5,620	74,434
Additions	-	1	58	4	1,705	1,768	-	1,768
Transfers between categories	(19)	-	388	22	(391)	-	-	-
Disposals	(2)	-	(65)	-	-	(67)	-	(67)
Depreciation/ amortisation	(263)	(1)	(1,126)	(54)	-	(1,444)	(98)	(1,542)
Net book value at 30 June 2021	14,418	2	43,294	456	10,901	69,071	5,522	74,593
Cost	18,214	3	58,182	1,039	10,901	88,339	6,960	95,299
Accumulated depreciation and amortisation	(3,796)	(1)	(14,888)	(583)	-	(19,268)	(1,438)	(20,706)
Net book value at 30 June 2021	14,418	2	43,294	456	10,901	69,071	5,522	74,593

14. 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 2021 \$ million	31 December 2020 \$ million
Current and within 1 month	762	451
1 to 3 months	28	19
More than 3 months but less than 12 months	2	-
Trade debtors	792	470
Other receivables	620	358
	1,412	828
Derivative financial instruments	4	3
Deposits and prepayments	80	120
	1,496	951

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

	30 June 2021 \$ million	31 December 2020 \$ million
Due within 1 month or on demand	988	1,189
Due after 1 month but within 3 months	329	616
Due after 3 months but within 12 months	1,037	989
Creditors measured at amortised cost	2,354	2,794
Lease liabilities	1	1
Derivative financial instruments	29	3
Contract liabilities	26	22
	2,410	2,820

16. Bank loans and other interest-bearing borrowings

	30 June 2021 \$ million	31 December 2020 \$ million
Bank loans	19,496	18,080
Current portion	(3,862)	(4,184)
	15,634	13,896
Hong Kong dollar medium term notes		
Fixed rate notes	8,949	8,946
Zero coupon notes	765	752
	9,714	9,698
United States dollar medium term notes		
Fixed rate notes	13,542	13,534
Zero coupon notes	3,655	3,578
	17,197	17,112
Non-current portion	42,545	40,706

17. 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 2021 \$ million	31 December 2020 \$ million
Tariff Stabilisation Fund	1,258	698
Rate Reduction Reserve	1	8
Smart Power Care Fund	7	20
	1,266	726

18. Interim distribution/dividend

The distributable income for the period was as follows:

	Six months ended 30 June	
	2021	2020
	\$ million	\$ million
	<hr/>	<hr/>
Consolidated profit attributable to the holders of Share Stapled Units for the period	880	811
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	2,915	2,521
(ii) adding/(deducting)		
- movement in Fuel Clause Recovery Account	(281)	49
- changes in working capital	(404)	(462)
- adjustment for employee retirement benefit schemes	10	2
- taxes paid	(448)	(488)
	(1,123)	(899)
(iii) capital expenditure payment	(2,312)	(2,272)
(iv) net finance costs	(440)	(543)
	<hr/>	<hr/>
Distributable income for the period	(80)	(382)
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed (see note (d) below)	1,488	1,790
	<hr/>	<hr/>
Distributable income for the period after adjustment of discretionary amount	1,408	1,408
	<hr/>	<hr/>
Distribution amount for the period	1,408	1,408
	<hr/>	<hr/>
Number of Share Stapled Units/ordinary shares of the Company	8,836,200,000	8,836,200,000
	<hr/>	<hr/>
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
	<hr/>	<hr/>

- (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 2021, 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 (2020: 15.94 cents) is calculated based on the interim distribution of \$1,408 million for the six months ended 30 June 2021 (2020: \$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 2021 (2020: 8,836,200,000).

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

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

	Note	2021	2020
		<u> \$ </u>	<u> \$ </u>
Revenue		-	-
Administrative expenses		<u> -</u>	<u> -</u>
Profit before taxation	6	-	-
Income tax	7	<u> -</u>	<u> -</u>
Profit and total comprehensive income for the period		<u> -</u>	<u> -</u>

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

At 30 June 2021

(Expressed in Hong Kong dollars)

	(Unaudited) 30 June 2021 \$	(Audited) 31 December 2020 \$
Current assets		
Amount due from immediate holding company	<u>1</u>	<u>1</u>
Net assets	<u><u>1</u></u>	<u><u>1</u></u>
Capital and reserves		
Share capital	1	1
Reserves	<u>-</u>	<u>-</u>
Total equity	<u><u>1</u></u>	<u><u>1</u></u>

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 18 to the unaudited consolidated interim financial statements of the Trust and of HK Electric Investments Limited on pages 20 and 21, 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 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 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 2020. 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, amendment or interpretation 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 \$206,000 for the six months ended 30 June 2021 (2020: \$170,000) 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.

OTHER INFORMATION

Interim distribution

The Trustee-Manager Board has declared an interim distribution by the Trust for 2021 of HK15.94 cents per Share Stapled Unit. The distribution will be payable on Friday, 27 August 2021 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Wednesday, 18 August 2021, 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, 18 August 2021.

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 six months ended 30 June 2021.

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 2021, 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 addition, 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 six months ended 30 June 2021.

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, Ms. KOH Poh Wah, 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 interim results announcement, 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
“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
“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

Term(s)	Definition
“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)
“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”	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

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