



港燈電力投資 HK Electric Investments

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

2023
70%

2020
50%
Gas-fired Generation

2018
30%



Interim Report **2021**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2021	2020
Revenue	HK\$5,249 million	HK\$4,800 million
Distribution amount	HK\$1,408 million	HK\$1,408 million
Interim Distribution per Share Stapled Unit	HK15.94 cents	HK15.94 cents

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

Holders of Share Stapled Units may at any time choose to receive all future corporate communications either in printed form or through the Company's website, by writing to the Company at 44 Kennedy Road, Hong Kong or to the Share Stapled Units Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by emailing to the Company's email address at mail@hkei.hk.



CONTENTS

2	Corporate Information
3	Key Dates and Share Stapled Unit Information
4	Chairman’s Statement
10	Financial Review
	HK Electric Investments and HK Electric Investments Limited
14	Unaudited Consolidated Statement of Profit or Loss
15	Unaudited Consolidated Statement of Comprehensive Income
16	Unaudited Consolidated Statement of Financial Position
17	Unaudited Consolidated Statement of Changes in Equity
18	Unaudited Consolidated Cash Flow Statement
19	Notes to the Unaudited Interim Financial Statements
	HK Electric Investments Manager Limited
34	Unaudited Statement of Profit or Loss and Other Comprehensive Income
35	Unaudited Statement of Financial Position
36	Unaudited Statement of Changes in Equity
37	Unaudited Cash Flow Statement
38	Notes to the Unaudited Interim Financial Statements
41	Corporate Governance
52	Other Information
53	Glossary

CORPORATE INFORMATION

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

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

and

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

(Incorporated in the Cayman Islands with limited liability)

Board of Directors

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

FONG Chi Wai, Alex
KOH Poh Wah
(*Appointed on 13 May 2021*)
KWAN Kai Cheong
LEE Lan Yee, Francis
George Colin MAGNUS
Donald Jeffrey ROBERTS
Ralph Raymond SHEA

Trustee-Manager Audit Committee

Donald Jeffrey ROBERTS (*Chairman*)
Ronald Joseph ARCULLI
KOH Poh Wah
(*Appointed on 13 May 2021*)
LEE Lan Yee, Francis

Company Audit Committee

Donald Jeffrey ROBERTS (*Chairman*)
Ronald Joseph ARCULLI
KOH Poh Wah
(*Appointed on 13 May 2021*)
LEE Lan Yee, Francis

Remuneration Committee

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

Nomination Committee

LEE Lan Yee, Francis (*Chairman*)
LI Tzar Kuoi, Victor
Ralph Raymond SHEA

Sustainability Committee

WAN Chi Tin (*Chairman*)
CHENG Cho Ying, Francis
FONG Chi Wai, Alex

Company Secretary

Alex NG

Principal Bankers

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

Auditor

KPMG

Company Website

www.hkei.hk

Trustee-Manager Registered Office

44 Kennedy Road, Hong Kong

Company Registered Office

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

Company Head Office and Principal Place of Business in Hong Kong

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

Share Stapled Units Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong
Website: www.computershare.com/hk/contact

Principal Share Registrar

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

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong
Website: www.computershare.com/hk/contact

ADR (Level 1 Programme) Depository

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

Investor Relations

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

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

Email: mail@hkei.hk
Telephone: (852) 2843 3111
Facsimile: (852) 2810 0506
Postal Address: G.P.O. Box 915, Hong Kong
Address: 44 Kennedy Road, Hong Kong

KEY DATES AND SHARE STAPLED UNIT INFORMATION

Key Dates

Interim Results Announcement	3 August 2021
Ex-distribution Date	17 August 2021
Interim Report Despatch Date	On or before 18 August 2021
Record Date for Interim Distribution	18 August 2021
Payment of Interim Distribution (HK15.94 cents per Share Stapled Unit)	27 August 2021
Financial Year End	31 December 2021

Share Stapled Unit Information

Board Lot	500 Share Stapled Units
Market Capitalisation as at 30 June 2021	HK\$69,541 million
Share Stapled Unit to American Depository Share Ratio	10:1
Stock Codes	
The Stock Exchange of Hong Kong Limited	2638
Bloomberg	2638 HK
Refinitiv	2638.HK
ADR Ticker Symbol	HKVTY
CUSIP Number	40422B101

CHAIRMAN'S STATEMENT

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.

CHAIRMAN'S STATEMENT *(Continued)*

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.

CHAIRMAN'S STATEMENT *(Continued)*

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 HK\$ million	2020 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.

FINANCIAL REVIEW *(Continued)*

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><u>880</u></u>	<u><u>811</u></u>
Earnings per Share Stapled Unit/ share of the Company			
Basic and diluted	12	<u><u>9.96 cents</u></u>	<u><u>9.18 cents</u></u>

The notes on pages 19 to 33 form part of these unaudited consolidated interim financial statements.

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

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

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

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

	2021 \$ million	2020 \$ 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

The notes on pages 19 to 33 form part of these unaudited consolidated interim financial statements.

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

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

At 30 June 2021

(Expressed in Hong Kong dollars)

	(Unaudited) 30 June 2021	(Audited) 31 December 2020
Note	\$ million	\$ million
Non-current assets		
Property, plant and equipment	69,071	68,814
Interests in leasehold land held for own use	5,522	5,620
	<u>74,593</u>	<u>74,434</u>
13	33,623	33,623
Goodwill	315	278
Interest in a joint venture	499	616
Derivative financial instruments	879	887
Employee retirement benefit scheme assets	<u>109,909</u>	<u>109,838</u>
Current assets		
Inventories	739	726
Trade and other receivables	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	(2,410)	(2,820)
Fuel Clause Recovery Account	(515)	(796)
Current portion of bank loans and other interest-bearing borrowings	(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	(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	<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>

The notes on pages 19 to 33 form part of these unaudited consolidated interim financial statements.

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

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

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

\$ million	Attributable to holders of Share Stapled Units/shares of the Company					Total
	Share capital	Share premium	Hedging reserve	Revenue reserve	Proposed/ declared distribution/ dividend	
Balance at 1 January 2020	8	47,472	324	(754)	1,422	48,472
Changes in equity for the six months ended 30 June 2020:						
Profit for the period	-	-	-	811	-	811
Other comprehensive income	-	-	(271)	-	-	(271)
Total comprehensive income	-	-	(271)	811	-	540
Amounts transferred to the initial carrying amount of hedged items	-	-	30	-	-	30
Final distribution/second interim dividend in respect of previous year approved and paid	-	-	-	-	(1,422)	(1,422)
Interim distribution/first interim dividend (see note 23)	-	-	-	(1,408)	1,408	-
Balance at 30 June 2020	<u>8</u>	<u>47,472</u>	<u>83</u>	<u>(1,351)</u>	<u>1,408</u>	<u>47,620</u>
Balance at 1 January 2021	8	47,472	(379)	(780)	1,422	47,743
Changes in equity for the six months ended 30 June 2021:						
Profit for the period	-	-	-	880	-	880
Other comprehensive income	-	-	49	-	-	49
Total comprehensive income	-	-	49	880	-	929
Amounts transferred to the initial carrying amount of hedged items	-	-	1	-	-	1
Final distribution/second interim dividend in respect of previous year approved and paid	-	-	-	-	(1,422)	(1,422)
Interim distribution/first interim dividend (see note 23)	-	-	-	(1,408)	1,408	-
Balance at 30 June 2021	<u>8</u>	<u>47,472</u>	<u>(329)</u>	<u>(1,308)</u>	<u>1,408</u>	<u>47,251</u>

The notes on pages 19 to 33 form part of these unaudited consolidated interim financial statements.

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

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

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

	Note	2021 \$ million	2020 \$ million
Operating activities			
Cash generated from operations	16(b)	3,107	2,928
Interest paid		(345)	(445)
Interest received		6	4
Hong Kong Profits Tax paid		(448)	(488)
Net cash generated from operating activities		2,320	1,999
Investing activities			
Payment for the purchase of property, plant and equipment and capital stock		(2,275)	(2,143)
Capitalised interest paid		(101)	(102)
New loan to a joint venture		(37)	(129)
Net cash used in investing activities		(2,413)	(2,374)
Financing activities			
Proceeds from bank loans		16,169	2,241
Repayment of bank loans		(14,682)	(5,941)
Issuance of medium term notes		–	5,994
Payment of lease liabilities		(1)	(1)
New customers' deposits		157	127
Repayment of customers' deposits		(132)	(132)
Distributions/dividends paid		(1,422)	(1,422)
Net cash generated from financing activities		89	866
Net (decrease)/increase in cash and cash equivalents		(4)	491
Cash and cash equivalents at 1 January		52	266
Effect of foreign exchange rate changes		1	(7)
Cash and cash equivalents at 30 June		49	750

The notes on pages 19 to 33 form part of these unaudited consolidated interim financial statements.

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

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

(Expressed in Hong Kong dollars)

1. Review of unaudited interim financial statements

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

2. General information

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

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

3. Basis of presentation

Pursuant to the Trust Deed, the Trust and the Company are each required to prepare their own sets of interim financial statements on a consolidated basis. The unaudited consolidated interim financial statements of the Trust for the period ended 30 June 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
	<u>5,249</u>	<u>4,800</u>

7. Segment reporting

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

8. Other operating costs

	Six months ended 30 June	
	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
	<u>520</u>	<u>509</u>

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)
	<u>400</u>	<u>488</u>
Depreciation		
Depreciation charges for the period	1,444	1,399
Less: Depreciation capitalised to assets under construction	(44)	(43)
	<u>1,400</u>	<u>1,356</u>
Amortisation of leasehold land	<u>98</u>	<u>98</u>

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	<u>122</u>	<u>76</u>
	<u>315</u>	<u>238</u>

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
	<u>553</u>	<u>216</u>

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

The calculation of basic and diluted earnings per Share Stapled Unit/share of the Company are based on the profit attributable to the holders of Share Stapled Units/shares of the Company of \$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	<u>14,418</u>	<u>2</u>	<u>43,294</u>	<u>456</u>	<u>10,901</u>	<u>69,071</u>	<u>5,522</u>	<u>74,593</u>
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	<u>14,418</u>	<u>2</u>	<u>43,294</u>	<u>456</u>	<u>10,901</u>	<u>69,071</u>	<u>5,522</u>	<u>74,593</u>

14. Interest in a joint venture

	30 June 2021 \$ million	31 December 2020 \$ million
Groups' share of net assets	–	–
Loan to joint venture (see note below)	315	278
	<u>315</u>	<u>278</u>
	<u><u>315</u></u>	<u><u>278</u></u>

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

15. Trade and other receivables

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

	30 June 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	–
	<u>792</u>	<u>470</u>
Trade debtors	792	470
Other receivables	620	358
	<u>1,412</u>	<u>828</u>
Derivative financial instruments (see note 19)	4	3
Deposits and prepayments	80	120
	<u>1,496</u>	<u>951</u>
	<u><u>1,496</u></u>	<u><u>951</u></u>

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

16. Bank deposits and cash and other cash flow information

(a) Bank deposits and cash comprise:

	30 June 2021 \$ million	31 December 2020 \$ million
Cash at bank and in hand	<u>49</u>	<u>52</u>

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

	Note	Six months ended 30 June 2021 \$ million	2020 \$ million
Profit before taxation		1,748	1,265
Adjustments for:			
Interest income		(6)	(3)
Finance costs	9	400	488
Interest expense transferred to fuel costs	9	7	8
Depreciation	9	1,400	1,356
Amortisation of leasehold land	9	98	98
Net loss on disposal and written off of property, plant and equipment	8	56	40
Increase in provisions for asset decommissioning obligation	8	92	80
Net financial instrument revaluation and exchange (gains)/losses		(1)	21
Smart Power Care Fund disbursement		(13)	(15)
Changes in working capital:			
(Increase)/decrease in inventories		(15)	113
Increase in trade and other receivables		(615)	(559)
Movements in Fuel Clause Recovery Account		(281)	49
Increase/(decrease) in trade and other payables and contract liabilities		227	(14)
Increase/decrease in net employee retirement benefit assets/liabilities		10	2
Payment for asset decommissioning obligation expenditure		–	(1)
Cash generated from operations		<u>3,107</u>	<u>2,928</u>

17. 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
	<hr/>	<hr/>
Creditors measured at amortised cost	2,354	2,794
Lease liabilities	1	1
Derivative financial instruments (see note 19)	29	3
Contract liabilities	26	22
	<hr/>	<hr/>
	2,410	2,820
	<hr/> <hr/>	<hr/> <hr/>

18. 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)
	<hr/>	<hr/>
	15,634	13,896
	<hr/>	<hr/>
Hong Kong dollar medium term notes		
Fixed rate notes	8,949	8,946
Zero coupon notes	765	752
	<hr/>	<hr/>
	9,714	9,698
	<hr/>	<hr/>
United States dollar medium term notes		
Fixed rate notes	13,542	13,534
Zero coupon notes	3,655	3,578
	<hr/>	<hr/>
	17,197	17,112
	<hr/>	<hr/>
Non-current portion	42,545	40,706
	<hr/> <hr/>	<hr/> <hr/>

19. Derivative financial instruments

	30 June 2021		31 December 2020	
	Assets \$ million	Liabilities \$ million	Assets \$ million	Liabilities \$ million
Derivative financial instruments used for hedging:				
Cash flow hedges:				
– Cross currency swaps	–	(93)	–	(57)
– Interest rate swaps	13	(375)	–	(628)
– Forward foreign exchange contracts	490	(37)	619	(4)
Fair value hedges:				
– Forward foreign exchange contracts	–	(1)	–	(11)
	<u>503</u>	<u>(506)</u>	<u>619</u>	<u>(700)</u>
Analysed as:				
Current	4	(29)	3	(3)
Non-current	<u>499</u>	<u>(477)</u>	<u>616</u>	<u>(697)</u>
	<u>503</u>	<u>(506)</u>	<u>619</u>	<u>(700)</u>

20. Scheme of Control Fund and Reserve

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

	30 June 2021 \$ million	31 December 2020 \$ million
Tariff Stabilisation Fund	1,258	698
Rate Reduction Reserve	1	8
Smart Power Care Fund	<u>7</u>	<u>20</u>
	<u>1,266</u>	<u>726</u>

21. Share capital

The Company

		30 June 2021	31 December 2020
	Number of shares	Nominal value \$	Nominal value \$
Authorised:			
Ordinary shares of \$0.0005 each	<u>20,000,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Preference shares of \$0.0005 each	<u>20,000,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid:			
Ordinary shares of \$0.0005 each	<u>8,836,200,000</u>	<u>4,418,100</u>	<u>4,418,100</u>
Preference shares of \$0.0005 each	<u>8,836,200,000</u>	<u>4,418,100</u>	<u>4,418,100</u>

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

22. Fair value measurement

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

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

(a) Recurring fair value measurements

	Level 2	
	30 June 2021 \$ million	31 December 2020 \$ million
Financial assets		
Derivative financial instruments:		
– Interest rate swaps	13	–
– Forward foreign exchange contracts	490	619
	<u>503</u>	<u>619</u>
Financial liabilities		
Derivative financial instruments:		
– Cross currency swaps	93	57
– Interest rate swaps	375	628
– Forward foreign exchange contracts	38	15
	<u>506</u>	<u>700</u>

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

Trade and other receivables, trade and other payables and contract liabilities and external borrowings are carried at cost or amortised cost which are not materially different from their fair values as at 30 June 2021 and 31 December 2020.

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

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

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

23. Interim distribution/dividend

The distributable income for the period was as follows:

	Six months ended 30 June	
	2021	2020
	\$ million	\$ million
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)
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
Distributable income for the period after adjustment of discretionary amount	<u>1,408</u>	<u>1,408</u>
Distribution amount for the period	<u>1,408</u>	<u>1,408</u>
Number of Share Stapled Units/ordinary shares of the Company	<u>8,836,200,000</u>	<u>8,836,200,000</u>
Interim distribution per Share Stapled Unit/first interim dividend per ordinary share of the Company (see note (e) below)	<u>15.94 cents</u>	<u>15.94 cents</u>

- (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).

24. Commitments

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

	30 June 2021 \$ million	31 December 2020 \$ million
Capital expenditure for property, plant and equipment authorised and contracted for	<u>7,848</u>	<u>7,140</u>
Capital expenditure for property, plant and equipment authorised but not contracted for	<u>11,984</u>	<u>14,303</u>

- (b) At 30 June 2021, the Groups' share of capital commitments of a joint venture was \$315 million (31 December 2020: \$343 million).

At 30 June 2021, the Groups' share of the lease and other commitments of a joint venture approximated to \$1,170 million (31 December 2020: \$1,170 million).

25. Material related party transactions

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

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

Support service charge recovered from Power Assets group

Other operating costs included support service charge recovered from Power Assets group amounting to \$20 million (2020: \$21 million) for provision of the support services and office facilities to Power Assets group. The support service charge was based on the total costs incurred in the provision or procurement of the provision of the services and facilities and allocated to Power Assets group on a fair and equitable basis, taking into account the time spent by the relevant personnel when providing such services.

At 30 June 2021, the total outstanding balance receivable from Power Assets group was \$3 million (31 December 2020: \$4 million).

(b) Joint Venture

- (i) The details of Shareholder Loan Facility provided to HKLTL by the Groups and the outstanding loan balance as at 30 June 2021 are disclosed in note 14.
- (ii) Interest income received/receivable from HKLTL in respect of the Shareholder Loan Facility amounted to \$6 million (2020: \$2 million) for the six months ended 30 June 2021.
- (iii) Under a Joint Development Agreement entered into between HK Electric, Castle Peak Power Company Limited (“CAPCO”) and HKLTL for the development of LNG terminal, HK Electric and CAPCO will perform project management and provide supports to HKLTL in the development and construction of the LNG terminal. During the six months ended 30 June 2021, HKLTL reimbursed related costs of \$4 million (2020: \$2 million) to HK Electric.

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

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

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

The notes on pages 38 to 40 form part of these unaudited interim financial statements.

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 \$
	Note		
Current assets			
Amount due from immediate holding company		1	1
Net assets		1	1
Capital and reserves			
Share capital	8	1	1
Reserves		–	–
Total equity		1	1

The notes on pages 38 to 40 form part of these unaudited interim financial statements.

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

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

\$	Share capital	Reserves	Total
Balance at 1 January 2020	1	–	1
Changes in equity for the six months ended 30 June 2020:			
Profit and total comprehensive income for the period	–	–	–
Balance at 30 June 2020	<u>1</u>	<u>–</u>	<u>1</u>
Balance at 1 January 2021	1	–	1
Changes in equity for the six months ended 30 June 2021:			
Profit and total comprehensive income for the period	–	–	–
Balance at 30 June 2021	<u>1</u>	<u>–</u>	<u>1</u>

The notes on pages 38 to 40 form part of these unaudited interim financial statements.

UNAUDITED CASH FLOW STATEMENT OF HK ELECTRIC INVESTMENTS MANAGER LIMITED

For the six months ended 30 June 2021

(Expressed in Hong Kong dollars)

	2021	2020
	\$	\$
Operating activities		
Net cash generated from operating activities	<u>—</u>	<u>—</u>
Investing activities		
Net cash used in investing activities	<u>—</u>	<u>—</u>
Financing activities		
Net cash used in financing activities	<u>—</u>	<u>—</u>
Net change in cash and cash equivalents	<u>—</u>	<u>—</u>
Cash and cash equivalents at 1 January	<u>—</u>	<u>—</u>
Cash and cash equivalents at 30 June	<u><u>—</u></u>	<u><u>—</u></u>

The notes on pages 38 to 40 form part of these unaudited interim financial statements.

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

(Expressed in Hong Kong dollars)

1. Review of unaudited interim financial statements

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

2. General information

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

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

3. Basis of presentation

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

In accordance with the Trust Deed, a distributions statement shall be included in the financial statements of the Company. As the details of the distribution has already been presented in note 23 to the unaudited consolidated interim financial statements of the Trust and of HK Electric Investments Limited on pages 30 and 31, 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.

8. Share capital

	30 June 2021		31 December 2020	
	Number of shares	\$	Number of shares	\$
Ordinary shares, issued and fully paid	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

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

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

9. Material related party transactions

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

CORPORATE GOVERNANCE

Corporate Governance Practices

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

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

The Trust and the Company have complied with the applicable code provisions in the Corporate Governance Code throughout the six months ended 30 June 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.

CORPORATE GOVERNANCE *(Continued)*

Boards of Directors

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

As at 30 June 2021, each of the Boards consisted of a total of eighteen Directors, comprising five Executive Directors, six Non-executive Directors and seven Independent Non-executive Directors. More than one-third of the Board are Independent Non-executive Directors, among which more than one of them have appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. All Directors are required to retire from office by rotation and are subject to re-election at the annual general meeting once every three years pursuant to the Trust Deed and the articles of association of the Company.

The positions of the Chairman and the Chief Executive Officer of the Company are held by separate individuals. The Trustee-Manager does not appoint a Chief Executive Officer due to its specific and limited role to administer the Trust. The Chairman is responsible for providing leadership to, and overseeing the functioning and effective running of, the Boards to ensure that each Board acts in the best interests of the Trust and the Group, as appropriate. In addition to board meetings, the Chairman schedules meetings annually with Independent Non-executive Directors without the presence of other Directors. The Chief Executive Officer, working with the executive management team, is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Company Board for all Group operations.

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

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

Model Code for Securities Transactions by Directors

The Boards have adopted the Model Code as their code of conduct regulating directors' securities transactions. All Directors have confirmed following specific enquiry that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021.

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

CORPORATE GOVERNANCE *(Continued)*

Changes in Information of Directors

The changes in the information of Directors since the publication of the annual report 2020 (or, where applicable, subsequent announcement relating to appointment of Director) and up to 10 August 2021 (the latest practicable date prior to the printing of this interim report) is set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Director

Fok Kin Ning, Canning	Resigned as a director of Husky Energy Inc. ⁽¹⁾ Appointed as the Chairman of TPG Telecom Limited ⁽²⁾
Ronald Joseph Arculli	Retired as an Independent Non-executive Director of Hang Lung Properties Limited ⁽³⁾
Kwan Kai Cheong	Resigned as an Independent Non-executive Director of Beijing Energy International Holding Co., Ltd. ⁽³⁾
Donald Jeffrey Roberts	Appointed as an Independent Non-executive Director of NexGen Energy Ltd. ⁽⁴⁾
Frank John Sixt (Alternate Director to Victor T K Li)	Resigned as a director of Husky Energy Inc. ⁽¹⁾

Notes:

- (1) A company previously listed on the Toronto Stock Exchange.
- (2) A company whose shares are listed on the Australian Securities Exchange.
- (3) A company whose shares are listed on the Hong Kong Stock Exchange.
- (4) A company whose shares are listed on both the Toronto Stock Exchange and the New York Stock Exchange.

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

Risk Management and Internal Control

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

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

The Trustee-Manager Audit Committee and the Company Audit Committee have reviewed the effectiveness of the risk management and internal control systems of the Trust, the Company and the Trustee-Manager for the six months ended 30 June 2021, and considered the systems are effective and adequate.

Trustee-Manager Audit Committee and Company Audit Committee

Each of the Trustee-Manager Audit Committee and the Company Audit Committee comprises three Independent Non-executive Directors and one Non-executive Director. They are chaired by Mr. Donald Jeffrey Roberts (an Independent Non-executive Director) and the other members are Mr. Ronald Joseph Arculli (a Non-executive Director), Ms. Koh Poh Wah (an Independent Non-executive Director appointed on 13 May 2021) and Mr. Lee Lan Yee, Francis (an Independent Non-executive Director).

CORPORATE GOVERNANCE *(Continued)*

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. The Audit Committees also meet regularly with the external auditor to discuss the audit process and accounting issues.

The unaudited consolidated financial statements of the Trust and of the Company and the unaudited financial statements of the Trustee-Manager for the six months ended 30 June 2021 have been reviewed by the Audit Committees.

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

Nomination Committee of the Company

The Company has established its Nomination Committee in accordance with the Corporate Governance Code. The Nomination Committee comprises three members, two of whom are Independent Non-executive Directors. It 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).

The Nomination Committee reports directly to the Company Board. The principal responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills matrix of the Company Board, to facilitate the selection and nomination process, to assess the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules, and to make recommendations to the Company Board on the appointment or re-appointment of Directors and succession planning for Directors, as guided by the Director Nomination Policy and the Board Diversity Policy. The terms of reference of the Nomination Committee of the Company are published on the Company's website and HKEX's website.

Remuneration Committee of the Company

In compliance with the Corporate Governance Code, the Company has established its Remuneration Committee which comprises three members, two of whom are Independent Non-executive Directors. It 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).

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

Sustainability Committee of the Company

The Sustainability Committee of the Company 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).

The Sustainability Committee reports directly to the Company Board and its principal responsibilities are 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 terms of reference of the Sustainability Committee are published on the Company's website and HKEX's website.

CORPORATE GOVERNANCE *(Continued)*

Communication with Holders of Share Stapled Units

The Trustee-Manager and the Company have established a range of communication channels between themselves and Holders of Share Stapled Units and investors. These include the annual general meeting, the annual and interim reports, notices, letters, announcements and circulars, news releases, the Company's website at www.hkei.hk and meetings with investors and analysts. All Holders of Share Stapled Units have the opportunity to put questions to the Boards at general meetings, and at other times by emailing or writing to the Company. The Boards have adopted a communication policy which provides a framework to promote effective communication with Holders of Share Stapled Units.

Holders of Share Stapled Units may at any time notify the Company by mail or email of any change in their choice of language (English or Chinese or both) or means of receiving (printed copies or through the Company's website) corporate communications from the Trustee-Manager and the Company.

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

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

As at 30 June 2021, the interests or short positions of the Directors and chief executives of the Trustee-Manager and the Company in the SSUs, underlying SSUs and debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Trustee-Manager and the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Share Stapled Units

Name of Director	Capacity	Nature of Interests	Number of SSUs Held	Approximate % of Issued SSUs
Li Tzar Kuoi, Victor	Interest of controlled corporations	Corporate	7,870,000 (Note 1)	0.08%
Fok Kin Ning, Canning	Interest of controlled corporation	Corporate	2,000,000 (Note 2)	0.02%
Donald Jeffrey Roberts	Interests held jointly	Other	1,398,000 (Note 3)	0.02%
Ronald Joseph Arculli	Interest of controlled corporation	Corporate	502	≈0%

Notes:

(1) Such SSUs comprise:

(a) 2,700,000 SSUs held by a wholly-owned subsidiary of Li Ka Shing (Global) Foundation ("LKSGF"). By virtue of the terms of the constituent documents of LKSGF, Mr. Victor T K Li may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSGF; and

(b) 5,170,000 SSUs held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Victor T K Li may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.

(2) Such SSUs are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

(3) Such SSUs are jointly held by Mr. Donald Jeffrey Roberts and his wife.

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executives of the Trustee-Manager and the Company had any interests or short positions in the SSUs, underlying SSUs or debentures of the Trust and the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE *(Continued)*

Interests and Short Positions of Holders of Share Stapled Units

As at 30 June 2021, Holders of Share Stapled Units (other than Directors or chief executives of the Trustee-Manager and the Company) who had interests or short positions in the SSUs or underlying SSUs of the Trust and the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange were as follows:

Substantial Holders of Share Stapled Units

Long Positions in Share Stapled Units

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

Notes:

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

Save as disclosed above, as at 30 June 2021, there was no other person (other than Directors or chief executives of the Trustee-Manager and the Company) who had interests or short positions in the SSUs or underlying SSUs of the Trust and the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Trustee-Manager, the Company and the Stock Exchange.

OTHER INFORMATION

Interim Distribution

The Trustee-Manager Board has declared an interim distribution by the Trust for 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 issued Share Stapled Units during the six months ended 30 June 2021.

GLOSSARY

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

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

GLOSSARY *(Continued)*

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

Term(s)	Definition
"Share Stapled Unit(s)" or "SSU(s)"	<p>Share Stapled Unit(s) jointly issued by the Trust and the Company, with each Share Stapled Unit being the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others:</p> <ul style="list-style-type: none"> <li data-bbox="619 615 906 642">(a) a unit in the Trust; <li data-bbox="619 687 1127 902">(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 data-bbox="619 948 1127 1048">(c) a specifically identified preference share of the Company stapled to the unit.
"Share Stapled Units Register"	The register of registered Holders of Share Stapled Units
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trust"	HK Electric Investments, as constituted pursuant to the Trust Deed under the Laws of Hong Kong
"Trust Deed"	The trust deed dated 1 January 2014 constituting the Trust, entered into between the Trustee-Manager and the Company and as amended by the deed of amendment dated 13 May 2020
"Trust Group"	The Trust and the Group

GLOSSARY *(Continued)*

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