

港燈電力投資

HK Electric Investments

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

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

與 and

港燈電力投資有限公司

HK Electric Investments Limited

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

(股份代號 Stock Code : 2638)



港燈電力投資
HK Electric Investments

香港堅尼地道四十四號港燈中心
Hongkong Electric Centre, 44 Kennedy Road, Hong Kong
電話 / Tel 2843 3111 傳真 / Fax 2810 0506
電郵 / Email mail@hkei.hk
www.hkei.hk

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2024 INTERIM RESULTS

CHAIRMAN'S STATEMENT

In recent years, HKEI and its wholly owned subsidiary, HK Electric, have made remarkable progress in their transition to green energy, increasing the proportion of gas-fired generation as an interim phase ahead of migration to zero-carbon electricity production. The first six months of 2024 saw HK Electric advance steadily along this pathway by completing ongoing capital projects and kicking off the activities under a new Development Plan spanning 2024 - 2028.

We achieved a new milestone with the launch of L12, a 380-MW gas-fired combined-cycle generating unit, in March 2024. As part of our commitment to reducing coal-fired generation, we retired two old units, L4 and L5, in January and June 2024 respectively. These measures mark the completion of our 2019 - 2023 Development Plan, moving us closer to our plan of generating around 70% of electricity from natural gas.

With the 2024 - 2028 Development Plan now in place, we will progress with the next stage in our energy transition. This plan will guide us in optimising capital expenditure while ensuring a safe, reliable and affordable electricity supply. Over the next five years, we will invest HK\$22 billion to expand our decarbonisation infrastructure, including the construction of a new 380-MW gas-fired combined-cycle generating unit, L13, and reinforce our other infrastructure.

Our network plays an important role in our energy future. Under the new Development Plan, we will make significant investments to strengthen our network, creating an intelligent, automated grid capable of supporting two-way energy flows and seamless operations in extreme weather conditions. New transmission and distribution substations will also be built to cater for the city's developments in particular in Eastern and Southern districts.

Half-year results

For the six months ended 30 June 2024, HKEI's EBITDA amounted to HK\$3,989 million (2023: HK\$3,739 million) and unaudited profit attributable to holders of Share Stapled Units (SSU) was HK\$947 million (2023: HK\$982 million).

Interim distribution

Distributable income for the period was HK\$1,408 million (2023: 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 (2023: HK15.94 cents) per SSU, payable on 6 September 2024 to SSU holders whose names appear on the Share Stapled Units Register on 28 August 2024.

Evolving our operations to support decarbonisation

Reducing our use of coal and increasing gas-fired generation is a critical intermediate milestone in our journey towards net-zero electricity generation in support of the Hong Kong Special Administrative Region Government's decarbonisation goals.

We are steadily realigning the generation infrastructure at Lamma Power Station (LPS), reducing units that use coal, while increasing gas-fired generation capacity, to reduce carbon emissions.

Under the 2024 - 2028 Development Plan, we will construct L13 at LPS, with commissioning scheduled for 2029. This addition will bring HK Electric's total gas-fired generation capacity to 1,855 MW, accounting for the majority of our total installed capacity. Foundation works of L13 started in January 2024 and nine out of 39 bored piles are under construction. Equipment sourcing is also in progress.

We seek to phase out all coal-fired generation by 2035. Following the retirement of three coal-fired units in previous years, we retired L4 and L5 during the review period, and L6 is scheduled for retirement in 2029. At the same time, four old oil-fired open-cycle generating units will also be retired successively in the coming years. They will be replaced by three new similar units to ensure generation security during contingencies. The new units will be launched progressively by 2028. System design of the new units was completed and equipment delivery will commence in early 2025.

Smart meter data help customers better understand their consumption of energy for prudent management of its use. Consequently, a comprehensive rollout of smart meters with advanced metering infrastructure is an essential component of our vision of the smart grid of Hong Kong's future. As at the end of June 2024, around 420,000 smart meters had been installed, covering about 71% of our customers. Supporting infrastructure such as networking equipment and IT platforms for data collection and meter data management are also being deployed.

Performance and operational excellence every day

Electricity sales for the first half of 2024 were 1.8% higher than the corresponding period in 2023, driven by exceptionally warm weather, with record-breaking hot temperatures in April and an additional leap day in February.

Following a stabilisation of global fuel prices, we were able to reduce Net Tariff. Net Tariff decreased by HK31.5 cents (16%) from HK197 cents per unit of electricity in January 2023 to HK165.5 cents per unit in January 2024. A HK5-cent increase in the Basic Tariff, from HK114.5 cents in 2023 to HK119.5 cents per unit in 2024, took effect due to the extensive capital works planned. This increase was mitigated by a significant reduction in the Fuel Clause Charge, which had more than halved from HK82.5 cents in January 2023 to HK39.8 cents per unit in June 2024.

The proactive maintenance strategy and range of improvement measures we implemented allowed us to achieve a supply reliability of over 99.9999% for the first six months of the year, representing less than 0.5 minutes of unplanned power interruption on average per customer. Network maintenance and upgrade works progressed according to our strategic plan. We commissioned five new distribution substations to enhance network performance. Additionally, we implemented cable-fluid remote-monitoring systems to oversee the hydraulic pressure of more than 400 network sections, including all generation circuits and outgoing circuits of the North Point 132-kV Switching Station. The second stage of this project is underway and will be commissioned by early 2025.

We are mindful of public expectations about the reliability of power supply. While acknowledging that power interruption and other incidents caused by adverse weather, cable faults, equipment failures or third-party damages are unavoidable in any power system, we are reviewing our transmission and distribution asset management systems to further enhance our system resilience. At the same time, we are scrutinising our contingency plans with a view to enhancing our preparedness so that we can restore power supply to our customers in the shortest time possible in the event of a power incident.

We strive to delight our 591,000 customers with every interaction with us, measuring our performance across 18 service standards. All service standards were met or surpassed during the period. We expanded our electronic services and enhanced our online forms, enabling customers to process move-in and move-out applications more efficiently and seamlessly in a single flow.

We continued to enhance the range of programmes we run under the Smart Power Services umbrella such as energy audits and subsidies for buildings undertaking energy efficiency and conservation initiatives, to promote a low-carbon community. We launched a subsidy of up to HK\$200,000 per premises for NGOs and schools to install solar photovoltaic systems to generate electricity, after which they could also join the Feed-in Tariff (FiT) Scheme and receive FiT payments by selling the renewable energy they generate to the HK Electric grid.

Seven new service requests were received for the Smart Power for Construction Site service for early electrification and replacement of diesel generators with grid-electricity supply. By eliminating diesel generators on site, air and noise pollution as well as carbon emissions could be reduced and costs saved.

Green transportation is an important component of any green society and we helped customers applying for the Government's EV-charging at Home Subsidy Scheme (EHSS) with the supply of electricity and advice on technical matters. During the period under review, 38 EHSS projects were completed on Hong Kong Island, rendering 3,537 parking spaces EV-charging ready. In light of the growing marketisation of EV charging services, HK Electric will phase out free EV charging services in public car parks and decommission all its public EV charging stations by the end of the year, while enhancing the Smart Power EV Charging Solution service for customers.

A review of HKEI's Sustainability Framework, Sustainability Policy, and Environmental Policy was completed, incorporating the Group's recent developments, emerging sustainability trends, and peer practices. New targets were established to address six United Nations' Sustainable Development Goals supported by HK Electric.

Enabling our community and staff to flourish

As a long-standing member of the Hong Kong business community, we believe that our progress is not possible without social and environmental advancement. We strive to be an employer of choice, attracting and retaining talent while supporting environmental conservation and creating a positive social impact on the underprivileged and vulnerable in the community.

Supporting families through the challenging economic environment has been a primary focus for us. Through the Smart Power Care Fund, we distributed earlier this year 10,000 sets of cash coupons valued at HK\$200 each to customers eligible for concessionary tariff schemes and households in financial need to purchase daily necessities. This was the fifth year similar coupons were handed out.

Our support for the elderly progressed with the on-going "CAREnJOY for the Elderly" and U3A programmes, including the "U3A Dream+" scheme launched in 2023 to support United Nations' advocacy of "Healthy-ageing". The scheme attracted dozens of entries from retirees eager to fulfil their dreams of improving their communities. Seven finalists were awarded for their projects completed in 2024. These projects, focusing on physical and mental well-being, low-carbon living, artistic creations, and environmental conservation, engaged up to 66 community units and benefited more than 9,500 people.

Conservation starts with awareness. We continued to promote green mindsets under the Happy Green Campaign, now in its 21st year. Under the theme "Be Chill. Be Carbon Neutral", a range of events, contests, and learning experiences highlighted the importance of energy efficiency and conservation, renewable energy, and low-carbon living. Green Hong Kong Green, another long-running education and awareness programme, continued to organise eco-heritage tours – both physical and online – to introduce the city's many historical and ecological resources.

In a competitive labour market, we have actively addressed talent acquisition challenges, especially in the IT and engineering sectors. In addition to recruiting graduates from local universities, we also participated in two recruitment fairs in the Greater Bay Area in 2023, successfully onboarded three new team members from the Mainland. We prioritise retaining our current talent through promising career paths and a robust training programme. In June 2024, we recruited 14 mid-level leaders from various business units for our Leadership Development Programme.

Outlook

Our immediate priority is to proceed with the projects under the 2024 - 2028 Development Plan as scheduled. Work has already commenced and we will strive to balance capital optimisation and essential investments during our journey towards net zero.

While gas-fired generation is an assured practice to reduce carbon emission, we will also broaden our study of the import of zero-carbon electricity through regional cooperation and explore the use of green hydrogen as a zero-carbon energy alternative in Hong Kong. With necessary modifications, all new LPS gas-fired units will be capable of using both natural gas and hydrogen as fuels in the future.

We will also seek to enhance productivity and strengthen our capabilities of all aspects of our operations by leveraging advanced technologies such as artificial intelligence. We will invest to improve our system resilience against extreme weather events including flood control and wind protection on our premises, to address climate-related contingencies.

In closing I thank the Board and all my talented colleagues whose efforts underlie our success.

Fok Kin Ning, Canning
Chairman
Hong Kong, 13 August 2024

FINANCIAL REVIEW

Financial performance

The Trust Group's revenue and unaudited consolidated profit for the period ended 30 June 2024 were HK\$5,572 million (2023: HK\$5,229 million) and HK\$947 million (2023: HK\$982 million) respectively.

Distribution

The Trustee-Manager Board has declared an interim distribution of HK15.94 cents (2023: HK15.94 cents) per SSU for the six months ended 30 June 2024. 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 (2023: HK15.94 cents) per ordinary share in respect of the same period.

	Six months ended 30 June	
	2024	2023
	HK\$ million	HK\$ million
Consolidated profit attributable to SSU holders for the period	947	982
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	3,159	2,864
(ii) adding/(deducting)		
– movement in Fuel Clause Recovery Account	119	766
– changes in working capital	(201)	(674)
– adjustment for employee retirement benefit schemes	(9)	(10)
– taxes paid	(168)	(169)
	(259)	(87)
(iii) capital expenditure payment	(2,025)	(2,407)
(iv) net finance costs	(750)	(707)
Distributable income for the period	1,072	645
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed	336	763
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 2024, 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\$1,375 million (2023: HK\$1,678 million), which was funded by cash from operations and external borrowings. Total external borrowings outstanding at 30 June 2024 were HK\$50,664 million (31 December 2023: HK\$50,206 million), comprising unsecured bank loans and debt securities in issue. In addition, the Trust Group at 30 June 2024 had undrawn committed bank facilities of HK\$5,185 million (31 December 2023: HK\$6,535 million) and bank deposits and cash of HK\$45 million (31 December 2023: HK\$21 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.

As at 30 June 2024, the net debt of the Trust Group was HK\$50,619 million (31 December 2023: HK\$50,185 million) with a net debt-to-net total capital ratio of 51% (31 December 2023: 51%). The Trust Group's financial profile remained strong during the period. On 17 March 2024, 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 2024, 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) 46% were bank loans and 54% were capital market instruments;
- (3) 1% were repayable within 1 year, 61% were repayable after 1 year but within 5 years and 38% were repayable after 5 years; and
- (4) 74% were in fixed rate and 26% 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 2024, 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 2024 amounted to HK\$48,014 million (31 December 2023: HK\$46,116 million).

Charge on assets

As at 30 June 2024, no assets of the Trust Group were pledged to secure its loans and banking facilities (31 December 2023: Nil).

Contingent liabilities

As at 30 June 2024, the Trust Group had no guarantee or indemnity to external parties (31 December 2023: 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 2024, excluding directors' emoluments, amounted to HK\$619 million (2023: HK\$604 million). As at 30 June 2024, the Trust Group employed 1,649 (31 December 2023: 1,657) 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 2024

(Expressed in Hong Kong dollars)

	Note	2024 \$ million	2023 \$ million
Revenue	6	5,572	5,229
Direct costs		(2,615)	(2,505)
		2,957	2,724
Other revenue and other net income		43	48
Other operating costs	8	(510)	(473)
Operating profit		2,490	2,299
Finance costs		(674)	(645)
Profit before taxation	9	1,816	1,654
Income tax:	10		
Current		(325)	(387)
Deferred		(8)	86
		(333)	(301)
Profit after taxation		1,483	1,353
Scheme of Control transfers	11	(536)	(371)
Profit for the period attributable to the holders of Share Stapled Units/ shares of the Company		947	982
Earnings per Share Stapled Unit/ share of the Company			
Basic and diluted	12	10.72 cents	11.11 cents

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 2024

(Expressed in Hong Kong dollars)

	2024 \$ million	2023 \$ million
Profit for the period attributable to the holders of Share Stapled Units/shares of the Company	947	982
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
Net deferred tax charged to other comprehensive income	-	(1)
	-	4
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	217	62
Reclassification adjustments for amounts transferred to profit or loss	(189)	(125)
Net deferred tax (charged)/credited to other comprehensive income	(1)	12
	27	(51)
Total comprehensive income for the period attributable to the holders of Share Stapled Units/ shares of the Company	974	935

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 2024

(Expressed in Hong Kong dollars)

		(Unaudited) 30 June 2024 \$ million	(Audited) 31 December 2023 \$ million
	Note		
Non-current assets			
Property, plant and equipment		74,623	74,791
Interests in leasehold land held for own use		4,935	5,033
	13	79,558	79,824
Goodwill		33,623	33,623
Interest in a joint venture		897	895
Derivative financial instruments		778	737
Employee retirement benefit scheme assets		980	968
		<u>115,836</u>	<u>116,047</u>
Current assets			
Inventories		1,062	1,003
Trade and other receivables	14	1,932	1,469
Bank deposits and cash		45	21
		<u>3,039</u>	<u>2,493</u>
Current liabilities			
Trade and other payables and contract liabilities	15	(2,904)	(3,417)
Fuel Clause Recovery Account		(172)	(53)
Current portion of bank loans and other interest-bearing borrowings	16	(742)	(715)
Bank overdrafts – unsecured		-	(44)
Current tax payable		(1,046)	(889)
		<u>(4,864)</u>	<u>(5,118)</u>
Net current liabilities		<u>(1,825)</u>	<u>(2,625)</u>
Total assets less current liabilities		<u>114,011</u>	<u>113,422</u>
Non-current liabilities			
Bank loans and other interest-bearing borrowings	16	(49,922)	(49,447)
Derivative financial instruments		(163)	(181)
Customers' deposits		(2,482)	(2,449)
Deferred tax liabilities		(10,134)	(10,124)
Employee retirement benefit scheme liabilities		(194)	(191)
Other non-current liabilities		(1,385)	(1,382)
		<u>(64,280)</u>	<u>(63,774)</u>
Scheme of Control Fund and Reserve	17	<u>(1,200)</u>	<u>(670)</u>
Net assets		<u>48,531</u>	<u>48,978</u>
Capital and reserves			
Share capital		8	8
Reserves		48,523	48,970
Total equity		<u>48,531</u>	<u>48,978</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 2024 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 2024 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 2024 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 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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, *Classification of Liabilities as Current or Non-current*
- Amendments to HKAS 1, *Non-current Liabilities with Covenants*
- HK Interpretation 5 (Revised), *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

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	
	2024 \$ million	2023 \$ million
Sales of electricity	5,561	5,188
Less: Concessionary discount on sales of electricity	(3)	(4)
	5,558	5,184
Electricity-related income	14	45
	5,572	5,229

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	
	2024 \$ million	2023 \$ million
Administrative expenses, government rent and rates	185	173
Staff costs in relation to corporate and administrative supports	116	115
Provisions for asset decommissioning obligation	46	35
Portion of depreciation and amortisation of leasehold land included in other operating costs	106	97
Net loss on disposal and written off of property, plant and equipment	57	53
	510	473

9. Profit before taxation

	Six months ended 30 June	
	2024	2023
	\$ million	\$ million
Profit before taxation is arrived at after charging/(crediting):		
Finance costs		
Interest on borrowings and other finance costs	870	839
Less: Interest expense and other finance costs capitalised to assets under construction	(182)	(175)
Interest expense transferred to fuel costs	(14)	(19)
	674	645
Depreciation		
Depreciation charges for the period	1,478	1,416
Less: Depreciation capitalised to assets under construction	(57)	(51)
	1,421	1,365
Amortisation of leasehold land	98	98

10. Income tax

	Six months ended 30 June	
	2024	2023
	\$ million	\$ million
Current tax		
Provision for Hong Kong Profits Tax for the period	325	387
Deferred tax		
Origination and reversal of temporary differences	8	(86)
	333	301

The provision for Hong Kong Profits Tax for the six months ended 30 June 2024 is calculated at 16.5% (2023: 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 2023.

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	
	2024	2023
	\$ million	\$ million
Tariff Stabilisation Fund	522	359
Rate Reduction Reserve	14	12
	536	371

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 \$947 million for the six months ended 30 June 2024 (2023: \$982 million) and the weighted average of 8,836,200,000 Shares Stapled Units/ordinary shares of the Company (2023: 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 2024	15,403	3	48,138	673	10,574	74,791	5,033	79,824
Additions	-	-	13	2	1,359	1,374	-	1,374
Transfers between categories	19	-	548	10	(577)	-	-	-
Disposals	-	-	(64)	-	-	(64)	-	(64)
Depreciation/ amortisation	(285)	(1)	(1,121)	(71)	-	(1,478)	(98)	(1,576)
Net book value at 30 June 2024	15,137	2	47,514	614	11,356	74,623	4,935	79,558
Cost	20,479	4	66,765	1,504	11,356	100,108	6,961	107,069
Accumulated depreciation and amortisation	(5,342)	(2)	(19,251)	(890)	-	(25,485)	(2,026)	(27,511)
Net book value at 30 June 2024	15,137	2	47,514	614	11,356	74,623	4,935	79,558

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 2024 \$ million	31 December 2023 \$ million
Current and within 1 month	823	664
1 to 3 months	50	48
More than 3 months but less than 12 months	9	12
Trade debtors	882	724
Other receivables	905	651
	1,787	1,375
Derivative financial instruments	1	1
Deposits and prepayments	144	93
	1,932	1,469

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 2024 \$ million	31 December 2023 \$ million
Due within 1 month or on demand	1,313	1,353
Due after 1 month but within 3 months	672	901
Due after 3 months but within 12 months	888	1,127
Creditors measured at amortised cost	2,873	3,381
Lease liabilities	2	2
Derivative financial instruments	1	1
Contract liabilities	28	33
	2,904	3,417

16. Bank loans and other interest-bearing borrowings

	30 June 2024 \$ million	31 December 2023 \$ million
Bank loans	23,406	23,017
Current portion	(442)	(415)
	22,964	22,602
Hong Kong dollar medium term notes		
Fixed rate notes	8,663	8,661
Zero coupon notes	849	834
	9,512	9,495
Current portion	(300)	(300)
	9,212	9,195
United States dollar medium term notes		
Fixed rate notes	13,589	13,581
Zero coupon notes	4,157	4,069
	17,746	17,650
Non-current portion	49,922	49,447

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 2024 \$ million	31 December 2023 \$ million
Tariff Stabilisation Fund	1,183	630
Rate Reduction Reserve	14	31
Smart Power Care Fund	3	9
	1,200	670

18. Interim distribution/dividend

The distributable income for the period was as follows:

	Six months ended 30 June	
	2024	2023
	\$ million	\$ million
Consolidated profit attributable to the holders of Share Stapled Units for the period	947	982
After:		
(i) eliminating the effects of the Adjustments (see note (a) below)	3,159	2,864
(ii) adding/(deducting)		
- movement in Fuel Clause Recovery Account	119	766
- changes in working capital	(201)	(674)
- adjustment for employee retirement benefit schemes	(9)	(10)
- taxes paid	(168)	(169)
	(259)	(87)
(iii) capital expenditure payment	(2,025)	(2,407)
(iv) net finance costs	(750)	(707)
Distributable income for the period	1,072	645
(v) adding discretionary amount as determined by the Company Board pursuant to clause 14.1(c) of the Trust Deed (see note (d) below)	336	763
Distributable income for the period after adjustment of discretionary amount	1,408	1,408
Distribution amount for the period	1,408	1,408
Number of Share Stapled Units/ordinary shares of the Company	8,836,200,000	8,836,200,000
Interim distribution per Share Stapled Unit/first interim dividend per ordinary share of the Company (see note (e) below)	15.94 cents	15.94 cents

- (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 2024, 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 (2023: 15.94 cents) is calculated based on the interim distribution of \$1,408 million for the six months ended 30 June 2024 (2023: \$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 2024 (2023: 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 2024

(Expressed in Hong Kong dollars)

	Note	2024 \$	2023 \$
Revenue		-	-
Administrative expenses		-	-
Profit before taxation	6	-	-
Income tax	7	-	-
Profit and total comprehensive income for the period		-	-

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

At 30 June 2024

(Expressed in Hong Kong dollars)

	(Unaudited) 30 June 2024 \$	(Audited) 31 December 2023 \$
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 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 2023 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 2023. 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 \$363,000 for the six months ended 30 June 2024 (2023: \$381,000) 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 2024 of HK15.94 cents per Share Stapled Unit. The distribution will be payable on Friday, 6 September 2024 to Holders of Share Stapled Units whose names appear in the Share Stapled Units Register at the close of business on Wednesday, 28 August 2024, 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, 28 August 2024.

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 2024.

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 2024, 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 2024.

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 C1 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 C3 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 two deeds of amendment dated 13 May 2020 and 22 May 2024 respectively

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