

港燈電力投資

HK Electric Investments

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

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

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港燈電力投資有限公司

HK Electric Investments Limited

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

(股份代號 Stock Code : 2638)



港燈電力投資

HK Electric Investments

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2023 INTERIM RESULTS

CHAIRMAN'S STATEMENT

During the first half of 2023, we, HKEI and its wholly owned subsidiary, HK Electric, continued to focus our efforts on decarbonising our operations in support of the city's decarbonisation objectives.

Our 2019-2023 Development Plan, which focused on the transition to green energy and the associated transformation of our energy infrastructure from coal to gas, reached its final stage. A major milestone achieved during the period was the completion and commercial launch of our offshore liquefied natural gas (LNG) terminal in early July 2023. In parallel, we also moved forward with the construction of the third new 380-MW gas-fired generating unit, which is scheduled for commercial operation by early 2024, and a rollout of smart meters and Advanced Metering Infrastructure (AMI).

We have now commenced dialogue with the Government and key stakeholder groups on the interim review of the current Scheme of Control Agreement (SCA) to assess potential areas which could be enhanced. The SCA has been effective in providing a stable framework for investment in decarbonisation. In June 2023, we completed our submissions for the 2024-2028 Development Plan to the Government in which we outlined our proposed capital investments over the next five years.

Delivering world-class supply reliability is one of HK Electric's top priorities, and we have maintained a record of no major power interruption for almost 30 years. However, a regrettable and rare incident occurred on 19 April 2023 when an unexpected power interruption affected about 44,000 customers from 00:49, for 33-48 minutes. We immediately set up a committee to conduct a thorough investigation, report on the findings to the public and the Government, and recommend measures to prevent similar incidents from happening in the future.

Half-year results

For the six months ended 30 June 2023, HKEI's EBITDA amounted to HK\$3,739 million (2022: HK\$3,377 million) and unaudited profit attributable to holders of Share Stapled Units (SSU) was HK\$982 million (2022: HK\$894 million).

Interim distribution

Distributable income for the period was HK\$1,408 million (2022: 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 (2022: HK15.94 cents) per SSU, payable on 25 August 2023 to SSU holders whose names appear on the Share Stapled Units Register on 16 August 2023.

Milestones reached in our long-term decarbonisation strategy

We entered the final phase of the infrastructure development works under our current Development Plan, which is aimed at enabling the transition to greener energy generation in alignment with Hong Kong's long-term decarbonisation objectives.

We are about to complete a major programme of capital works at Lamma Power Station (LPS) comprising the construction of three new 380-MW gas-fired generating units, in order to increase the proportion of electricity generated from natural gas. Two of them, L10 and L11, are already operational. Construction works for the third gas-fired generating unit, L12, which included the plant rooms, turbine hall, administration and control building, and major electrical and mechanical equipment, were substantially completed. Testing and the initial stages of commissioning activities for major auxiliary systems have commenced, with commercial operation scheduled for early 2024.

The LNG terminal which began commercial operation in early July 2023 has a maximum LNG storage capacity of 263,000 m³ that will significantly enhance the stability and security of natural gas supply to LPS. Ahead of the launch, the 18-km subsea pipeline connecting the terminal to LPS, jetty topside equipment, and Floating Storage and Regasification Unit (FSRU) vessel all successfully passed final performance guarantee tests. The terminal was constructed jointly with CLP Power and is operated by Hong Kong LNG Terminal Limited, a joint venture between the two companies.

Data from smart meters help customers better understand their usage habits, allowing them to manage their own power consumption. The rollout of smart meters and AMI is part of our Development Plan. More than 303,000 smart meters have been deployed for more than 50% of our customers.

Another pillar of our strategy to catalyse Hong Kong's net zero journey is providing support for private and public electric transport. Apart from operating 12 free charging stations that were used for more than 25,000 charging operations during the period, we also provided technical support to a range of operators of private car parks and public transport for the installation of charging facilities at various car parks, public transport interchanges and public ferry piers.

In addition, we promoted low-carbon living through our suite of Smart Power Services, including Smart Power for Construction Site, which received seven new service requests during the period under review. Customers continued to install solar power systems on their premises under our popular Feed-in Tariff scheme, with 90 new connections made and another 105 applications for new connections approved. Under the Smart Power Building Fund, 85 buildings were approved to carry out projects for enhancing the energy efficiency of communal facilities.

Striving towards continuous improvement in performance

Electricity sales for the first half of 2023 were 3.3% higher than the same period in 2022, predominantly due to warmer weather and resumption of normal economic and commercial activities in Hong Kong following the lifting of COVID restrictions, albeit still lower than that in the same period of 2019 by 5.8%, before the outbreak of the pandemic.

During the period, we provided a "Special Electricity Subsidy" of HK9.5 cents per unit of electricity to our residential customers who consume less than 300 units per month to alleviate the tariff impact on them. With the drop in international fuel prices since early 2023 and in anticipation that prices would remain stable, we offered a "Special Fuel Rebate" of HK1.1 cents per unit of electricity to all customers in May 2023 to smooth out the increase in the Fuel Clause Charge (FCC). In fact, the FCC has been falling since June, down to HK69.7 cents per unit of electricity for August from HK82.5 cents in January, representing a 15.5% reduction. The outlook for further reductions in the FCC in the remainder of the year is positive.

Major projects to upgrade our network included final testing and pre-commissioning of North Point 132-kV Switching Station for planned energisation in mid-November 2023. We launched an initiative to establish a control centre for our low-voltage network, with real-time fault reporting using Internet of Things technology.

We understand that uninterrupted power supply is essential for everyday life, as well as social and economic activity. We have been working diligently to provide safe and reliable electricity for more than a century. The power interruption incident on 19 April 2023 has taken a toll on our supply reliability rating, which stood at 99.9987% as at end June. To achieve our service standard of over 99.999%, we have to strengthen our efforts and maintain an even stronger focus on supply reliability in the coming months. To this end, we have identified remedial actions in a number of areas, including detailed labelling of spare cable circuits and circuit diagrams, training of personnel, enhanced counter-checking requirements when commissioning transmission equipment, and fault ride-through capability of generating units. Some of these measures have already been implemented, with most of the remaining items to be completed by the end of this year.

We maintained our customary emphasis on excellence in customer service. To encourage more customers in their digital-first lifestyles, we upgraded the corporate mobile app for enhanced user experience and improved display of consumption records. Customers responded well, with over 49,500 downloads recorded so far.

We believe that innovation through technology is essential for continuous improvement and encourage these advances through a range of corporate incentives and funding. These proved successful, with innovation initiatives obtaining three patents during the period.

Supporting the community and our staff

We firmly believe in doing our utmost to create a thriving and inclusive community that uplifts and supports its vulnerable members.

We once again distributed 50,000 “Care and Share” dining coupons of HK\$200 each to support small eateries and disadvantaged households. The coupons can be used at more than 200 restaurants and cafes. In all, we have set aside around HK\$55 million for subsidies to needy and disadvantaged households and non-residential customers. The funds will be used to help recipients save energy, improve electrical safety, and overcome challenging economic times.

The Happy Green Campaign, our signature green education programme, continued to promote energy efficiency and conservation, renewable energy, and low-carbon living among the public and the younger generations in particular. A three-day event on green education initiatives held in April encouraged more than 3,000 participants to support Hong Kong’s goal of carbon neutrality by 2050. Learning experiences remained highly popular among the 540 schools enrolled in the Happy Green School network. Our Green Hong Kong Green virtual tours provided information about Hong Kong’s eco-heritage to more than 2,500 attendees.

We continued to run the “CAREnJOY Non-stop” service in 2023, supporting more than 10,000 elders with useful information. We also distributed gift bags with daily necessities to single elders. In support of the United Nations Decade of Healthy Ageing, a new initiative, “U3A Dream+”, invited retirees to submit proposals for their dream projects to receive funding.

For the ninth year in a row, we have been named one of the Happy Companies in Hong Kong under the Happiness at Work Promotional Scheme. The Scheme recognises employers for good practices promoting employee wellness and engagement.

Outlook

We have been devoting major efforts to conducting the interim review of the current SCA and finalising the 2024-2028 Development Plan with the Government. We are taking the interests and expectations of multiple stakeholder groups, as well as the current investment climate into account in the spirit of the SCA, as we align with Government policy.

For the longer term, we believe the import of zero carbon electricity can be a viable option to supply Hong Kong's energy needs while at the same time fulfil the decarbonisation targets. We have commenced studying the import of zero-carbon electricity through regional cooperation and are working with the Government to plan a potential receiving station in Tseung Kwan O.

We have established a comprehensive Environmental, Social and Governance (ESG) Risk Management Framework in the year for HKEI, including a comprehensive review of the potential ESG risks of the Group and refinement of the associated risk control measures.

Mr. Wan Chi-tin, Chief Executive Officer of HKEI and Managing Director of HK Electric, retired from both his roles effective 1 July 2023. Mr. Wan has served at HK Electric for more than 45 years and has played a key role in the development and success of the Group. He is succeeded in both capacities by Mr. Cheng Cho-ying Francis, an Executive Director and formerly HK Electric's Operations Director. Under Mr. Cheng's leadership, I am confident that the Group will continue to drive innovation and achieve sustainable growth while maintaining our world-class standards.

On behalf of the Board I wish to record our gratitude to Mr. Wan for his leadership, selfless dedication and long service with HK Electric.

I thank my fellow board members for their advice, and our management team and all employees for their hard work without which our achievements would not be possible.

Fok Kin Ning, Canning

Chairman

Hong Kong, 1 August 2023

FINANCIAL REVIEW

Financial performance

The Trust Group's revenue and unaudited consolidated profit for the period ended 30 June 2023 were HK\$5,229 million (2022: HK\$4,893 million) and HK\$982 million (2022: HK\$894 million) respectively.

Distribution

The Trustee-Manager Board has declared an interim distribution of HK15.94 cents (2022: HK15.94 cents) per SSU for the six months ended 30 June 2023. 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 (2022: HK15.94 cents) per ordinary share in respect of the same period.

	Six months ended 30 June	
	2023	2022
	HK\$ million	HK\$ million
Consolidated profit attributable to SSU holders for the period	982	894
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	2,864	2,616
(ii) adding/(deducting)		
– movement in Fuel Clause Recovery Account	766	(756)
– changes in working capital	(674)	(209)
– adjustment for employee retirement benefit schemes	(10)	5
– taxes paid	(169)	(544)
	(87)	(1,504)
(iii) capital expenditure payment	(2,407)	(3,031)
(iv) net finance costs	(707)	(449)
Distributable income for the period	645	(1,474)
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed	763	2,882
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 2023, 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\$1,678 million (2022: HK\$2,159 million), which was funded by cash from operations and external borrowings. Total external borrowings outstanding at 30 June 2023 were HK\$52,054 million (31 December 2022: HK\$51,212 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 30 June 2023 had undrawn committed bank facilities of HK\$4,450 million (31 December 2022: HK\$3,400 million) and bank deposits and cash of HK\$279 million (31 December 2022: HK\$325 million).

Treasury policy, financing activities, capital and debt structure

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

During the period, the Trust Group concluded a HK\$2,000 million five-year credit facility with its relationship bank. The new credit facility was deployed for the funding for capital expenditure and for general corporate purposes.

As at 30 June 2023, the net debt of the Trust Group was HK\$51,775 million (31 December 2022: HK\$50,887 million) with a net debt-to-net total capital ratio of 51% (31 December 2022: 51%). The Trust Group's financial profile remained strong during the period. On 26 March 2023, 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 2023, 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) 47% were bank loans and 53% were capital market instruments;
- (3) 1% were repayable within 1 year, 62% were repayable after 1 year but within 5 years and 37% were repayable after 5 years; and
- (4) 72% were in fixed rate and 28% 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 2023, 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 2023 amounted to HK\$48,061 million (31 December 2022: HK\$44,900 million).

Charge on assets

As at 30 June 2023, no assets of the Trust Group were pledged to secure its loans and banking facilities (31 December 2022: Nil).

Contingent liabilities

As at 30 June 2023, the Trust Group had no guarantee or indemnity to external parties (31 December 2022: 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 2023, excluding directors' emoluments, amounted to HK\$604 million (2022: HK\$599 million). As at 30 June 2023, the Trust Group employed 1,678 (31 December 2022: 1,690) 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 2023

(Expressed in Hong Kong dollars)

	Note	2023 \$ million	2022 \$ million
Revenue	6	5,229	4,893
Direct costs		<u>(2,505)</u>	<u>(2,549)</u>
		2,724	2,344
Other revenue and other net income		48	39
Other operating costs	8	<u>(473)</u>	<u>(502)</u>
Operating profit		2,299	1,881
Finance costs		<u>(645)</u>	<u>(399)</u>
Profit before taxation	9	1,654	1,482
Income tax:	10		
Current		<u>(387)</u>	<u>(81)</u>
Deferred		<u>86</u>	<u>(188)</u>
		<u>(301)</u>	<u>(269)</u>
Profit after taxation		1,353	1,213
Scheme of Control transfers	11	<u>(371)</u>	<u>(319)</u>
Profit for the period attributable to the holders of Share Stapled Units/ shares of the Company		<u>982</u>	<u>894</u>
Earnings per Share Stapled Unit/ share of the Company			
Basic and diluted	12	<u>11.11 cents</u>	<u>10.12 cents</u>

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

Details of distributions/dividends payable to holders of Share Stapled Units/shares of the Company attributable to the profit for the period are set out in note 18.

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

For the six months ended 30 June 2023

(Expressed in Hong Kong dollars)

	2023	2022
	\$ million	\$ million
Profit for the period attributable to the holders of Share Stapled Units/shares of the Company	982	894
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	5	(13)
Net deferred tax (charged)/credited to other comprehensive income	(1)	2
	4	(11)
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	62	1,098
Reclassification adjustments for amounts transferred to profit or loss	(125)	35
Net deferred tax credited/(charged) to other comprehensive income	12	(131)
	(51)	1,002
Total comprehensive income for the period attributable to the holders of Share Stapled Units/ shares of the Company	935	1,885

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 2023

(Expressed in Hong Kong dollars)

		(Unaudited) 30 June 2023 \$ million	(Audited) 31 December 2022 \$ million
Non-current assets			
Property, plant and equipment		73,865	73,732
Interests in leasehold land held for own use		5,130	5,228
	13	<u>78,995</u>	78,960
Goodwill		33,623	33,623
Interest in a joint venture		884	793
Derivative financial instruments		1,348	1,450
Employee retirement benefit scheme assets		895	882
		<u>115,745</u>	<u>115,708</u>
Current assets			
Inventories		1,216	1,446
Trade and other receivables	14	2,378	1,631
Fuel Clause Recovery Account		1,126	1,892
Bank deposits and cash		279	325
		<u>4,999</u>	<u>5,294</u>
Current liabilities			
Trade and other payables and contract liabilities	15	(3,756)	(4,821)
Current portion of bank loans and other interest-bearing borrowings	16	(344)	(557)
Current tax payable		(367)	(149)
		<u>(4,467)</u>	<u>(5,527)</u>
Net current assets/(liabilities)		<u>532</u>	<u>(233)</u>
Total assets less current liabilities		<u>116,277</u>	<u>115,475</u>
Non-current liabilities			
Bank loans and other interest-bearing borrowings	16	(51,710)	(50,655)
Derivative financial instruments		(60)	(111)
Customers' deposits		(2,411)	(2,381)
Deferred tax liabilities		(10,399)	(10,495)
Employee retirement benefit scheme liabilities		(161)	(158)
Other non-current liabilities		(1,424)	(1,430)
		<u>(66,165)</u>	<u>(65,230)</u>
Scheme of Control Fund and Reserve	17	<u>(1,261)</u>	<u>(912)</u>
Net assets		<u>48,851</u>	49,333
Capital and reserves			
Share capital		8	8
Reserves		48,843	49,325
Total equity		<u>48,851</u>	<u>49,333</u>

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

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

(Expressed in Hong Kong dollars)

1. Review of unaudited interim financial statements

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

2. General information

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

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

3. Basis of presentation

Pursuant to the Trust Deed, the Trust and the Company are each required to prepare their own sets of interim financial statements on a consolidated basis. The unaudited consolidated interim financial statements of the Trust for the period ended 30 June 2023 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 2023 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 2023 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 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to HKAS 8, *Definition of Accounting Estimates*
- Amendments to HKAS 12, *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

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	
	2023	2022
	\$ million	\$ million
Sales of electricity	5,188	4,831
Less: Concessionary discount on sales of electricity	(4)	(3)
	5,184	4,828
Electricity-related income	45	65
	5,229	4,893

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	
	2023	2022
	\$ million	\$ million
Administrative expenses, government rent and rates	173	168
Staff costs in relation to corporate and administrative supports	115	120
Provisions for asset decommissioning obligation	35	74
Portion of depreciation and amortisation of leasehold land included in other operating costs	97	95
Net loss on disposal and written off of property, plant and equipment	53	45
	473	502

9. Profit before taxation

	Six months ended 30 June	
	2023	2022
	\$ million	\$ million
Profit before taxation is arrived at after charging/(crediting):		
Finance costs		
Interest on borrowings and other finance costs	839	557
Less: Interest expense and other finance costs capitalised to assets under construction	(175)	(144)
Interest expense transferred to fuel costs	(19)	(14)
	645	399
Depreciation		
Depreciation charges for the period	1,416	1,454
Less: Depreciation capitalised to assets under construction	(51)	(44)
	1,365	1,410
Amortisation of leasehold land	98	98

10. Income tax

	Six months ended 30 June	
	2023	2022
	\$ million	\$ million
Current tax		
Provision for Hong Kong Profits Tax for the period	387	81
Deferred tax		
Origination and reversal of temporary differences	(86)	188
	301	269

The provision for Hong Kong Profits Tax for the six months ended 30 June 2023 is calculated at 16.5% (2022: 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 2022.

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	
	2023	2022
	\$ million	\$ million
Tariff Stabilisation Fund	359	318
Rate Reduction Reserve	12	1
	371	319

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 \$982 million for the six months ended 30 June 2023 (2022: \$894 million) and the weighted average of 8,836,200,000 Shares Stapled Units/ordinary shares of the Company (2022: 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 2023	15,901	1	46,420	540	10,870	73,732	5,228	78,960
Additions	-	2	17	2	1,588	1,609	-	1,609
Transfers between categories	90	-	1,338	17	(1,445)	-	-	-
Disposals	(1)	-	(59)	-	-	(60)	-	(60)
Depreciation/ amortisation	(287)	(1)	(1,065)	(63)	-	(1,416)	(98)	(1,514)
Net book value at 30 June 2023	15,703	2	46,651	496	11,013	73,865	5,130	78,995
Cost	20,605	3	65,740	1,302	11,013	98,663	6,960	105,623
Accumulated depreciation and amortisation	(4,902)	(1)	(19,089)	(806)	-	(24,798)	(1,830)	(26,628)
Net book value at 30 June 2023	15,703	2	46,651	496	11,013	73,865	5,130	78,995

14. Trade and other receivables

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

	30 June 2023 \$ million	31 December 2022 \$ million
Current and within 1 month	1,131	748
1 to 3 months	44	56
More than 3 months but less than 12 months	5	7
Trade debtors	1,180	811
Other receivables	1,075	729
	2,255	1,540
Derivative financial instruments	9	1
Deposits and prepayments	114	90
	2,378	1,631

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

15. Trade and other payables and contract liabilities

	30 June 2023 \$ million	31 December 2022 \$ million
Due within 1 month or on demand	2,109	2,748
Due after 1 month but within 3 months	456	818
Due after 3 months but within 12 months	1,134	1,152
Creditors measured at amortised cost	3,699	4,718
Lease liabilities	1	-
Derivative financial instruments	3	40
Contract liabilities	53	63
	3,756	4,821

16. Bank loans and other interest-bearing borrowings

	30 June 2023 \$ million	31 December 2022 \$ million
Bank loans	24,720	23,987
Current portion	(44)	(257)
	24,676	23,730
Hong Kong dollar medium term notes		
Fixed rate notes	8,958	8,956
Zero coupon notes	820	806
	9,778	9,762
Current portion	(300)	(300)
	9,478	9,462
United States dollar medium term notes		
Fixed rate notes	13,573	13,565
Zero coupon notes	3,983	3,898
	17,556	17,463
Non-current portion	51,710	50,655

17. Scheme of Control Fund and Reserve

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

	30 June 2023 \$ million	31 December 2022 \$ million
Tariff Stabilisation Fund	1,244	872
Rate Reduction Reserve	12	13
Smart Power Care Fund	5	27
	1,261	912

18. Interim distribution/dividend

The distributable income for the period was as follows:

	Six months ended 30 June	
	2023	2022
	\$ million	\$ million
	<hr/>	<hr/>
Consolidated profit attributable to the holders of Share Stapled Units for the period	982	894
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	2,864	2,616
(ii) adding/(deducting)		
- movement in Fuel Clause Recovery Account	766	(756)
- changes in working capital	(674)	(209)
- adjustment for employee retirement benefit schemes	(10)	5
- taxes paid	(169)	(544)
	(87)	(1,504)
(iii) capital expenditure payment	(2,407)	(3,031)
(iv) net finance costs	(707)	(449)
	<hr/>	<hr/>
Distributable income for the period	645	(1,474)
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed (see note (d) below)	763	2,882
	<hr/>	<hr/>
Distributable income for the period after adjustment of discretionary amount	1,408	1,408
	<hr/>	<hr/>
Distribution amount for the period	1,408	1,408
	<hr/>	<hr/>
Number of Share Stapled Units/ordinary shares of the Company	8,836,200,000	8,836,200,000
	<hr/>	<hr/>
Interim distribution per Share Stapled Unit/first interim dividend per ordinary share of the Company (see note (e) below)	15.94 cents	15.94 cents
	<hr/>	<hr/>

- (a) Pursuant to clause 1.1 of the Trust Deed, “Adjustments” includes, but not limited to (i) transfers to/from the Tariff Stabilisation Fund and the Rate Reduction Reserve under the Scheme of Control; (ii) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (iii) impairment of goodwill/recognition of negative goodwill; (iv) material non-cash gains/losses; (v) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units; (vi) depreciation and amortisation; (vii) tax charges as shown in the consolidated statement of profit or loss; and (viii) net finance income/costs as shown in the consolidated statement of profit or loss.
- (b) The Trust Deed requires the Trustee-Manager (on behalf of the Trust) to distribute 100% of the dividends, distributions and other amounts received by the Trustee-Manager in respect of the ordinary shares from the Company, after deduction of all amounts permitted to be deducted or paid under the Trust Deed.
- (c) The distributions received by the Trustee-Manager from the Company will be derived from the Group Distributable Income which is referred as audited consolidated profit attributable to the holders of Share Stapled Units for the relevant financial year or distribution period, after making adjustments in respect of items as set out in the Trust Deed.
- (d) In determining the distribution amount, the Company Board has taken into account the Group’s financial performance achieved during the period under review and its stable cashflow from operations, and consider it appropriate to adjust the distributable income for the six months ended 30 June 2023, 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 (2022: 15.94 cents) is calculated based on the interim distribution of \$1,408 million for the six months ended 30 June 2023 (2022: \$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 2023 (2022: 8,836,200,000).

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

For the six months ended 30 June 2023

(Expressed in Hong Kong dollars)

	Note	2023	2022
		<u> \$ </u>	<u> \$ </u>
Revenue		-	-
Administrative expenses		<u>-</u>	<u>-</u>
Profit before taxation	6	-	-
Income tax	7	<u>-</u>	<u>-</u>
Profit and total comprehensive income for the period		<u><u>-</u></u>	<u><u>-</u></u>

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

At 30 June 2023

(Expressed in Hong Kong dollars)

	(Unaudited) 30 June 2023 \$	(Audited) 31 December 2022 \$
Current assets		
Amount due from immediate holding company	<u>1</u>	<u>1</u>
Net assets	<u><u>1</u></u>	<u><u>1</u></u>
Capital and reserves		
Share capital	1	1
Reserves	<u>-</u>	<u>-</u>
Total equity	<u><u>1</u></u>	<u><u>1</u></u>

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

(Expressed in Hong Kong dollars)

1. Review of unaudited interim financial statements

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

2. General information

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

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

3. Basis of presentation

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

In accordance with the Trust Deed, a distributions statement shall be included in the financial statements of the Company. As the details of the distribution has already been presented in note 18 to the unaudited consolidated interim financial statements of the Trust and of HK Electric Investments Limited on pages 20 and 21, no distributions statement is therefore presented in these unaudited interim financial statements.

4. Basis of preparation

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

The interim financial statements have been prepared in accordance with the same accounting policies adopted in and should be read in conjunction with the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 2022 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 2022. 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 \$381,000 for the six months ended 30 June 2023 (2022: \$363,000) have been borne by HK Electric Investments Limited, which has waived its right of recovery thereof.

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

7. Income tax

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

OTHER INFORMATION

Interim distribution

The Trustee-Manager Board has declared an interim distribution by the Trust for 2023 of HK15.94 cents per Share Stapled Unit. The distribution will be payable on Friday, 25 August 2023 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Wednesday, 16 August 2023, 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, 16 August 2023.

Purchase, sale or redemption of Share Stapled Units

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

None of the Trust, the Trustee-Manager, the Company nor any of their subsidiaries purchased, sold or redeemed any of the issued Share Stapled Units during the six months ended 30 June 2023.

Corporate governance

The Trustee-Manager and the Company 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 practices 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, managed by the Trustee-Manager, 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, each of the Trustee-Manager and the Company is responsible for its compliance with the Listing Rules and other relevant laws and regulations, and will co-operate with each other to ensure compliance of the Listing Rules obligations and 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 2023, except as stated and explained hereunder.

The Trustee-Manager does not have a remuneration committee as the Directors of the Trustee-Manager, in such capacity, are not entitled to any remuneration. In addition, the Trustee-Manager does not have a nomination committee as the Trust Deed and the Trustee-Manager's articles of association require the directors of the Company and the Trustee-Manager comprise the same individuals, and the requirement to establish a nomination committee is hence considered irrelevant to the Trustee-Manager.

The Trustee-Manager Audit Committee and the Company Audit Committee, and the Nomination Committee and the Remuneration Committee of the Company, all chaired by an Independent Non-executive Director, support the Boards in providing independent oversight in their respective areas of responsibilities. The Sustainability Committee oversees management of, and advises the Company Board on, the development and implementation of the sustainability initiatives of the Group.

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 Audit Committees have reviewed the procedures for reporting possible improprieties in financial reporting, internal control or other matters. In addition, the Trustee-Manager and the Company have established the Policy on Inside Information and Securities Dealing for compliance by all employees of the Group.

Model Code for securities transactions by Directors

The Boards have adopted the Model Code as their code of conduct regulating directors' securities transactions. All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the six months ended 30 June 2023.

Boards composition

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

Executive Directors	:	Mr. FOK Kin Ning, Canning (Chairman), Mr. CHENG Cho Ying, Francis (Chief Executive Officer), Mr. CHAN Loi Shun, Mr. KWAN Ying Leung and Mr. WANG Yuanhang
Non-executive Directors	:	Mr. LI Tzar Kuoi, Victor (Deputy Chairman) (Mr. Frank John SIXT as his alternate), Mr. Fahad Hamad A H AL-MOHANNADI, Mr. Ronald Joseph ARCULLI, Mr. Deven Arvind KARNIK, Mr. WANG Zijian and Mr. ZHU Guangchao
Independent Non-executive Directors	:	Dr. FONG Chi Wai, Alex, Ms. KOH Poh Wah, Mr. KWAN Kai Cheong, Mr. LEE Lan Yee, Francis, Mr. George Colin MAGNUS and Mr. Donald Jeffrey ROBERTS

GLOSSARY

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

Term(s)	Definition
“Boards” or “Boards of Directors”	Trustee-Manager Board and Company Board
“Company”	HK Electric Investments Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 23 September 2013
“Company Audit Committee”	Audit committee of the Company
“Company Board”	Board of directors of the Company
“Corporate Governance Code”	Corporate Governance Code set out in Appendix 14 of the Listing Rules
“Government”	HKSAR Government
“Group”	The Company and its subsidiaries
“HK Electric”	The Hongkong Electric Company, Limited, a company incorporated in Hong Kong with limited liability on 24 January 1889 and an indirect wholly-owned subsidiary of the Company
“HKASs”	Hong Kong Accounting Standards
“HKEI”	The Trust and the Company
“HKFRSs”	A collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Holder(s) of Share Stapled Units” or “SSU holder(s)”	Person(s) who holds Share Stapled Units issued by HKEI

Term(s)	Definition
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Power Assets”	Power Assets Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6)
“Share Stapled Unit(s)” or “SSU(s)”	<p>Share Stapled Unit(s) jointly issued by the Trust and the Company, with each Share Stapled Unit being the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others:</p> <ul style="list-style-type: none"> (a) a unit in the Trust; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the unit and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of the Trust); and (c) a specifically identified preference share of the Company stapled to the unit.
“Share Stapled Units Register”	The register of registered Holders of Share Stapled Units
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	HK Electric Investments, as constituted pursuant to the Trust Deed under the Laws of Hong Kong
“Trust Deed”	The trust deed dated 1 January 2014 constituting the Trust, entered into between the Trustee-Manager and the Company and as amended by the deed of amendment dated 13 May 2020
“Trust Group”	The Trust and the Group

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